# 2023
ANNUAL REPORT 年報

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 Director

Ye Mingjie

### Independent Non-executive Directors

Lyu Hong Bing
Lam Ching Kam
Fung Tze Wa

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Company Secretary

Lam Yee Mei, Katherine

## Auditor

ZHONGHUI ANDA CPA Limited

## Principal Place of Business in Hong Kong

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

## Registered Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Principal Share Registrar and Transfer Office

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

## Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

## Investor and Media Relations

Investor Relations Department
Email: ir@shimaogroup.com

# FIVE YEARS FINANCIAL SUMMARY

| | 2023 RMB'000 | 2022 RMB'000 | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|---|---|
| **Revenue** | **59,463,712** | 63,040,148 | 107,797,269 | 135,352,755 | 111,516,981 |
| Cost of sales | **(53,615,805)** | (57,758,774) | (105,179,409) | (95,685,488) | (77,386,427) |
| **Gross profit** | **5,847,907** | 5,281,374 | 2,617,860 | 39,667,267 | 34,130,554 |
| Fair value (losses)/gains on investment properties | **(5,878,296)** | (631,445) | (601,614) | 397,539 | 2,335,257 |
| Other (losses)/other income and gains – net | **(3,848,781)** | 3,561,859 | 132,360 | 1,029,335 | 351,639 |
| Selling and marketing costs | **(1,419,774)** | (2,813,377) | (5,376,840) | (4,416,344) | (2,824,871) |
| Administrative expenses | **(4,703,318)** | (5,718,667) | (6,002,605) | (5,498,682) | (4,381,122) |
| Provision for impairment on financial assets | **(2,031,610)** | (318,703) | (4,360,195) | (482,918) | (70,375) |
| Impairment losses on property and equipment | **(6,457)** | – | – | – | – |
| Impairment losses on intangible assets | **(121,316)** | – | (2,533,022) | – | – |
| Other operating expenses | **(1,088,070)** | (1,661,053) | (2,391,803) | (503,530) | (337,635) |
| **Operating (loss)/profit** | **(13,249,715)** | (2,300,012) | (18,515,859) | 30,192,667 | 29,203,447 |
| Finance (costs)/income – net | **(7,972,173)** | (15,118,417) | (2,768,337) | 3,315,459 | (284,920) |
| Fair value changes of convertible redeemable preferred shares | **–** | – | – | (75,860) | – |
| Fair value changes of convertible bonds | **–** | 57 | 144,746 | – | – |
| Share of results of associated companies and joint ventures accounted for using the equity method | **(1,022,291)** | (131,724) | (432,927) | 159,320 | 96,825 |
| **(Loss)/profit before income tax** | **(22,244,179)** | (17,550,096) | (21,572,377) | 33,591,586 | 29,015,352 |
| Income tax expenses | **(1,355,238)** | (3,109,210) | (6,804,501) | (14,129,120) | (12,635,387) |
| **(Loss)/profit for the year** | **(23,599,417)** | (20,659,306) | (28,376,878) | 19,462,466 | 16,379,965 |
| **(Loss)/profit for the year attributable to equity holders of the Company** | **(21,030,181)** | (21,492,478) | (27,092,790) | 12,627,679 | 10,897,600 |
| Non-current assets | **115,518,303** | 131,010,397 | 138,221,256 | 134,194,728 | 117,528,198 |
| Current assets | **427,732,092** | 485,200,542 | 489,882,813 | 455,558,422 | 353,925,869 |
| **Total assets** | **543,250,395** | 616,210,939 | 628,104,069 | 589,753,150 | 471,454,067 |
| Non-current liabilities | **72,132,923** | 91,177,398 | 132,671,890 | 117,162,151 | 97,399,453 |
| Current liabilities | **419,866,442** | 445,528,456 | 381,432,496 | 320,096,247 | 257,350,428 |
| **Total liabilities** | **491,999,365** | 536,705,854 | 514,104,386 | 437,258,398 | 354,749,881 |
| **Net assets** | **51,251,030** | 79,505,085 | 113,999,683 | 152,494,752 | 116,704,186 |
| Equity attributable to equity holders of the Company | **14,715,951** | 36,525,481 | 57,817,957 | 88,002,060 | 66,254,881 |
| Non-controlling interests | **36,535,079** | 42,979,604 | 56,181,726 | 64,492,692 | 50,449,305 |
| **Total equity** | **51,251,030** | 79,505,085 | 113,999,683 | 152,494,752 | 116,704,186 |

# 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 annual results of the Group for the year ended 31 December 2023.

## Market and Outlook

In 2023, the overall downturn in the real estate market remained unchanged, and the industry continued to move forward under pressure. In its policies, the central government has actively expressed its stance on real estate to set expectations on market recovery, to adapt to the current market environment through optimization of centralized land supply and other systems, and to stabilize the economy by lowering the reserve ratio and interest rate through monetary policies. At its meeting in July, the Political Bureau of the Central Committee proposed that "we should adapt to the new circumstances arose from the significant changes in the relationship between supply and demand in China's real estate market"setting the tone for the real estate market. Since then, various ministries and commissions have clarified the direction for real estate policy optimization, and government departments at all levels have frequently refined property market policies to promote the stable operation of the real estate market. Starting from the end of August, localities across the country have frequently introduced favorable policies, and most of the cities in China are now implementing a "recognizing homes but not loans" policy for first-time homebuyers. At the end of October, the Central Financial Work Conference made it clear that "we should improve the main supervision system and capital supervision of real estate enterprises, enhance the prudential management of financing in the macro-real estate industry and meet the reasonable financing needs of real estate enterprises of different ownerships." In the meantime, however, confidence in the real estate market has not been fully restored, sales have not totally recovered, the overall industry liquidity remains weak, the real estate market has not seen significant improvement, and it still takes time for policies to promote a new balance in the industry.

In January 2024, the Ministry of Housing and Urban-Rural Development and the National Financial Regulatory Administration jointly devised the plan to promote the implementation of the co-ordination mechanism for urban real estate financing to resolve the difficulties and problems in real estate financing. The Group swiftly followed the market trend and national policy direction and proactively responded to the co-ordination mechanism for real estate financing in each city, and has proactively applied for projects that meet the requirements. Looking ahead to 2024, under the new circumstances of significant changes in supply and demand, there is still a big role for policies to play, the market landscape and corporate operation will continue to undergo adjustments, while the high-leveraged expansion mode in the real estate industry is becoming history. Although sales in the real estate market remains under pressure, the scale of the real estate market is still there in the long run, and there are still structural opportunities in different cities and for different needs. After adjustments for about three years in the real estate industry, relevant policies have been continuously introduced. The Group will grasp the opportunities from the market and policies while adhering to the basic essentials of business operation, fully leveraging its established advantages and strengths as well as continuing to innovate to open up new horizons that are jointly driven by "power of the products", "power of delivery" and "power of diversity".

## The Real Estate Businesses

In view of the new circumstances arose from the significant changes in the relationship between supply and demand in the real estate market, the Group boosted the overall thinking skills, actively mobilized all resources and strengths and remains adhered to the principle of seeking progress while maintaining stability to continuously improve the quality of its operations and management. It stayed committed to its goals and stepped up efforts to make breakthroughs.

To adapt to the market conditions, the Group adjusted its supply strategies and construction plans by accurate and efficient organization of resource needs, and classification of projects into different groups and grades for management and control. After comprehensive assessment of the land market supply and the Group's current land bank, the Group did not acquire any lands during 2023. In face of the complicating market conditions, the Group kept on reviewing and reflecting itself and developed case-by-case strategies for each development. The Group achieved the contracted sales of RMB42.822 billion for 2023, with cumulative contracted gross floor area of 2.947 million sq.m., and the average selling price for the year was RMB14,532 per sq.m..

In respect of production and operation, the Group focused on ensuring delivery. To this end, a joint-action team, led by the Group's management, was set up and an operation "red line" was drawn to ensure delivery. In 2023, Shimao never stopped its pace on the road of creating quality home, and as a result, 158 batches of units for 114 projects across 88 cities were delivered throughout the year. It is Shimao's firm belief and pursuit of excellence that it endeavors to not only deliver products, but also the quality. In 2024, the Group will strive ahead with perseverance and adhere to the principle of seeking progress while maintaining stability to build up project benchmarks and perform its delivery responsibilities by actions.

In respect of financial management, the Group proactively responded to liquidity difficulties and devised a number of measures to improve the Company's resilience in the face of financial risks, so as to safeguard the bottom line of safe operation. In addition, the Company has placed key focus on ensuring smooth onshore and offshore corporate financing. For the proposed restructuring of the offshore indebtedness, over the past few months, the Group has been actively pushing forward the restructuring of the US$-denominated senior notes issued by the Company and certain unsecured offshore credit facilities, involving total principal amounts of approximately US$11.5 billion. For the extension of onshore bonds, various onshore corporate bonds issued by the subsidiaries of the Group were successfully extended in the first half of 2023, involving total principal amounts of approximately RMB18.9 billion, which effectively mitigated the Company's liquidity pressure. The Company will continue to maintain constructive dialogues with various groups of creditors and steadily advance the relevant work, with a view to stabilizing the situation, easing the current liquidity pressure and seeking to implement a restructuring plan that strives to treat creditors fairly and protects the interests of all stakeholders.

## Collaborative Development of Diversified Businesses

In 2023, the Group stuck to the bottom-line mentality and has been increasing the co-ordination among its multiple businesses and endeavored to form a "new development model". Taking sustainable development as core direction, the diversified business of the Group including commercial, property and hotel segments asserted the practical note of "Seek Progress While Maintaining Stability and Strive for Advancement" and devised a number of measures to achieve healthy operation and demonstrate its vitality.

In respect of commercial and entertainment business, faced with fierce market competition, Shanghai Shimao Co., Ltd ("Shanghai Shimao") kept improving business quality by focusing on the core demand of consumers in 2023. Foot traffic of commercial projects under management increased by 32% year on year as compared to 2022 and was slightly higher than recorded in 2021; sales rose by 13% year on year as compared to 2022. As of the end of the reporting period, the overall occupancy rate of commercial projects was 91%, up by one percentage point year on year as compared to 2022. With respect to offices leasing, as the market was still searching for the bottom, the overall occupancy rate of office projects under management of the Company was 77%, down by one percentage point year on year as compared to 2022. In the face of relatively severe market situation, the Company has been actively carrying out various alleviation measures. In the future, the Company will keep adhering to the development model of regarding "property development and sales + commercial operation and management" as its dual driving forces, further exert its outstanding advantages in commercial management, and gradually upgrade it to be the proactive drive for future business development.

In respect of property management business, with four years of experience, market expansion capabilities of Shimao Services Holdings Limited ("Shimao Services") have risen to a higher level. Shimao Services recorded revenue of RMB8,202.7 million in 2023. The GFA under management amounted to 250.6 million sq.m., and the contracted GFA reached 332.3 million sq.m.. Gross profit margin of 20.1% and core net profit margin attributable to equity holders of 7.9% were achieved, maintaining a high level in the industry. In 2024, Shimao Services will maintain strategic focus on its commitment to high-quality development in the medium to long term. Shimao Services will step up exploration on new models of cooperation in property management business with other small and medium-sized real estate enterprises, thereby passing on Shimao Services' capabilities and experience in property management service and scaling up its business within a short time.

In respect of hotel business, Shimao Hotel adhered to balancing both asset-light and asset-heavy to improve the quality and efficiency of the hotel and tourism industries and grasp the opportunity from the recovery of the consumer market. It ushered in the opening of three hotels of self-owned brand in operation, including MiniMax Hotel Chengdu Shuangliu Airport, MiniMax Hotel Qingdao Dengzhou Road and Yu Hotel Chongqing. In terms of its hotels of international brand, Hilton Tianjin Eco-City successfully hosted the meeting of the China-Singapore Bilateral Cooperation Mechanism; Le Méridien Hangzhou Binjiang was honorably selected as the "Official Reception Hotel" of the 19th Asian Games; and DoubleTree by Hilton Ningbo Chunxiao was selected as the "Reception Hotel for the Torch Relay of the Asian Games", safeguarding the grand national events. In 2024, Shimao Hotel will continue to expand the territory of its own brand, with an aim of creating an immersive experience that combines both the brand essence and the characteristics of the destination for travelers.

## Social Responsibility

Shimao stayed true to its original value and has been disclosing its environmental, social and governance reports to the public for eight consecutive years to promote sustainability, green development and social well-being, in a bid to provide a better life for people. In 2023, the Company actively participated in various social welfare projects, such as charitable sales, supplies donations and environmental public welfare, with the aim of raising the society's concern and awareness of health, environmental protection and social well-being, and making contributions to the sustainable development of the society. In addition, Shimao is committed to building a green, cultural and inclusive environment through high-quality buildings and the creation of stable employment opportunities.

In response to the national goal of "Peak Carbon by 2030 and Carbon Neutral by 2060", in 2023, the total area of green buildings built by Shimao reached 93.65 million sq.m. in aggregate, representing a year-on-year growth of 13.99%, and among which, seven buildings won the international LEED Gold certification. Shimao will continue to promote the development of green buildings throughout the entire process of design, production, construction, operation and urban renewal, contributing to future development. At the same time, we will strictly comply with national and local environmental protection standards and gradually reach international environmental protection standards.

## Appreciation

On behalf of the Board, I would like to thank our shareholders, customers, partners and governments at all levels for their tremendous support. I would also like to extend my heartfelt gratitude and deepest respect to our directors, management and staff for all their understanding and assistance and walking with Shimao. The year 2024 is critical for Shimao to practise the principle of "Focus on customer, strike balance between expansion and stability". The Group will focus on the needs of customers while proactively ensuring the delivery, and will continue to strengthen the competitiveness of its products and services on the basis of continuous product research and development. Shimao people will uphold the spirit of overcoming difficulties and making breakthroughs, and will forge ahead in the challenges and open up new horizons in the midst of changes.

**Hui Sai Tan, Jason**
*Vice Chairman and President*

Hong Kong, 28 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

In 2023, amid increased headwinds in the global political and economic landscape and domestic cyclical and structural problems, China's economy, albeit in a rocky recovery, was generally on the upswing and demonstrated strong resilience driven by organic growth. In particular, for the real estate industry, against the backdrop of continuous adjustment to and optimization of the supportive policies on one hand, and changing from long cycle to short cycle on the other, it will take time for the industry to stabilize and recover. In general, the real estate sector remained weak and the industry was still suffering from pressure, as the adjustment in property market in China continued to search for the bottom.

### Property Development

***1) Recognized Sales Revenue***

Shimao Group Holdings Limited ("Shimao Group", "Shimao" or the "Company") and its subsidiaries (collectively the "Group") generates its revenue primarily from sales of properties, commercial properties operation, hotel operation and property management businesses. For the year ended 31 December 2023, revenue of the Group reached RMB59.464 billion. During the year, revenue from property sales amounted to RMB46.986 billion, accounting for 79.0% of the total revenue. The recognized sales area was 3.641 million sq.m..

***2) Contracted Sales Performance***

In face of the complicating market conditions, the Group kept on reviewing and reflecting itself and developed case-by-case strategies for each development. Through measures such as the "Dual Manager" mechanism and the "On Time Tracking" management, the Group secured sales and will continue to carry out refined management and targeted upgrades. Against the backdrop of a slowing recovery in the property market, the Group's contracted sales for 2023 amounted to RMB42.822 billion; cumulative contracted gross floor area was 2.947 million sq.m.; and the average selling price for the year was RMB14,532 per sq.m. Contracted sales information of the Group by region for 2023 is set out below:

| | **Contracted gross floor area**<br>sq.m. | **Contracted sales**<br>RMB million |
|---|---|---|
| Southeast Region | 1,246,671 | 21,417 |
| Midwest Region | 758,313 | 7,599 |
| Northern Region | 557,139 | 6,224 |
| Jiangsu and Shanghai District | 384,522 | 7,582 |
| Total | 2,946,645 | 42,822 |

***3) Adjustment of land acquisition and development plans in response to market demand and supply***

To adapt to the market conditions, the Group adjusted its supply strategies and construction plans by accurate and efficient organization of resource needs, and classification of projects into different groups and grades for management and control. As of the end of 2023, the Group's floor area under construction was approximately 29.77 million sq.m.. The floor area completed for the year was approximately 6.97 million sq.m.. Looking forward to 2024, the Group's floor area under construction and floor area completed are planned to be approximately 26.70 million sq.m. and approximately 4.50 million sq.m., respectively. After comprehensive assessment of the land market supply and the Group's current land bank, the Group did not acquire any lands during the year. As of 31 December 2023, the Group had approximately 280 projects and a total area of approximately 51.05 million sq.m. (before interests) land bank which provided the necessary support for the Group's future sales and development.

4) ***Ensuring delivery with equal emphasis on quality and quantity, and coordinating resources to overcome difficulties***
   In 2023, Shimao focused on ensuring delivery. To this end, a joint-action team, led by the Group's management, was set up and an operation "red line" was drawn to ensure delivery. As a result, 158 batches of units for 114 projects across 88 cities were delivered throughout the year, performing its corporate responsibility by actions. Apart from organizing production and operation in an orderly manner, the Group also actively coordinated capital and assets to push forward disposal of assets. In September 2023, based on its actual operating conditions and upcoming development, the Group entered an agreement to dispose of the integrated commercial and business complex development project in Zhuhai, so as to further ease the pressure of the Company's liquidity in servicing debts.

## Commercial Properties Operation

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

Commercial project operation was highly correlated with offline consumer market vitality, while office market demand hinged closely on the local economic vigor. In 2023, faced with fierce market competition, the Company kept improving operation by focusing on the core demand of consumers. Foot traffic of commercial projects under management increased by 32% year on year as compared to 2022 and was slightly higher than recorded in 2021; sales rose by 13% year on year as compared to 2022. As of the end of the reporting period, the overall occupancy rate of commercial projects was 91%, up by one percentage point year on year as compared to 2022. The office leasing market was still searching for the bottom due to the downswing of macro-economic cycle and supply-demand imbalance, with all major first and second-tier cities saw rising vacancy rates and falling rents. As of the end of the reporting period, the overall occupancy rate of office projects under management of the Company was 77%, down by one percentage point year on year.

The Company will seize the opportunities presented by policy adjustments and endeavor to position itself well under the new circumstances. The Company keeps adhering to the development model of regarding "property development and sales + commercial operation and management" as its dual driving forces, further exert its outstanding advantages in commercial management, and upgrade the commercial properties operation to be the proactive drive for future business development.

## Property Management

In respect of property management business, Shimao Group is engaged in property management business through its subsidiary, Shimao Services Holdings Limited ("Shimao Services"). In 2023, the domestic economic condition changed. China's economic development entered a new stage, and the property services industry was under great pressure and faced a number of challenges. The overall downturn of real estate industry continued, and with the continuous decline in gross floor area ("GFA") of newly started residential property, there have been profound changes in market expansion for property management business. Under the new stage of economic development in China, the customer base and customers' demand of the property services industry serve as the strongest source of confidence for enterprises. By serving the grassroots and building better communities, property service enterprises will play an important role in stabilizing and enhancing public satisfaction.

In 2023, Shimao Services was determined to work hard with confidence. Shimao Services recorded revenue of RMB8,202.7 million, gross profit of RMB1,646.4 million and core net profit attributable to equity holders of RMB647.7 million for the year. The GFA under management amounted to 250.6 million sq.m. and the contracted GFA reached 332.3 million sq.m.. Gross profit margin of 20.1% and core net profit margin attributable to equity holders of 7.9% were achieved, maintaining a high level in the industry. The net cash generated from operating activities reached RMB1,030.4 million, significantly exceeding net profit and achieving high quality development.

In 2024, Shimao Services will maintain strategic focus on its commitment to high-quality development in the medium to long term. Shimao Services will step up exploration on new models of cooperation in property management business with other small and medium-sized real estate enterprises, thereby passing on Shimao Services capabilities and experience in property management service and scaling up its business within a short time.

### Hotel Operation

As of 31 December 2023, the Group had a total of 24 hotels in operation, including Conrad Shanghai, InterContinental Shanghai Wonderland, Sheraton Hong Kong Tung Chung Hotel, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang, Hilton Changsha Riverside and Yuluxe Hotel Chengdu. Currently, the Group has more than 8,200 hotel guest rooms. In addition, the Group had five directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Premier Hotel Chengdu City Center, ETHOS Hotel Xiamen and ETHOS Hotel Wuhan Riverside, offering around 1,000 hotel guest rooms. In 2023, socio-economic activities fully recovered, demand for travel was further unleashed and government policies remained favourable. As a result, Shimao's hotel operation recorded revenue of RMB2.30 billion in 2023, representing a year-on-year increase of 31.4% as compared to 2022. The revenue per available room (RevPAR), one of the key indicators assessing hotel profitability, had a year-on-year increase of 39.8%, both reaching record high.

In 2023, Shimao Hotel adhered to balancing both asset-light and asset-heavy to improve the quality and efficiency of the hotel and tourism industries and grasp the opportunity from the recovery of the consumer market. It ushered in the opening of three hotels of self-owned brand in operation, including MiniMax Hotel Chengdu Shuangliu Airport, MiniMax Hotel Qingdao Dengzhou Road and Yu Hotel Chongqing. In terms of its hotels of international brand, Hilton Tianjin Eco-City successfully hosted the meeting of the China-Singapore Bilateral Cooperation Mechanism; Le Méridien Hangzhou Binjiang was honourably selected as the "Official Reception Hotel" of the 19th Asian Games; and DoubleTree by Hilton Ningbo Chunxiao was selected as the "Reception Hotel for the Torch Relay of the Asian Games", safeguarding the grand national events.

In 2024, Shimao Hotel will continue to expand the territory of its own brand and usher in the opening of Yuluxe Hotel Baoji (寶雞如意茵香茂御酒店), Yuluxe Hotel Dali (大理鑫鶴茂御酒店), Yuluxe Hotel Changchun (長春蓮花山茂御酒店), Yu Hotel Shanghai Zimao (上海紫茂世御酒店), and Ethos Hotel Qingdao Taidong Road (青島台東凡象酒店), with an aim of creating an immersive experience that combines both the brand essence and the characteristics of the destination for travelers.

### Outlook

Looking ahead to 2024, the market landscape and corporate operation will continue to undergo adjustments, while the high-leveraged expansion mode in the real estate industry is becoming history. After adjustments for about three years in the industry, more supportive policies are being rolled out. The Group will follow the market trend and national policies, and actively take measures to promote sales, ensure delivery, maintain capital flow and stabilize operation. The Group will provide high-quality products and services with a customer-oriented and operation-oriented approach, so as to promote healthy growth.

## Financial Analysis

Key consolidated income statement figures are set out below:

| | 2023<br>RMB million | 2022<br>RMB million |
|---|---|---|
| Revenue | **59,464** | 63,040 |
| Gross profit | **5,848** | 5,281 |
| Loss attributable to equity holders | **(21,030)** | (21,492) |
| Losses per share – Basic (RMB) | **(5.55)** | (5.67) |

### Revenue

For the year ended 31 December 2023, the revenue of the Group was approximately RMB59,464 million (2022: RMB63,040 million), representing a decrease of 5.7% over 2022, which was mainly due to the slower completion progress than expected. 79.0% (2022: 79.7%) of the revenue was generated from the sales of properties and 21.0% (2022: 20.3%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

| | 2023<br>RMB million | 2022<br>RMB million |
|---|---|---|
| Sales of properties | **46,986** | 50,260 |
| Hotel operation income | **2,295** | 1,746 |
| Commercial properties operation income | **1,740** | 1,889 |
| Property management income and others | **8,443** | 9,145 |
| Total | **59,464** | 63,040 |

* The income does not include revenue from the Group.

*(i) Sales of Properties*

Sales of properties for the years ended 31 December 2023 and 2022 are set out below:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Area<br>(sq.m.) | RMB<br>million | Area<br>(sq.m.) | RMB<br>million |
| Southeast Region | **1,980,929** | **27,103** | 2,400,148 | 26,973 |
| Midwest Region | **1,060,320** | **10,789** | 1,112,830 | 9,897 |
| Jiangsu and Shanghai District | **430,540** | **7,323** | 736,015 | 10,077 |
| Northern Region | **169,552** | **1,771** | 314,847 | 3,313 |
| Total | **3,641,341** | **46,986** | 4,563,840 | 50,260 |

### (ii) *Hotel Income*

Hotel operation income increased by approximately 31.4% to RMB2,295 million in 2023 from RMB1,746 million in 2022. Business for China's hotel industry is starting to pick up from 2023, thus the occupancy rate and revenue per available room increased.

Hotel operation income is set out as follows:

| | **Date of Commencement** | **2023 RMB million** | 2022 RMB million |
|---|---|---|---|
| Conrad Shanghai | September 2006 | **310** | 134 |
| Four Points by Sheraton Hong Kong Tung Chung | January 2021 | **196** | 215 |
| Sheraton Hong Kong Tung Chung Hotel | December 2020 | **190** | 143 |
| InterContinental Shanghai Wonderland | November 2018 | **179** | 162 |
| Conrad Xiamen | August 2016 | **139** | 98 |
| Hilton Wuhan Riverside | July 2016 | **130** | 84 |
| The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai | November 2005 | **129** | 134 |
| Hilton Changsha Riverside | July 2021 | **120** | 77 |
| Hilton Nanjing Riverside | December 2011 | **101** | 73 |
| Hilton Shenyang | January 2018 | **98** | 58 |
| InterContinental Fuzhou | January 2014 | **92** | 66 |
| Crowne Plaza Shaoxing | March 2014 | **87** | 77 |
| Hilton Yantai | August 2017 | **82** | 55 |
| Yuluxe Hotel Chengdu | August 2018 | **63** | 24 |
| Le Méridien Hangzhou Binjiang | September 2018 | **63** | 50 |
| DoubleTree by Hilton Ningbo Beilun | December 2016 | **57** | 59 |
| Hilton Tianjin Eco-City | April 2015 | **52** | 34 |
| DoubleTree by Hilton Ningbo Chunxiao | December 2015 | **28** | 28 |
| Yuluxe Hotel Taizhou | August 2014 | **27** | 27 |
| Holiday Inn Mudanjiang | December 2010 | **23** | 17 |
| Minimax Hotel Chengdu Longquanyi | October 2021 | **12** | 15 |
| Others | | **117** | 116 |
| Total | | **2,295** | 1,746 |

***(iii) Commercial Properties Operation Income***

Commercial properties operation income decreased by approximately 7.9% to RMB1,740 million in 2023 from RMB1,889 million in 2022, mainly due to the continued downturn in the commercial properties leasing market.

Commercial properties operation income is analysed as follows:

| | Date of Commencement | 2023 RMB million | 2022 RMB million |
|---|---|---|---|
| **Rental Income** | | | |
| Shanghai Shimao Festival City | December 2004 | **238** | 183 |
| Jinan Shimao Festival City | May 2014 | **142** | 142 |
| Beijing Shimao Tower | July 2009 | **134** | 145 |
| Chengdu Shimao Festival City | April 2021 | **121** | 97 |
| Shenzhen Shimao Qianhai Center | July 2020 | **112** | 113 |
| Shanghai Shimao Tower | December 2018 | **92** | 91 |
| Changsha Shimao Global Financial Center | September 2020 | **67** | 28 |
| Kunshan Shimao Plaza | April 2012 | **59** | 61 |
| Nanjing Yuhua Shimao (Commercial) | December 2018 | **59** | 52 |
| Shaoxing Shimao Dear Town (Commercial) | May 2010 | **59** | 63 |
| Nanjing Straits City (Commercial) | December 2014 | **56** | 61 |
| Xiamen Shimao Straits Mansion | January 2017 | **40** | 44 |
| Xiamen Jimei Shimao Festival City | April 2021 | **33** | 13 |
| Suzhou Shimao Canal Scene (Commercial) | June 2010 | **25** | 40 |
| Quanzhou Shishi Shimao Skyscraper City | January 2017 | **22** | 5 |
| Qingdao Shimao 52+ | August 2020 | **13** | 20 |
| Wuhu Shimao Riviera Garden (Commercial) | September 2009 | **10** | 10 |
| Xuzhou Shimao Dongdu (Commercial) | January 2012 | **7** | 9 |
| Miscellaneous rental income | | **78** | 184 |
| **Rental income sub-total** | | **1,367** | 1,361 |
| Commercial properties operation related service income | | **373** | 528 |
| Total | | **1,740** | 1,889 |

***(iv) Property Management Income, and Others***

Property management income, and others decreased by approximately 7.7% to RMB8,443 million in 2023 from RMB9,145 million in 2022, which were mainly due to declined revenue from community value-added services and city services.

### Cost of Sales

Cost of sales decreased by 7.2% to approximately RMB53,616 million in 2023 from RMB57,759 million in 2022, which was in line with the decline in revenue.

### Gross Profit Margin

For the year ended 31 December 2023, the Group's gross profit margin was approximately 9.8%, which showed no significant change compared to the gross profit margin of 8.4% in 2022.

### Fair Value Losses on Investment Properties – Net

For the year ended 31 December 2023, the Group recorded aggregate fair value losses of approximately RMB5,878 million (2022: RMB631 million), mainly caused by the decrease in fair value of most investment properties due to the sustained slump in the commercial property market. Aggregate net fair value losses after deferred income tax of approximately RMB1,470 million (2022: RMB158 million) recognized was RMB4,408 million (2022: RMB473 million).

### Other (Losses)/Other Income and Other Gains – Net

For the year ended 31 December 2023, the Group recognized net other losses of approximately RMB3,849 million (2022: net other income and gains of RMB3,562 million), which mainly comprised loss of approximately RMB2,195 million from the liquidation of several subsidiaries which were adjudged bankrupt and under receivership procedures, and loss of approximately RMB716 million from the disposal of subsidiaries. In contrast, the Group recorded gains of approximately RMB3,389 million from the disposal of subsidiaries and joint ventures, mainly from the deals about Hyatt on the Bund Shanghai and the project of Guangzhou Asian Games City, during the year of 2022.

### Selling and Marketing Costs and Administrative Expenses

For the year ended 31 December 2023, the Group's selling and marketing costs decreased by 49.5% to approximately RMB1,420 million from approximately RMB2,813 million for the year ended 31 December 2022, which was in line with the decline in the Group's contracted sales.

For the year ended 31 December 2023, the Group's administrative expenses decreased by 17.8% to approximately RMB4,703 million from approximately RMB5,719 million for the year ended 31 December 2022. The Group's administrative expenses were mainly personnel costs, depreciation and amortization.

### Provision for Impairment Losses on Financial Assets

Given the combined impact of multiple unfavourable factors in macroeconomic, industry and financing environments, the Group made further provisions for expected credit losses of approximately RMB2,032 million during the year ended 31 December 2023.

### Impairment losses on intangible assets

For the year ended 31 December 2023, the impairment losses on goodwill and customer relationship were RMB15 million and RMB106 million, respectively (2022: Nil).

The impairment losses was mainly due to Shimao Services' impairment on the goodwill and customer relationship of acquired companies based on a prudent assessment, having considered the following factors: a slowdown in overall economic growth; the volatility and downturn in the real estate industry; the performance growth in the environmental hygiene services were slower than expected; and the number of and revenue from certain acquired companies' expansion projects were lower than expected.

### Finance Costs – Net

For the year ended 31 December 2023, net finance costs decreased by 47.3% to approximately RMB7,972 million (2022: RMB15,118 million), which was mainly due to the decrease in foreign exchange loss from the depreciation of RMB against USD and HKD.

### Share of Results of Associated Companies and Joint Ventures

For the year ended 31 December 2023, share of results of associated companies and joint ventures was losses of approximately RMB1,022 million, representing an increase in loss of approximately RMB890 million compared with the year ended 31 December 2022, which was mainly due to the decrease in gross margin of recognized sales of properties of the Group's associated companies and joint ventures.

### Taxation

The Group's tax provisions amounted to approximately RMB1,355 million for the year ended 31 December 2023, in which PRC land appreciation tax ("LAT") was RMB665 million (2022: RMB3,109 million, in which LAT was RMB983 million). The decrease in LAT was mainly due to the decrease in revenue and the increase in tax reimbursement.

### Loss Attributable to Equity Holders

Loss attributable to equity holders for the year ended 31 December 2023 decreased to approximately RMB21.030 billion from approximately RMB21.492 billion for the year ended 31 December 2022. The fluctuation was influenced by multifactor, including the increase in losses from bankruptcy and disposal of subsidiaries, the increase in fair value losses on investment properties, and the decrease in exchange losses.

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

Excluding the after-tax impact of non-recurring or non-cash items, loss from core business attributable to equity holders for the year ended 31 December 2023 increased by RMB1.683 billion to approximately RMB14.508 billion (2022: RMB12.825 billion). Loss margin from core business attributable to equity holders was 33.8% in 2023.

### Amounts due from Associated Companies and Joint Ventures

Amounts due from associated companies and joint ventures, represent proportional funding to the associated companies and joint ventures for the underlying projects by the Group, have decreased to approximately RMB58.330 billion as at 31 December 2023 from approximately RMB66.691 billion as at 31 December 2022.

### Liquidity and Financial Resources

The net gearing ratio is calculated by dividing total borrowings (including current and non-current borrowings) minus cash balances (including restricted cash) by total equity. As at 31 December 2023, the Group's net gearing ratio was approximately 473.2% (31 December 2022: 302.2%).

The liabilities to assets ratio after excluding receipts in advance is calculated by dividing total liabilities minus receipts in advance (including contract liabilities and relevant value-added tax amounted approximately RMB91.30 billion as at 31 December 2023) by total assets minus receipts in advance. As at 31 December 2023, the Group's liabilities to assets ratio after excluding receipts in advance was approximately 88.7% (31 December 2022: 83.8%).

The cash to current borrowings ratio is calculated by dividing cash and cash equivalents minus guarantee deposits for construction of pre-sale properties (31 December 2023: approximately RMB7.54 billion) by current borrowings. As at 31 December 2023, the Group's cash to current borrowings ratio was 0.04 (31 December 2022: 0.03).

The maturity of the borrowings of the Group as at 31 December 2023 is set out as follows:

| | RMB million |
|---|---|
| ***Bank borrowings, borrowings from other financial institutions and bonds*** | |
| Within 1 year | 151,390 |
| Between 1 and 2 years | 27,276 |
| Between 2 and 5 years | 27,091 |
| Over 5 years | 10,188 |
| ***Senior notes*** | |
| Within 1 year | 48,018 |
| Total | 263,963 |

## 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 will be taking measures to mitigate the risk of exchange rate fluctuation if necessary.

## Pledge of Assets

As at 31 December 2023, the Group's total secured borrowings of approximately RMB228.353 billion were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash (with a total carrying amount of RMB185.379 billion), and/or secured by the pledge of the shares of certain subsidiaries of the Group.

## Capital and Property Development Expenditure Commitments

As of 31 December 2023, the Group had contracted capital and property development expenditure but not provided for amounted to RMB30.923 billion.

## Employees and Remuneration Policy

As of 31 December 2023, the Group employed a total of 53,836 employees, among whom 1,178 were engaged in property development. Total remuneration for the year amounted to approximately RMB5.559 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.

## Additional Information on Modified Audit Opinions

***1. Disclaimer of Opinion – Multiple Uncertainties Relating to Going Concern***

*(a) Details of audit modification*

Because of the details described in the section headed "Basis for Disclaimer of Opinion" in the "Independent Auditor's Report" on page 54 of this annual report, the Company's independent auditor, ZHONGHUI ANDA CPA Limited (the "Auditor"), do not express an opinion on the consolidated financial statements of the Group.

*(b) Management's position and basis on major judgmental areas*

The management considered the going concern basis was appropriate due to the following reasons:

(i) The Company has been actively pushing forward the proposed restructuring of the offshore indebtedness and has announced a restructuring proposal on 25 March 2024;

(ii) The Company aimed and endeavored to convert a large portion of the offshore indebtedness into equity by offering a choice of Mandatory Convertible Bonds, which will relieve the burden of cash flow to some extent; and

(iii) The Group currently operates normally without material obstacles. At the end of 2023, the Group's properties with floor area under construction were approximately 29.77 million sq.m. The floor area of the Group's properties completed for 2023 was approximately 6.97 million sq.m.. The Group reached contracted sales of RMB42.822 billion in 2023, ranked No.34 in mainland China.

Since the major debt restructuring is yet to be completed, and the overall economic environment has not resumed, the Auditor expressed a disclaimer of opinion on the going concern basis.

*(c) Audit committee's view towards the modification*

The audit committee has reviewed the relevant information provided by the Company's management concerning this audit issue. The audit committee understood from the Auditor that they could not form an opinion on the Group's consolidated financial statements due to the significance of multiple uncertainties relating to the going concern basis. After careful consideration, the audit committee was of the view that the management has been actively implementing a number of plans and actions in order to mitigate the liquidity pressure and improve the Group's financial position. The audit committee has no objection to management's position while the audit committee also understood that the Auditor might have a different view on the Group's going concern basis.

*(d) Management's plans to address the modification*

The Company is taking the following actions to improve its operation and financial conditions:

(i) The Company aimed to complete the restructuring of the offshore indebtedness by the end of 2024, which will improve the asset and debt structure and going concern basis of the Group substantially;

(ii) The Group is seeking financing resources to relieve the pressure of house delivery. By the end of March 2024, 28 property projects had been added to the local governments' whitelists, a financing coordination mechanism launched by the Ministry of Housing and Urban-Rural Development and the National Financial Regulatory Administration in early 2024 that qualifies the property projects of the PRC property developers for financial support from financial institutions. The Group had applied for new loans in a total of approximately RMB366.1 million, of which approximately RMB68 million was granted;

(iii) The Group is continuously focusing on the acceleration of sales. The monthly contract sales for March 2024 reached RMB3.9 billion with a month-on-month growth rate of 74%; and

(iv) The Group is continuously seeking suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows. The Group disposed of the equity of one project for an aggregate consideration of RMB245.7 million in March 2024.

***2. Limitation of scope on the valuation of assets relating to a property project***

*(a) Details of audit modification*

As a result of the matters described in the section headed "Other Matters" in the "Independent Auditor's Report" on page 55 of this annual report, the Auditor would otherwise have qualified opinion regarding the scope limitations on audit relating to limitation of scope on the valuation of assets relating to a property project, because the Auditor has been unable to obtain sufficient appropriate audit evidence to justify the reasonableness and appropriateness of the significant unobservable inputs and assumptions used in the valuation assessment.

The fair values of the assets relating to the property project ("Subject Assets") were mainly determined using the residual method by referring to market capitalisation rates and recent comparable sales transactions on the assumption that the property had already been completed in accordance with the latest development scheme at the valuation date by deducting the estimated costs to be incurred to complete the project and the developer's estimated profit margin.

Certain facts surrounding the Subject Assets indicate the material uncertainties about the reliability of the significant unobservable inputs and assumptions used in the valuation assessment, including:

(i) due to the fact that the development process of the Subject Assets has been suspended, a substantial part of the assets have remained undeveloped parcels of land. One of the significant unobservable inputs used in the valuation assessment is the estimated salable gross floor area of the Subject Assets to be developed by the Group based on the original development plans devised by the Group;

(ii) the sizes of the land area and the salable gross floor area of the comparable properties used in the valuation assessment are not entirely comparable to the Subject Assets (i.e. much smaller); and

(iii) more importantly, the Subject Assets were auctioned publicly during the year ended 31 December 2023, with bidding prices significantly lower than their carrying amounts. The auctions were eventually closed due to failure to procure bidders after two rounds of auctions.

In these regards, the Auditor requested the Group to provide supporting documents and explanations to clear the above uncertainties.

In response to the Auditor's requests, the Company has provided the following information in its endeavour:

(i) the Company carried out the real estate development of Subject Assets according to the original development plan since the acquisition of land. The development plan has not been modified but was suspended due to the lack of funds affected by the market downturn. There are uncertainties about the feasibility in consideration of the current gloomy environment of the real estate market in Mainland China, especially under the financial constraint of the Group;

(ii) the management acknowledged the uniqueness and the size of the Subject Assets, which imposed difficulties in procuring the appropriate comparable data; however, the comparable data currently used in the valuation assessment are the most applicable data that the Company is able to obtain; and

(iii) the Company is unable to quantify the effect arising in the failure of the public auctions as to whether there are sufficient market participants; however, the management considers that the effect is not significant.

(b) *Management's position and basis on major judgmental areas*

The management considers that it has provided all the requested information to the Auditor, and the carrying amount of the Subject Assets has been fairly recorded in the consolidated financial statements on the following basis:

(i) The Group engaged an independent qualified professional valuer to assist in determination of the fair value of the Subject Assets. The valuation method and significant assumptions used in the valuation assessment were discussed with the Auditor; and

(ii) The carrying amount of the Subject Assets has been measured according to the valuation report. In fact, the Subject Assets was a large-scale complex project composed of 14 pieces of land, which was acquired by the Group through the public land auction held by the local Land and Resources Bureau. Most parcels of land are undeveloped which indicates that their carrying amount was mainly equal to the land cost incurred. The Group has procured the most applicable comparable properties and information applied in the valuation assessment in its endeavour as there are difficulties in procuring comparable data with similar characteristics of Subject Assets (e.g. size, types of properties to be developed, etc).

The Auditor's major concern was that the failure in the procuring of bidders for the Subject Assets through two rounds of auctions, in which the bidding prices were significantly lower than their carrying amounts, indicated material uncertainties on whether there are sufficient market participants and the fair values are properly reflected. However, given that the auctions were mandatorily ordered by the court and according to the practice and rules of public auction procedure in the PRC, the starting bidding price was set at around 64% of the assets' value recognized by the court, thus resulting in the significant differences from the values in the valuation assessment. The management considers that the relatively lower bidding prices were set in order to facilitate the auctions, but they might not reflect the fair values of the Subject Assets.

The management has provided all the required materials including valuation report to the Auditor. The value of Subject Assets reflects the best knowledge of management judgments and estimations given the complexity of the valuation methodologies.

(c) *Audit committee's view towards the modification*

The audit committee has reviewed the relevant information provided by the Company's management concerning this audit issue. The audit committee understood from the Auditor that they could not obtain sufficient audit evidence in respect of the limitation of scope on the valuation of the Subject Assets. Given the complexity of the valuation methodologies, the audit committee agrees the fair value assessment relating to the Subject Assets reflects the best knowledge of the management. The audit committee has no objection to the management's position while the audit committee also understood that the Auditor might have a different view on the fair value measurement of the Subject Assets.

(d) *Management's plans to address the modification*

The Company will continue to negotiate with the creditor of the Subject Assets and attempt to achieve debt restructuring. Given the uncertainties in the real estate market and the financial policies, it is hard to set up a specific timeline to settle the debt issue of the Subject Assets. The Company will closely monitor the progress of the debt settlement and the development process of the Subject Assets, and provide up-to-date information to both the independent valuers and the Auditor (if any), to ensure the fair value measurement of the Subject Assets is properly accounted for and disclosed in the consolidated financial statements.

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

This audit issue was cleared at the end of 2022. The qualification opinion mainly describes the profit or loss effect in the corresponding year ended 31 December 2022, and it had no impact on the Group's consolidated financial position at the end of 2023 or the profit or loss for the year then ended.

# REPORT OF THE DIRECTORS

The directors (the "Directors") of Shimao Group Holdings Limited (the "Company") have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2023.

## Principal Activities

The Company is an investment holding company. The Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the People's Republic of China (the "PRC"). The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

## Results and Dividends

The results of the Group for the year ended 31 December 2023 are set out on pages 57 to 160 of this annual report.

The board of directors of the Company (the "Board") did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

## Business Review

A business review of the Group for the year ended 31 December 2023, a discussion of the Group's future business development and principal risks and uncertainties that the Group may encounter are provided in the President's Statement on pages 4 to 6 and the Management Discussion and Analysis on pages 7 to 18 of this annual report. The financial risk management objectives and policies of the Group are shown in note 5 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on page 3 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in Corporate Governance Report on pages 48 to 49 and note 42 to the consolidated financial statements on page 158 of this annual report. Discussions on the Group's environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group's key relationships with its employees, suppliers and customers that have a significant impact on the Group are shown in the "Sustainability Report" published on the Company's website. The above discussions form part of this Report of the Directors.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 44 and 23 to the consolidated financial statements.

## Major Customers and Suppliers

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total revenue and 30% of the Group's total purchases respectively during the year.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the number of shares of the Company (the "Shimao Group Shares") in issue had any interest in the major suppliers noted above.

## Bank and Other Borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2023 are set out in note 25 to the consolidated financial statements. The net proceeds are for refinancing the indebtedness, business development and other general corporate requirements of the Group.

## Donations

Charitable and other donations made by the Group during the year amounted to RMB1,306,000 (2022: RMB12,073,000).

## Property and Equipment

Details of property and equipment of the Group are set out in note 7 to the consolidated financial statements.

## Share Capital

Details of movements in the share capital of the Company for the year ended 31 December 2023 are set out in note 22 to the consolidated financial statements.

## Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights over the Shimao Group Shares under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands where the Company is incorporated.

## Directors

The Directors during the year and up to the date of this report are as follows:

**Executive Directors**
Mr. Hui Wing Mau *(Chairman)*
Mr. Hui Sai Tan, Jason *(Vice Chairman and President)*
Ms. Tang Fei
Mr. Xie Kun

**Non-executive Directors**
Mr. Ye Mingjie
Mr. Lu Yi (redesignated on 2 August 2023 and resigned on 15 November 2023)

**Independent Non-executive Directors**
Mr. Lyu Hong Bing
Mr. Lam Ching Kam
Mr. Fung Tze Wa

In accordance with Article 84 of the Articles of Association, three Directors, namely, Mr. Hui Sai Tan, Jason, Mr. Lyu Hong Bing and Mr. Lam Ching Kam shall retire from office by rotation respectively at the forthcoming annual general meeting of the Company (the "AGM") and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

None of the Directors, including Directors being proposed for re-election at the forthcoming AGM, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx"). The Company considers that all the Independent Non-executive Directors are independent.

## Directors' Interests in Transactions, Arrangements and Contracts

Save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its holding company was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

## Share Award Schemes

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

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

During the year ended 31 December 2023, no Shimao Group Share was granted or vested 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 year ended 31 December 2023 are set out below:

| | | Number of Shimao Group Shares | | | | |
|---|---|---|---|---|---|---|
| **Name of grantees** | **Date of grant** | **Outstanding as at 1 January 2023** | **Granted during the year** | **Vested during the year** | **Lapsed/ cancelled during the year** | **Outstanding as at 31 December 2023** |
| **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 |
| Ye Mingjie | 15 April 2020 (Note 2) | 41,518 | – | – | – | 41,518 |
| Lu Yi (resigned on 15 November 2023) | 15 April 2020 (Note 2) | 49,424 | – | – | (49,424) | – |
| | 15 April 2021 (Note 3) | 41,809 | – | – | (41,809) | – |
| | | 91,233 | – | – | (91,233) | – |
| Sub-total | | 632,751 | – | – | (91,233) | 541,518 |
| Other Employees of the Group | 15 April 2019 (Note 4) | 1,413,213 | – | – | (1,413,213) | – |
| | 15 April 2020 (Note 2) | 1,625,959 | – | – | (793,146) | 832,813 |
| | 15 April 2021 (Note 3) | 5,037,430 | – | – | (2,193,915) | 2,843,515 |
| Sub-total | | 8,076,602 | – | – | (4,400,274) | 3,676,328 |
| **Total** | | **8,709,353** | **–** | **–** | **(4,491,507)** (Note 5) | **4,217,846** |

Notes:

1. The five highest paid individuals of the Group for the year include five Directors. For details, please refer to notes 31(c) and 32 to the consolidated financial statements. Therefore, the Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme to the five highest paid individuals in aggregate are not disclosed separately.

2. Subject to the satisfaction of the vesting criteria and conditions of the 2011 Shimao Group Share Award Scheme, 60% of awarded Shimao Group Shares will be vested after 12 months from the date of grant and 40% of awarded Shimao Group Shares will be vested after 24 months from the date of grant. The closing price of the Shimao Group Shares immediately before the date on which the awards were granted was HK$30.00 per share. The fair value of the awards at the date of grant was HK$29.56 per share, based on the closing price of the Shimao Group Shares on that date.

3. Subject to the satisfaction of the vesting criteria and conditions of the 2011 Shimao Group Share Award Scheme, 60% of awarded Shimao Group Shares will be vested after 12 months from the date of grant and 40% of awarded Shimao Group Shares will be vested after 24 months from the date of grant. The closing price of the Shimao Group Shares immediately before the date on which the awards were granted was HK$23.10 per share. The fair value of the awards at the date of grant was HK$23.35 per share, based on the closing price of the Shimao Group Shares on that date.

4. 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.

5. 4,491,507 Shimao Group Shares were lapsed during the year.

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, representing approximately 1.41% of the total number of issued Shimao Group Shares as at Adoption Date I. As at 1 January 2023 and 31 December 2023, the number of Shimao Group Shares available for future grant under the 2011 Shimao Group Share Award Scheme was 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 Shimao Services Shares as at the Adoption Date II (i.e. 7,091,919 Shimao Services Shares).

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

During the year ended 31 December 2023, no Shimao Services Share was granted under the 2021 Shimao Group Share Award Scheme. Details of the movement of the Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme during the year ended 31 December 2023 are set out below:

| | | Number of Shimao Services Shares | | | | |
|---|---|---|---|---|---|---|
| **Name of grantees** | **Date of grant** (Note 2) | **Outstanding as at 1 January 2023** | **Granted during the year** | **Vested during the year** | **Lapsed/ cancelled during the year** | **Outstanding as at 31 December 2023** |
| **Directors** (Note 1) | | | | | | |
| Hui Sai Tan, Jason | 10 May 2021 | 57,129 | – | (57,129) | – | – |
| Tang Fei | 10 May 2021 | 53,418 | – | (53,418) | – | – |
| Ye Mingjie | 10 May 2021 | 441,891 | – | (441,891) | – | – |
| Lu Yi (resigned on 15 November 2023) | 10 May 2021 | 43,172 | – | (43,172) | – | – |
| Sub-total | | 595,610 | – | (595,610) | – | – |
| Other Employees of the Group (including the employees of Shimao Services Group) | 10 May 2021 | 2,064,798 | – | (1,533,304) | (498,113) | 33,381 |
| **Total** | | **2,660,408** | **–** | **(2,128,914)** (Note 3) | **(498,113)** (Note 4) | **33,381** |

Notes:

1. The five highest paid individuals of the Group for the year include five Directors. For details, please refer to notes 31(c) and 32 to the consolidated financial statements. Therefore, the Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme to the five highest paid individuals in aggregate are not disclosed separately.

2. Subject to the satisfaction of the vesting criteria and conditions of the 2021 Shimao Group Share Award Scheme, 60% of awarded Shimao Services Shares will be vested after 12 months from the date of grant and 40% of awarded Shimao Services Shares will be vested after 24 months from the date of grant. The closing price of the Shimao Services Shares immediately before the date on which the awards were granted was HK$19.74 per share. The fair value of the awards at the date of grant was HK$19.80 per share, based on the closing price of the Shimao Services Shares on that date.

3. 2,128,914 Shimao Services Shares were vested on 23 May 2023. The weighted average closing price of 2,128,914 Shimao Services Shares immediately before the date on which the awards were vested was HK$1.54 per Shimao Services Share.

4. 498,113 Shimao Services Shares were lapsed during the year.

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, representing approximately 0.29% of the total number of issued Shimao Services Shares as at Adoption Date II. As at 1 January 2023 and 31 December 2023, the number of Shimao Services Shares available for future grant under the 2021 Shimao Group Share Award Scheme was 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 Shimao Services Shares as at the Adoption Date III (i.e. 70,919,190 Shimao Services Shares).

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

During the year ended 31 December 2023, 3,525,446 Shimao Services Shares were granted under the Shimao Services Share Award Scheme. Details of the movement of Shimao Services Shares granted under the Shimao Services Share Award Scheme during the year ended 31 December 2023 are set out below:

| | | Number of Shimao Services Shares | | | | |
|---|---|---|---|---|---|---|
| Name of grantees | Date of grant | Outstanding as at 1 January 2023 | Granted during the year | Vested during the year | Lapsed/ cancelled during the year | Outstanding as at 31 December 2023 |
| **Directors of Shimao Services** | | | | | | |
| Ye Mingjie | 19 June 2023(Note 3) | – | 374,610 | – | – | 374,610 |
| Cao Shiyang | 16 November 2022(Note 2) | 242,362 | – | (145,417) | – | 96,945 |
| | 19 June 2023(Note 3) | – | 127,907 | – | – | 127,907 |
| | | 242,362 | 127,907 | (145,417) | – | 224,852 |
| Cai Wenwei (resigned on 10 December 2023) | 16 November 2022(Note 2) | 144,424 | – | (86,654) | (57,770) | – |
| | 19 June 2023(Note 3) | – | 127,033 | – | (127,033) | – |
| | | 144,424 | 127,033 | (86,654) | (184,803) | – |
| Sub-total | | 386,786 | 629,550 | (232,071) | (184,803) | 599,462 |
| Four highest paid individuals of Shimao Services Group(Note 1) (excluding Directors of Shimao Services as disclosed above) | 16 November 2022(Note 2) | 44,817 | – | (26,890) | – | 17,927 |
| | 19 June 2023(Note 3) | – | 81,587 | – | – | 81,587 |
| Other Employees of Shimao Services Group | 16 November 2022(Note 2) | 3,585,502 | – | (1,567,593) | (552,498) | 1,465,411 |
| | 19 June 2023(Note 3) | – | 2,814,309 | – | (259,735) | 2,554,574 |
| Sub-total | | 3,630,319 | 2,895,896 | (1,594,483) | (812,233) | 4,119,499 |
| **Total** | | **4,017,105** | **3,525,446** | **(1,826,554)** (Note 4) | **(997,036)** (Note 5) | **4,718,961** |

Notes:

1. The five highest paid individuals of Shimao Services Group for the year include one director of Shimao Services.

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

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

4. 1,826,554 Shimao Services Shares were vested on 10 July 2023. The weighted average closing price of 1,826,554 Shimao Services Shares immediately before the date on which the awards were vested was HK$1.51 per Shimao Services Share.

5. 997,036 Shimao Services Shares were lapsed during the year.

Since the Adoption Date III and up to the date of this report, a total of 7,542,551 Shimao Services Shares have been granted under the Shimao Services Share Award Scheme, representing approximately 0.32% of the total number of issued Shimao Services Shares as at Adoption Date III. As at 1 January 2023 and 31 December 2023, the number of Shimao Services Shares available for future grant under the Shimao Services Share Award Scheme were 66,902,085 Shimao Services Shares and 63,376,639 Shimao Services Shares, respectively, representing approximately 2.71% and 2.57% of the total number of issued Shimao Services Shares as at the date of this report, respectively.

Further details of the above three share award schemes are set out in note 22(b) to the consolidated financial statement.

## Equity-Linked Agreements

Save as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

## Disclosure of Interests in Securities

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

As at 31 December 2023, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of 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% |
| Ye Mingjie | Beneficial owner | 265,086 (Note 5) | 0.007% |

Notes:

1. The interests disclosed represent 2,045,746,316 Shimao Group Shares held by Gemfair Investments Limited ("Gemfair") and 377,094,270 Shimao Group Shares held by Shiying Finance Limited ("Shiying Finance"). Both Gemfair and Shiying 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 Shiying Finance.

2. The interests disclosed include deemed interests in 119,493 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.

3. The interests disclosed include deemed interests in 124,003 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.

4. The interests disclosed include deemed interests in 256,504 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.

5. The interests disclosed include deemed interests in 41,518 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.

*(2) Long position in the shares of associated corporation – Shimao Services*

| Name of Directors | Capacity/Nature of interests | Number of ordinary shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Hui Wing Mau | Interest of controlled corporation | 1,593,276,680 (Note 1) | 64.553% |
| | Other | 1,290,412 (Note 2) | 0.052% |
| Hui Sai Tan, Jason | Beneficial owner | 57,129 | 0.002% |
| Tang Fei | Beneficial owner | 53,418 | 0.002% |
| Xie Kun | Beneficial owner | 95,215 | 0.004% |
| Ye Mingjie | Beneficial owner | 4,141,172 (Note 3) | 0.168% |

Notes:

1. The interests disclosed represent 31,934,159 Shimao Services Shares held by Gemfair, 10,856,342 Shimao Services Shares held by Shiying 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 Shiying Finance. Both Gemfair and Shiying 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, Shiying Finance and Best Cosmos.

2. The interests disclosed represent deemed interests in 1,290,412 Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme of which Best Cosmos as the trustee to hold the awarded shares upon a trust established for the 2021 Shimao Group Share Award Scheme until the awarded shares are vested.

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

Save as disclosed above, no other interests or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) were recorded in the register.

## Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the year 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.

### Interests of Substantial Shareholders

As at 31 December 2023, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

*Long/short position in the shares or underlying shares of the Company*

| Name | Nature of interests | Number of shares or underlying shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| **Long position** | | | |
| Gemfair | Note 1 | 2,045,746,316 | 53.866% |
| Overseas Investment Group International Limited ("Overseas Investment") | Note 2 | 2,045,746,316 | 53.866% |
| Shiying Finance | Note 3 | 377,094,270 | 9.929% |

Notes:

1. The interests disclosed represent the interests in the Company which are held by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.

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

3. The interests disclosed represent the interests in the Company which are held by Shiying Finance, a company which is directly wholly-owned by Mr. Hui Wing Mau.

Save as disclosed above, no other interests 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 year ended 31 December 2023, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

The Directors, including those interested in the businesses of the Private Group, will, as and when required under the Articles of Association, 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.

## Permitted Indemnity Provisions

The Articles of Association provides that the Directors, secretary or other officers of the Company shall be entitled to be indemnified out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain or about the execution of their duties in their respective offices.

## Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023:

1. Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 63.45%-owned subsidiary of the Company, adjusted the redemption plan for five long-term bonds issued on the Shanghai Stock Exchange ("SSE") and included unpaid interest of RMB125,622,000 as of 28 December 2022 as principal;

2. Shanghai Shimao, redeemed RMB50,000,000 of medium-term notes at a fixed interest rate of 4.24% and RMB20,750,000 of private placement notes at a fixed interest rate of 3.70% on Interbank Market Clearing House Co., Ltd.;

3. The Company increased its holdings of 52,168,138 shares of Shanghai Shimao on the SSE through its wholly-owned subsidiary, with an average share price of RMB1.16 per share;

4. Shanghai Shimao repurchased 31,750,000 shares of Shanghai Shimao with its own funds on the SSE, with an average share price of RMB1.58 per share; and

5. The trustee of the Shimao Services Share Award Scheme, pursuant to the terms of the rules and trust deed of the Shimao Services Share Award Scheme, purchased from the market a total of 9,503,000 Shimao Services Shares at a total consideration of approximately HK$15,909,430.29 (before expenses).

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31 December 2023.

## Related Party Transactions

The major related party transactions which were undertaken in the normal course of business of the Group are set out in note 41 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted connected transactions or continuing connected transactions for the Company which is discloseable pursuant to Chapter 14A of the Listing Rules.

## Deed of Non-Competition

On 16 October 2020, the Company and Mr. Hui Wing Mau, the ultimate controlling shareholder of the Company (collectively the "Undertaking Controlling Shareholders") entered into a deed of non-competition (the "Deed of Non-Competition") in favour of Shimao Services.

Each of the Undertaking Controlling Shareholders has unconditionally and irrevocably undertaken to Shimao Services in the Deed of Non-Competition that it/he will not, and will procure its/his close associates (save for members of Shimao Services Group) not to, directly or indirectly conduct or be involved in any business (other than the business of Shimao Services Group) that directly or indirectly competes, or may compete, with the business of Shimao Services Group, being the provision in the PRC of property management services for residential and other properties (including but not limited to governmental and public facilities), value-added services to non-property owners and community value-added services, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by Shimao Services Group from time to time, except where the Undertaking Controlling Shareholders and their close associates hold (i) less than 30% of the total issued share capital of any company (whose shares are listed on the HKEx or any other stock exchange); or (ii) less than 30% of interest of any private company, which is engaged in any business that is or may be in competition with any business engaged by any member of Shimao Services Group and they do not possess the right to control the board of directors of such company.

The Deed of Non-Competition will lapse automatically if the Undertaking Controlling Shareholders cease to hold, whether directly or indirectly, 50% or above of the shares of Shimao Services with voting rights or if the shares of Shimao Services cease to be listed on the HKEx.

The Company has confirmed to Shimao Services that during the year ended 31 December 2023, the Group and its close associates (save for members of Shimao Services Group) have complied with the terms of the Deed of Non-Competition.

## 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 Hong Kong 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; and

(5) A facility agreement on 22 April 2021 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US$657,500,000 and HK$5,128,500,000 have been made available to the Company for a term of 48 months from the date of the facility agreement.

As provided in each of the above agreements, if (a) Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; or (iii) to have the power to direct the management of the Company, whether through the ownership of voting capital, by contract or otherwise; or (b) Mr. Hui Wing Mau ceases to be the chairman of the Board and is not replaced by Mr. Hui Sai Tan, Jason as the replacement chairman of the Board within 10 business days of any such cessation, the commitments under each of the above loan facilities may be cancelled and all amounts outstanding may become immediately due and payable.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2023 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the issued Shimao Group Shares as required under the Listing Rules.

## Auditor

On 24 March 2022, PricewaterhouseCoopers resigned as auditor of the Company and ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") has been appointed as the new auditor of the Company. Please refer to the announcement of the Company dated 25 March 2022 for further details.

The consolidated financial statements for the year ended 31 December 2023 have been audited by ZHONGHUI ANDA who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming AGM of the Company.

On behalf of the Board
**Hui Wing Mau**
*Chairman*

Hong Kong, 28 March 2024

# CORPORATE GOVERNANCE REPORT

## A. Corporate Governance Practices

Shimao Group Holdings Limited (the "Company") is committed to achieving and maintaining high standards of business ethics and corporate governance. It believes that, in the achievement of long term objectives of the Company and its subsidiaries (together the "Group"), it is of utmost importance to conduct business with accountability, transparency and fairness. The Group's interests as well as those of its shareholders will be maximized in the long run by adhering to these principles.

The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") throughout the financial year ended 31 December 2023, except for the following deviation:

Under code provision C.1.8, the Company should arrange appropriate insurance cover for legal action against its directors (the "Directors"). The Company has not yet made this insurance arrangement as director liability insurance with reasonable insurance premium while providing adequate suitable security to Directors has not yet been identified on the market. The Company is still in the process of obtaining insurance proposals from the insurers with the intent to purchase the relevant liability insurance for Directors within the year 2024.

## B. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code during the financial year.

## C. Directors

### C.1 The Board

The board of Directors (the "Board"), which is accountable to the shareholders of the Company (the "Shareholders"), is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management is entrusted by the Board with the authority and responsibility for the day-to-day management of the Group and assumes full accountability to the Board for the operation of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for the Board's approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements, rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The Company has established internal policies, including but not limited to the articles of association (the "Articles"), and terms of reference of the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company, to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election and appointment of Directors, the mechanism for Directors to abstain from voting on relevant proposals considered by the Board, and the authority of the independent board committee to engage independent financial advisors or other professional consultants. The Company has reviewed the implementation and effectiveness of the aforesaid mechanisms and considers that the aforesaid mechanisms can ensure the independent views and opinions of the Board.

As at the date of this report, the Board consisted of eight Directors, comprising four Executive Directors, one Non-executive Director together with three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

The Board has four scheduled meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2023, five Board meetings were held. The Directors attended Board meetings in person or through electronic means of communication during the year. Details of the attendance records of the Directors are set out in the table on page 38. Apart from formal meetings, matters requiring the Board approval were dealt with by way of written resolutions.

The Board is responsible for performing the corporate governance duties set out in the code provision A.2.1 of the Code. This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

## C.2 Chairman and President

Mr. Hui Wing Mau, the Chairman, is responsible for providing leadership to the Board in terms of establishing policies and business directions and ensures that the Board discharges its responsibilities. Mr. Hui Sai Tan, Jason, the Vice Chairman and the President, is responsible for the overall operation and executive responsibilities of the Group as well as leading the management of the Group in implementing the strategies and policies established by the Board.

The other Executive Directors are delegated with responsibilities to oversee and monitor the operations of specific business areas and to implement the strategies and policies formulated by the Board.

## C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's businesses. Given below are names of Directors during the financial year ended 31 December 2023 and up to the date of this report:

***Executive Directors***
Mr. Hui Wing Mau *(Chairman)*
Mr. Hui Sai Tan, Jason *(Vice Chairman and President)*
Ms. Tang Fei
Mr. Xie Kun

***Non-executive Directors***
Mr. Ye Mingjie
Mr. Lu Yi
(redesignated on 2 August 2023 and resigned on 15 November 2023)

***Independent Non-executive Directors***
Mr. Lyu Hong Bing
Mr. Lam Ching Kam
Mr. Fung Tze Wa

Brief biographical particulars of all existing Directors, together with information relating to the relationship among them, are set out in the "Directors and Senior Management Profiles" section under this annual report.

The Board currently comprises four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Independent Non-executive Directors, who represent more than one-third of the Board, bring independent advice, judgment and scrutiny of executives and review of performance and risks. Mr. Fung Tze Wa, an Independent Non-executive Director, possesses accounting and related financial management expertise. Therefore, the Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules.

The Board considers that all the Independent Non-executive Directors are independent in character and judgment and meet the guidelines for assessment of independence as set out in Rule 3.13 of the Listing Rules. Confirmation has been received from all the Independent Non-executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules.

Independent Non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

### C.4 Appointments, Re-election and Removal

During the financial year ended 31 December 2023, other than Mr. Xie Kun, Mr. Ye Mingjie, Mr. Fung Tze Wa and Mr. Lu Yi, each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his/her re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the Articles. The Articles state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected. Accordingly, the term of appointment of all Directors is effectively not more than about three years. The Articles also provide that any Director appointed by the Board, either to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office only until the upcoming annual general meeting of the Company and shall then be eligible for re-election.

### C.5 Board Diversity

The Company recognizes the benefits of having a Board that has a balance of skills, experience and diversity of perspective appropriate to the requirements of the Company's businesses. The Board adopted a board diversity policy for the Company (the "Board Diversity Policy") which stipulates that for identifying individuals suitably qualified to become Directors, the Nomination Committee should, while reviewing the Board's composition, consider from a wide range of aspects for Board diversity, including, but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All appointments of Directors should have taken into account the aforesaid factors as a whole for the benefits of the Company. Selection of candidates will be based on the Company's nomination policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit against objective criteria and contribution that the candidate will bring to the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy. It will also from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy.

The Nomination Committee considered that the Board consists of a diverse mix of members and has provided a good balance of skills and experience appropriate to the business needs of the Group. Our Board currently has one female Director out of eight Directors, and is committed to improving gender diversity as and when suitable candidates are identified.

The current board diversity mix is shown below:

| | Number of Directors |
|---|---|
| **Designation** | |
| Executive Directors | 4 |
| Non-executive Director | 1 |
| Independent Non-executive Directors | 3 |
| **Gender** | |
| Male | 7 |
| Female | 1 |
| **Age** | |
| 41–50 years old | 2 |
| 51–60 years old | 3 |
| 61–70 years old | 2 |
| Above 70 years old | 1 |

| | Directors' skills, expertise and experience | | | | |
|---|---|---|---|---|---|
| | Executive leadership & strategy/ directorship experience with other listed company(ies) | Property development, property management & construction | Mainland China exposure | Accounting professionals/ financial management expertise | Legal professionals/ regulatory & compliance |
| **Executive Directors** | | | | | |
| Mr. Hui Wing Mau *(Chairman)* | ✓ | ✓ | ✓ | | |
| Mr. Hui Sai Tan, Jason *(Vice Chairman and President)* | ✓ | ✓ | ✓ | | |
| Ms. Tang Fei | ✓ | ✓ | ✓ | ✓ | |
| Mr. Xie Kun | ✓ | ✓ | ✓ | | |
| **Non-executive Director** | | | | | |
| Mr. Ye Mingjie | ✓ | ✓ | ✓ | | |
| **Independent Non-executive Directors** | | | | | |
| Mr. Lyu Hong Bing | ✓ | | ✓ | | ✓ |
| Mr. Lam Ching Kam | ✓ | ✓ | ✓ | | |
| Mr. Fung Tze Wa | ✓ | | ✓ | ✓ | ✓ |
| Coverage (% of entire Board) | 100% | 75% | 100% | 25% | 25% |

To ensure there is gender diversity on the Board, the Board has set a target that there should have at least one Director of different gender on the Board, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidates after a holistic review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of the Company and the Shareholders as a whole when deliberating on the appointment.

To develop a pipeline of potential successors of different genders to the Board, the Company will (i) ensure that there is emphasis on gender diversity when recruiting staff at all levels; and (ii) engage fair resources in training staff of different genders with the aim of promoting them to be members of senior management or the Board. Through this, the Company is committed to identifying suitable candidates of different genders both internally and externally in order to achieve the abovementioned target.

Having reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board, the Nomination Committee considered that the requirements of the Board Diversity Policy had been met.

In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across the Company's operations. As at 31 December 2023, we maintained a 58:42 ratio of men to women in the workplace.

## C.6 Directors' Induction and Continuous Professional Development

Every newly appointed Director receives briefings and orientation containing their legal and other responsibilities as a Director and the role of the Board together with materials on the Company's businesses and operations from the Company Secretary. The Company provides appropriate and sufficient information to Directors in a timely manner to keep them appraised of the latest development of the Group and to enable them to make an informed decision as well as to discharge their duties and responsibilities as Directors of the Company. Each Director has independent access to senior executives on operating issues.

The Directors are continually updated with legal and regulatory developments, business and market changes and strategic development of the Group to facilitate the discharge of their responsibilities.

According to the records maintained by the Company Secretary, all Directors pursued continuous professional development during the year and relevant details are set out below:

| Directors | Reading materials |
|---|---|
| Mr. Hui Wing Mau | ✓ |
| Mr. Hui Sai Tan, Jason | ✓ |
| Ms. Tang Fei | ✓ |
| Mr. Xie Kun | ✓ |
| Mr. Ye Mingjie | ✓ |
| Mr. Lyu Hong Bing | ✓ |
| Mr. Lam Ching Kam | ✓ |
| Mr. Fung Tze Wa | ✓ |
| Mr. Lu Yi (resigned on 15 November 2023) | ✓ |

### C.7 Board and Committee Meetings

Individual attendance records of the Directors at board meetings, board committees' meetings and annual general meeting during the financial year ended 31 December 2023, are set out below:

| | Attendance/Number of Meeting(s) | | | | |
|---|---|---|---|---|---|
| Directors | Board meeting | Audit Committee meeting | Nomination Committee meeting | Remuneration Committee meeting | Annual general meeting |
| Mr. Hui Wing Mau | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Hui Sai Tan, Jason | 5/5 | N/A | N/A | N/A | 1/1 |
| Ms. Tang Fei | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Xie Kun | 5/5 | N/A | N/A | N/A | 1/1 |
| Mr. Ye Mingjie | 4/5 | N/A | N/A | N/A | 1/1 |
| Mr. Lyu Hong Bing | 5/5 | 3/4 | 1/1 | 1/1 | 1/1 |
| Mr. Lam Ching Kam | 5/5 | 4/4 | 1/1 | 1/1 | 1/1 |
| Mr. Fung Tze Wa | 5/5 | 4/4 | 1/1 | 1/1 | 1/1 |
| Mr. Lu Yi (resigned on 15 November 2023) | 4/4 | N/A | N/A | N/A | N/A |

### C.8 Supply of and Access to Information

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are circulated in full to all Directors in a timely manner to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

The Directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## D. Board Committees

The Company has established three board committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, with specific terms of reference which clearly define their authorities and responsibilities. The terms of reference of these committees are available on the Company's website at www.shimaogroup.hk.

All three board committees are required by their terms of reference to report to the Board with respect to their decisions, findings or recommendations.

### D.1 Nomination Committee

The Nomination Committee currently comprises three members, namely, Mr. Lam Ching Kam, Mr. Lyu Hong Bing and Mr. Fung Tze Wa, all of whom are Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Lam Ching Kam.

There was one Nomination Committee meeting held during the financial year ended 31 December 2023. Details of attendance of the Nomination Committee members are set out in the table on page 38.

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.

The work performed by the Nomination Committee for the financial year ended 31 December 2023 is summarized below:

(a) review of the structure, size and composition (including the mix of skills, knowledge and experience) of the Board;

(b) review of the terms of reference of the Nomination Committee;

(c) review of the implementation of the Board Diversity Policy; and

(d) recommendation to the Board for approval of the redesignation of Mr. Lu Yi from an Executive Director to a Non-executive Director.

The Board has adopted a nomination policy (the "Nomination Policy") which sets out procedure, process and criteria in evaluating and selecting candidates for directorships of the Company. Pursuant to the Nomination Policy, the Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

(a) character and integrity;

(b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(c) commitment of the candidates to devote sufficient time to effectively carry out their duties. In this regard, the number and nature of offices held by the candidates in public companies or organizations, and other executive appointments or significant commitments will be considered;

(d) independence of the candidates;

(e) Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(f) other factors considered to be relevant by the Nomination Committee on a case by case basis.

The nomination procedure and process for appointment of new Directors, re-appointment of Directors and nomination by Shareholders have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness. In August 2023, the Nomination Committee reviewed the qualification, experience, expertise and other factors of a candidate for the redesignation from Execution Director to Non-executive Director with reference to the Nomination Policy.

### D.2 Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Lyu Hong Bing, Mr. Lam Ching Kam and Mr. Fung Tze Wa, all of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lyu Hong Bing.

There was one Remuneration Committee meeting held during the financial year ended 31 December 2023. Details of attendance of the Remuneration Committee members are set out in the table on page 38.

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 scheme.

The work performed by the Remuneration Committee for the financial year ended 31 December 2023 is summarized below:

(a) review of the Company's policy and structure for all remunerations of Directors and senior management of the Company;

(b) consideration and recommendation to the Board on the remunerations for all Directors and senior management of the Company; and

(c) review and update of the terms of reference of the Remuneration Committee for the purpose of being in line with the new requirement of the Code.

Details of the Directors' remunerations (including the Executive Directors who are also the senior management of the Company) are set out in note 32 to the consolidated financial statements of this annual report.

### D.3 Audit Committee

The Audit Committee currently comprises three Independent Non-executive Directors, namely, Mr. Fung Tze Wa, Mr. Lyu Hong Bing and Mr. Lam Ching Kam. The Audit Committee is chaired by Mr. Fung Tze Wa.

There were four Audit Committee meetings held during the financial year ended 31 December 2023. Details of attendance of the Audit Committee members are set out in the table on page 38.

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 comments and records, within a reasonable time after each meeting.

The work performed by the Audit Committee for the financial year ended 31 December 2023 is summarized below:

(a) review of the audit plan of the external auditor and discussion with them about the nature and scope of the audit;

(b) approval of the remuneration and terms of engagement of external auditor;

(c) review of the external auditor's independence and objectivity and the effectiveness of audit process according to applicable standards;

(d) review of the interim and annual results of the Group before submission to the Board;

(e) review of the audit programme of the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) review of an internal control report and an independent investigation report of the Company.

The Audit Committee is provided with sufficient resources, including the advice of external auditor, to discharge its duties. The Audit Committee meets the external auditor at least twice a year.

The consolidated annual results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2023 is set out as follows:

| **Services rendered** | RMB'000 |
|---|---|
| Audit services | 11,000 |
| Other services | – |
| Total | 11,000 |

# E. Accountability and Audit

## E.1 Financial Reporting

All Directors are provided with a review of the Group's major business activities and key financial information on a monthly basis.

The Company recognizes that high quality corporate reporting is important in reinforcing the long term and trustworthy relationship with the Shareholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications.

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2023 which give a true and fair view of the financial position of the Group and of the operating results and cash flow for the year then ended. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and disclosure requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management, and the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

A statement by the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is included in the Independent Auditor's Report set out on pages 54 to 56 of this annual report.

***Going Concern and Mitigation Measures***

As a result of the matters described in the section headed "Basis for Disclaimer of Opinion – Multiple uncertainties relating to going concern" in the "Independent Auditor's Report" on page 54 of this annual report, the Company's independent auditor, ZHONGHUI ANDA CPA Limited (the "Auditor"), did not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2023.

The Directors have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, among others, have proactively come up with debt solutions to alleviate the liquidity pressure, details of which are set out in note 2(a) to the consolidated financial statements as contained in this annual report.

The Directors are of the opinion that, assuming the aforesaid 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 31 December 2023. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Audit Committee has discussed with the Board and the Group's management regarding the going concern issue, and on the basis of the successful implementation of the plans and measures, agreed with the position taken by the Group's management and the Board regarding the accounting treatment adopted by the Company.

The Audit Committee also discussed and understood the concerns of the Auditor that uncertainties exist as to whether the Group's management will be able to achieve its plans and measures. There is no disagreement by the Board, the Group's management nor the Audit Committee with the position taken by the Auditor regarding the going concern issue.

Further details on the material uncertainties relating to the Group's going concern and their mitigation measures are set out in note 2(a) to the consolidated financial statements in this annual report.

### E.2 Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and reviews their effectiveness annually. Such systems are designed to manage the Group's risks within an acceptable risk profile and provide reasonable assurance against material misstatement or loss.

The senior management under the supervision of the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the risk management and internal control framework when there are changes in business, external environment or legal and regulatory guidelines.

The Audit Committee assists the Board in fulfilling its oversight role in the Group's risk management and internal control systems. The Audit Committee reviews, among others, the financial controls, risk management and internal control systems of the Group and any significant internal control issues identified by the internal audit department, external auditor and senior management. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit, financial reporting functions, and their training programmes and budget.

The internal audit function assesses and monitors the effectiveness of the Group's risk management and internal control systems and reports to the Audit Committee on a half-yearly basis. It has unrestricted access to the company records that allows it to review all aspects of the Group's control and governance process. The scope of work includes financial and operational review, recurring and unscheduled audit, fraud investigation and whistleblowing.

Following the issues raised by PricewaterhouseCoopers in 2022, the former auditor of the Company, in its resignation letter, the Company has engaged an independent investigator to conduct an independent investigation on the above issues and engaged an internal control consultant to perform a review on the Group's internal control systems and procedures. As disclosed in the Company's announcement dated 23 June 2023 relating to the key findings of the independent investigation and announcement dated 21 July 2023 relating to the key findings of internal control review, certain internal control issues and deficiencies were identified. Major internal control issues identified are as follow:

(1) The Company did not have a risk register at the Group level and a written summary record of the assessment of various types of risk matters;

(2) The former auditor of the Company identified four trust loan arrangements (the "Trust Loans") where the Company and its subsidiaries have provided guarantees and pledges as security for the Trust Loans. However, the Company did not include the credit enhancement arrangements in relation to the Trust Loans in the lists of pledges and guarantees provided to the previous auditor in 2020 and mid-2021;

(3) With regards to the other trust loan arrangements for 14 trade and procurement associated companies and joint ventures and 13 development associated companies and joint ventures, the Company's subsidiaries have provided asset pledges and corporate guarantees for these trust loans. However, the list of pledges and guarantees provided by the Company to the former auditor in 2020 and mid-2021 did not include those credit enhancement arrangements provided to the relevant trust institutions;

(4) The Group failed to comply with the requirements of Rules 13.49(1) and 13.46(2)(a) of the Listing Rules to publish the 2021 annual results and annual report within the specified period after the end of the year ended 31 December 2021;

(5) The Group failed to meet the requirements under Rules 13.49(6) and 13.48(1) of the Listing Rules to publish the 2022 interim results and interim report within the specified period;

(6) In the Group's "Financing Business Risk Management System", the standard approval process for mortgages/pledges involving assets of the Group to lenders, including self-operated loans, guarantees for bank loans of third parties, joint ventures and associated companies, etc. and its record keeping requirements were not clearly specified;

(7) The relevant departments involved, including the legal department and the administrative department, used SAP system to approve the relevant bank loans in accordance with the requirements of the "Funds Allocation System" and "Implementation Rules for the Management of Shimao Group's Seal Borrowing". However, the internal control consultant has noted (i) one case of variation to terms, and (ii) three cases of execution of the loan documents prior to the approval by the SAP system;

(8) A wholly-owned subsidiary of the Group provided a shareholder loan in the amount of RMB3.76 billion to its subsidiary. However, the relevant loan did not stipulate interest rate, repayment method and due date in accordance with the requirements in the "Management Measures for the Calculation of Internal Fund Costs" of the "Fund Allocation System";

(9) A subsidiary of the Group entered into a trust financing arrangement for a project in 2020 and the outstanding balance of the loan was RMB6 billion in March 2022. If it had been known at the time of providing collateral that all or part of the relevant trust financing amount would be diverted back to the Group, the relevant amount should have been listed in the SAP approval process in advance or at the same time. However, in the SAP approval process, it was not stated that all or part of the proceeds would be diverted back to the Group;

(10) In September 2020, a RMB1.4 billion trust loan arrangement was established where the borrower was an associated company of the Group. A wholly-owned subsidiary of the Group provided a guarantee and a pledge of assets (land and shares) as security for the trust loan. The completion date of the SAP system approval was on 10 September 2020, where the relevant loan and guarantee documents were signed on 8 September 2020. The borrower subsequently defaulted on the repayment, and the subsidiary guarantor become an obligor and signed the Debt Confirmation Agreement on 19 November 2021. However, the relevant departments did not keep written records of monitoring repayment of the loan by the borrower;

(11) In June 2020, a trust corporation established a trust loan arrangement with an associated company of the Group and subsequently granted a loan of RMB500 million. Certain subsidiaries of the Company provided guarantee and asset (real estate and land) pledge as security and the proceeds of the loan was diverted back to the Group. If it had been known that the whole or part of the relevant trust loan amount would be diverted back to the Group when the collateral was provided, the relevant amount should have been listed in the SAP approval process in advance or at the same time;

(12) A trust corporation established a trust loan arrangement with a joint venture of the Company in 2020 and the outstanding balance of the trust loan at the end of 2021 was RMB330 million. Certain subsidiaries of the Company provided guarantee and asset (real estate and land) pledge as security and the proceeds of the loan was diverted back to the Group. If it had been known that the whole or part of the relevant trust loan amount would be diverted back to the Group when the collateral was provided, the relevant amount should have been listed in the SAP approval process in advance or at the same time;

(13) The "Shimao Group Investment Management System" did not state the evaluation of the background and qualifications of target companies and keeps relevant records during the approval of equity investment projects;

(14) According to the fund management requirements of the "Financial Management System Manual" of the Group, bank accounts should be cleared up from time to time, and infrequently used bank accounts should be canceled in a timely manner. However, the review identified that certain companies in the Group did not regularly check whether the bank accounts were still valid; and

(15) It was found that in terms of the custody of the documents of the Group, some of the agreements under the Trust Loans could not be retrieved by the Group's personnel due to the resignation of the employees of the subsidiaries, and there were also situations where the Group headquarters personnel could not confirm the status of whether the relevant documents have finally been signed. In addition, in relation to the sales and procurement, it was also found that the personnel of the Group's financial management center failed to retrieve relevant supporting documents in time due to the resignation of the employees of subsidiaries.

Based on these findings and rectification recommendations made by the internal control consultant, the Company has put in place measures to address the deficiencies identified and implemented the rectification recommendations. The internal control consultant has further conducted a follow-up review and was satisfied that the Company has in place adequate internal controls and procedures.

Taking into account the modified audit opinion in respect of "Limitation of scope on the valuation of assets relating to a property project", the Company will improve the internal control through closely monitoring the fair value evaluation of assets in other large projects of the group to ensure that the significant non-directly observed inputs and assumptions used in the evaluation model are sufficiently reasonable and supported by evidence, in order to avoid similar situations happening again.

Based on the findings of the follow-up review by the internal control consultant, the Board and the Audit Committee are also satisfied that the Company has in place adequate internal controls and procedures.

The Company has formulated an inside information policy. This ensures timely reporting and disclosure as well as fulfilment of the Company's continuous disclosure obligations. Directors and employees are regularly reminded for the compliance of all policies related to inside information.

## F. Winding-up petition and its latest progress

A winding-up petition against the Company (the "Petition") dated 5 April 2024 was filed by China Construction Bank (Asia) Corporation Limited at the High Court of the Hong Kong Special Administrative Region (the "High Court") in connection with a financial obligation of the Company in the amount of approximately HK$1,579.5 million. The High Court has set the first hearing date for the Petition on 26 June 2024.

The Company is of the view that the Petition does not represent collective interests of the Company's offshore creditors and other stakeholders. To protect the interests of its stakeholders, the Company will oppose the Petition vigorously and continue to work towards an offshore restructuring that maximizes value for its stakeholders.

As disclosed in the announcement of the Company dated 25 March 2024, the Company has consistently engaged in good faith restructuring discussion with its offshore creditors and pledges to continue to proactively communicate with its offshore creditors regarding its offshore restructuring.

For details, please refer to the Company's announcements dated 8 April 2024 and 10 April 2024.

## G. Communication with Shareholders

### G.1 Shareholders Communication Policy

A shareholders communication policy (the "Shareholders Communications Policy") has been adopted by the Company to ensure that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company.

The Company makes full use of the internet to make information broadly available to the Shareholders. Electronic copies of annual and interim reports, announcements, circulars and general information about the Group's businesses are made available on the Company's website at www.shimaogroup.hk. The Company's website also provides email address, postal address, fax number and telephone number by which the Shareholders may at any time address their enquiries to the Company.

The annual general meeting provides a useful forum for the Shareholders to exchange views with the Board. The Company encourages the Shareholders to attend annual general meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals. The Directors, senior management and external auditor will attend the Shareholders' meetings to answer the questions of Shareholders.

The 2023 annual general meeting (the "2023 AGM") of the Company was held on 23 November 2023. Details of attendance of the Directors in the 2023 AGM are set out in the table on page 38. The Company's external auditor, ZHONGHUI ANDA CPA Limited, attended the 2023 AGM, during which its representative was available to answer questions raised by the Shareholders.

The Board conducted a review of the implementation and effectiveness of the Shareholders Communication Policy. Having considered the multiple channels of communication in place, the Board is satisfied that the Shareholders Communication Policy has been properly implemented during 2023 and is effective.

### G.2 Dividend Policy

Policy on payment of dividends of the Company is in place setting out the factors in determination of dividend payment which shall include but not limited to the Group's general financial condition, actual and future operations and liquidity position, and expected working capital requirements and future expansion plans. The policy will continue to be reviewed in light of the financial position of the Company, and submitted to the Board for approval if amendments are required.

## H. 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. During the year, Ms. Lam undertook over 15 hours of professional training to update her skills and knowledge. 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 Vice Chairman whilst all Directors have access to the advice and services of the Company Secretary.

## I. Shareholders' Rights

### I.1 Procedures for convening an extraordinary general meeting ("EGM")

Pursuant to Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "EGM Requisitionists") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong (the "Principal Office"), which is presently situated at 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request(s) must be signed by all the EGM Requisitionists, and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Company's branch share registrar and transfer office in Hong Kong will verify the EGM Requisitionists' particulars at the EGM Requisitionists' request. Promptly after receipt of confirmation from the Company's branch share registrar and transfer office in Hong Kong that the EGM Requisitionists' request is valid, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is confirmed invalid, the requested EGM will not be convened and notification will be made to the EGM Requisitionists accordingly.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the EGM Requisitionists' himself (or themselves) may do so in the same manner, and all reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

### I.2 Procedures for putting forward proposals at general meeting(s)

There are no provisions allowing the Shareholders to propose new resolution(s) at a general meeting(s) under the Cayman Islands Companies Law. However, the Shareholders are requested to follow Article 58 of the Articles for moving proposing resolution(s) at a general meeting(s). The requirements and procedures are set out above.

### I.3 Procedures for proposing a person to be elected as a director of the Company

Pursuant to Article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Principal Office or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as Director is posted on the Company's website.

### I.4 Procedures for sending enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or call its customer service hotline at (852) 2980 1333.

Shareholders may at any time send their enquiries in respect of the Company via email at the email address ir@shimaogroup.com.

## J. Significant Amendments to Constitutional Documents

During the financial year ended 31 December 2023, an amended and restated memorandum and articles of association of the Company was approved and adopted by the Shareholders at the 2023 AGM in substitution for and to the exclusion of the old memorandum and articles of association to (i) bring the memorandum and articles of association to be in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules; (ii) enable the Company to convene and hold electronic or hybrid general meetings; and (iii) make other miscellaneous and housekeeping changes. For details, please refer to the announcement of the Company dated 20 October 2023 and the circular of the Company dated 31 October 2023. The latest version of the memorandum and articles of association of the Company is available on the websites of the Company and the HKEx.

## K. Events After the Reporting Period

### K.1 Disposal of interests in a project company

Reference is made to the announcement of the Company dated 14 March 2024 in relation to the disposal by the Group of its 60% equity interest in 深圳市坪山區城投宏源投資有限公司 (Shenzhen Pingshan Urban Investment Hongyuan Investment Co., Ltd.) (the "Project Company") and certain debt owed by the Project Company to the Group (together, the "Disposal"). The Project Company is responsible for the development of an integrated residential and commercial project at Pingshan District in Shenzhen (the "Project").

The Company would like to provide additional information about the Disposal as follows:

The consideration for the Disposal in the amount of RMB245.7 million was determined after arm's length negotiations between the parties with reference to a number of factors, including the location of the Project, its development potential, the adverse market conditions in the PRC property market, and the valuation of the 60% equity interests held by the Group in the Project Company as at 30 September 2023, taken as a whole.

For the valuation of the 60% equity interests in the Project Company, the asset-based method was adopted. When selecting the valuation methodology, the three generally accepted methods, including the income method, the market method and the asset-based method, were considered. The income method was not adopted as Phase One of the Project has been completed and delivered and construction on Phase Two of the Project has been suspended since 2021 and not resumed yet, therefore there exist uncertainties on when the Project will be completed and generate operation income. The market method was also not adopted as there is a lack of open market information on active transactions or comparable transactions of the scale similar to that of the Project. The asset-based method was considered appropriate as the business of the Project Company is or presumed to be able to continue by utilizing its historical operation information.

The key assumptions used in the valuation include two categories. The basic assumptions were the transaction has been under negotiation, there have existed open market, the assets and resources of the Project Company could legally continue to be operated within the foreseeable future operating period; and the Project Company will continue to operate as a going concern. The general assumptions are customary assumptions for valuations including no major changes in the macro-economic conditions in the jurisdiction in which the Project Company operates; no force majeure or unforeseen events that will cause a material adverse impact on the financial position of the Project Company.

The key assets of the Project Company were inventories with its book value of RMB931 million and the investment properties with its book value of RMB1,760 million. For completed properties, the fair value were determined using market method by reference to recent comparable sales transactions in the relevant property market. For properties under development and investment properties, the valuation was determined by considering both the cost method and the residual method on the assumption that the property would continue to be developed. Owing to adverse market conditions, the PRC property market has experienced a significant downturn and commercial real estate in general is facing greater downward pressure than residential real estate, thus resulting in the impairment loss of inventories of RMB218.6 million and impairment loss of investment properties of RMB497.1 million. Accordingly, based on the valuation result by the independent valuer, the Project Company's appraised net asset value as at 30 September 2023 is a negative value of RMB585.1 million (the book value of net assets of the Project Company amounting to RMB130.7 million minus the total impairment loss of RMB715.7 million), with the appraised loss of the 60% equity interest held by the Group amounting to approximately RMB351.0 million.

As disclosed in the announcement, the consideration was determined by the parties after arm's length negotiations having considered a number of factors. The valuation was a reference used by the parties for negotiation purpose and was not the sole basis of determining the consideration. Given the location of the Project, its development potential, the negative valuation of the Project and the current adverse market conditions, the consideration was arrived at after hard negotiations by the management and was split into RMB30 million for the sale of the 60% equity interest in the Project Company and approximately RMB215.7 million for the sale of the debt owed by the Project Company to the Group. The consideration represents a premium to the negative value of the 60% equity interest of the Project Company, and a discount to the account receivable due from the Project Company, which the Project Company would not be expected to be able to repay had the Disposal was not to proceed. The purpose of the Group was to recoup the most monetarily through the Disposal under the present circumstances and the current difficult market environment. The Disposal serves to revitalize the Group's suspended projects and promote the resumption of work and construction of the Project.

### K.2 Latest progress of the offshore debt restructuring

The Company and its advisors have been engaged in dialogue with its stakeholders on the proposed restructuring of its offshore debt (the "Offshore Debt"), in an effort to reach a solution under which all of its stakeholders will be treated fairly. The particulars of the Offshore Debt, comprising indebtedness of the Company, Shimao Property Holdings (BVI) Limited and Shimao Investment Holdings Limited, are listed in Schedule 4 to the CSA (as defined below).

Having considered the prevailing market conditions and the Company's projected cash flow, and following extensive discussions with offshore creditors, the Company has prepared a creditor support agreement (the "CSA") to be signed by, among others, the persons holding beneficial interests (or, with respect to the Loans, legal and beneficial interests) as principal in Offshore Debt that are in support of the Proposal (each a "Participating Creditor") and the Company, under which each Participating Creditor is expected to, among other things:

(1) use all commercially reasonable endeavours in order to support, facilitate, implement or otherwise give effect to the Proposal; and

(2) vote in favour of the Proposal in respect of the aggregate outstanding principal amount of the relevant Offshore Debt in which it holds a beneficial (or, with respect to the loans, legal and beneficial interests) as principal for the purposes of voting its holdings at the Scheme Record Time as defined in the CSA.

The Company formulated a restructuring proposal (the "Proposal") for the Offshore Debt as set out in the term sheet annexed to the CSA.

The Proposal is expected to be implemented through a scheme of arrangement in Hong Kong and/or such other equivalent process in any jurisdiction in which it may be necessary to effect the Proposal.

Further information on the CSA and the terms of the Proposal are set out in the announcement of the Company dated 25 March 2024.

Save as disclosed above, as at the date of this annual report, the Group did not have any significant event subsequent to 31 December 2023.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## Executive Directors

### Hui Wing Mau (Chairman)

Mr. Hui Wing Mau, aged 73, the Chairman and Executive Director of Shimao Group Holdings Limited (the "Company", together with its subsidiaries, the "Group") and the founder of the Group. With over 34 years' experience in property development, property investment and hotel operation, he is primarily responsible for the Group's overall strategic planning. Mr. Hui obtained a Master's Degree in Business Administration from the University of South Australia. Mr. Hui is also the non-executive chairman of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a subsidiary of the Company listed on the Shanghai Stock Exchange and the chairman and a director of Shimao International Holdings Limited. He is a director of Gemfair Investments Limited and Shiying Finance Limited, substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has been the Chairman and Executive Director of the Company since 8 November 2004. Mr. Hui is the father of Mr. Hui Sai Tan, Jason, the Vice Chairman, President and an Executive Director of the Company and the chairman and executive director of Shimao Services Holdings Limited ("Shimao Services"), a subsidiary of the Company listed on The Stock Exchange of Hong Kong Limited (the "HKEx"), and Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

### Hui Sai Tan, Jason (Vice Chairman and President)

Mr. Hui Sai Tan, Jason, aged 47, joined the Group in March 2000 and has been an Executive Director, the Vice Chairman and President of the Company since 17 November 2004, 21 April 2008 and 30 January 2019 respectively. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He has more than 25 years' experience in property development and management. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference and the president of New Home Association, Hong Kong. Mr. Jason Hui is also a director of Shanghai Shimao, and the chairman and an executive director of Shimao Services. Mr. Jason Hui is the son of Mr. Hui Wing Mau, the Chairman, an Executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the HKEx) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

### Tang Fei

Ms. Tang Fei, aged 53, has joined the Group since July 2004 and was appointed an Executive Director of the Company since 6 February 2013. Ms. Tang is currently a Vice President of the Group, responsible for the financial control of the Group. Ms. Tang is also a non-executive director of Shimao Services. Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 30 years' experience in financial management and internal audit. Prior to joining the Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager of the International Financial Management Association and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 Accountants of AIA in China in 2018.

### Xie Kun

Mr. Xie Kun, aged 55, was appointed an Executive Director of the Company since 13 December 2021. Mr. Xie joined the Group in July 2010 and successively served as vice president of the Group, chief executive officer of Central South Region and chairman and chief executive officer of Zhejiang Regional Corporation, and the senior vice president of the Group and chairman and chief executive officer of Zhejiang and Central China Regional Corporation. Mr. Xie graduated from Southwest Jiaotong University (西南交通大學) with a Master's Degree in Structural Engineering in 1993 and obtained an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) and Shanghai Advance Institute of Finance (上海高級金融學院) in 2009 and 2016 respectively. Before joining the Group, Mr. Xie has 9 years of experience in rail transit design and research work in China Railway Shanghai Design Institute Group Co., Ltd. and has extensive experience in urban planning and rail transit network planning and design. Mr. Xie has over 23 years of experience in senior corporate management and project development and operation management in the real estate industry.

## Non-Executive Director

### Ye Mingjie

Mr. Ye Mingjie, aged 45, was appointed a Non-executive Director of the Company since 1 January 2021. Mr. Ye is also an executive director and the president of Shimao Services. Mr. Ye joined the Group in February 2004 and successively served as an assistant president of the Group as well as the head of the engineering management center of the Group and was promoted to the position of vice president of the Group in January 2018, where he was responsible for overseeing the engineering management of the Group and the business operations of Shimao Services. Mr. Ye graduated from Tongji University (同濟大學) in the PRC and specialised in engineering management. Mr. Ye has over 18 years of experience in the property management and related industry. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產業協會) for the years from June 2019 to June 2023 and was elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on 30 March 2021.

## Independent Non-Executive Directors

### Lyu Hong Bing

Mr. Lyu Hong Bing, aged 57, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lyu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 31 years' experience in corporate and securities laws in China. Mr. Lyu currently serves as an independent director of Shandong Airlines Co., Ltd. (a company listed on the main board of the Shenzhen Stock Exchange), Shanghai New Huang Pu Industrial Group Co., Ltd. (a company listed on the main board of the Shanghai Stock Exchange) and Cambricon Technologies Corporation Limited (a company listed on the STAR Market of the Shanghai Stock Exchange). Mr. Lyu was formerly an independent director of Shanghai Shentong Metro Co., Ltd., a company listed on the Shanghai Stock Exchange, from 2014 to 2020, and an independent non-executive director of Virtual Mind Holding Company Limited, a company listed on the HKEx, from 2017 to 2020. Mr. Lyu is the chief executive partner of the Grandall Law Firm, a chief supervisor of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and other higher education institutions, a member of the Review Board of the China Securities Regulatory Commission for Mergers, Acquisitions, and Restructurings of Listed Companies and a commissioner of the Listing Committee of the Shanghai Stock Exchange.

### Lam Ching Kam

Mr. Lam Ching Kam (Alias: Jacob Lam), aged 63, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and is a fellow member of the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程學會會員) and also a registered China Cost Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 22 years. Mr. Lam has been in the property development and construction industry for 40 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd.. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in Mainland China and Macau, including a Beijing Olympic 2008 project involving hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with 信永中和工程管理有限公司 (ShineWing Engineering Management Co., Ltd.) and he became a partner from 1 October 2016.

### Fung Tze Wa

Mr. Fung Tze Wa, aged 67, has been an Independent Non-executive Director of the Company since 24 August 2022. Mr. Fung is a certified public accountant and a director of an accounting firm in Hong Kong. Mr. Fung has many years of experience in auditing, taxation and company secretarial practice in Hong Kong. He obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2000. He is a member of the HKICPA, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Fung was an independent non-executive director of China Wood International Holding Co., Limited (Stock Code: 1822) from May 2020 to December 2020, an independent non-executive director of Citychamp Watch & Jewellery Group Limited (Stock Code: 256) from April 2004 to September 2020, an independent non-executive director of Arta TechFin Corporation Limited (Stock Code: 279) from January 2017 to September 2021 and an independent non-executive director of Sheng Yuan Holdings Limited (Stock Code: 851) from May 2018 to June 2020. He is currently an independent non-executive director of Imperium Technology Group Limited (Stock Code: 776) since October 2012. All of the above companies were listed on the main board of HKEx.

### Senior Management

The Executive Directors of the Company are members of senior management of the Group.

## Change in Information of Directors

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2023 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

| Name of Directors | Details of Changes |
|---|---|
| Mr. Hui Wing Mau | No longer served as the president of China Federation of Overseas Chinese Entrepreneurs, Life Honorary Chairman of New Home Association, Hong Kong and chairman of Hong Kong Federation of Overseas Chinese Associations |
| Mr. Lu Yi | Resigned as a Non-executive Director of the Company on 15 November 2023 |

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Senior Management Profiles".

# INFORMATION FOR SHAREHOLDERS

## ANNUAL REPORT

This annual 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 annual 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 email at 813-ecom@hk.tricorglobal.com or by post to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

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

## ANNUAL GENERAL MEETING ("AGM")

The 2024 AGM will be held on Thursday, 20 June 2024. The notice of the 2024 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2024 AGM and the proxy form are also available on the Company's website.

## CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2024 AGM:

| | |
|---|---|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on Thursday, 13 June 2024 |
| Closure of ROM | from Friday, 14 June 2024 to Thursday, 20 June 2024 (both days inclusive) |

# INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

**TO THE SHAREHOLDERS OF SHIMAO GROUP HOLDINGS LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

## Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Shimao Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 160, which comprise the consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Disclaimer of Opinion

### Multiple uncertainties relating to Going Concern

We draw attention to note 2(a) to the consolidated financial statements, which mention that the Group incurred a loss attributable to equity holders of the Company of approximately RMB21.0 billion. As at 31 December 2023, the Group had borrowings in total of approximately RMB264.0 billion, out of which approximately RMB199.4 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 RMB21.4 billion. As at 31 December 2023, the Group had not repaid borrowings of RMB169.4 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 RMB174.1 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 38(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 consolidated financial statements have 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 consolidated financial statements have 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 consolidated financial statements.

We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to achieving the abovementioned plans and measures, we disclaim our opinion in respect of the multiple uncertainties relating to the going concern basis.

## Other Matters

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

### 1. Limitation of scope on the valuation of assets relating to a property project

As at 31 December 2023, the Group had a portfolio of investment properties and inventories with carrying amounts of approximately RMB13.4 billion and approximately RMB10.6 billion, respectively, relating to one of its major property projects in the PRC. These assets were auctioned publicly during the year, with bidding prices significantly lower than their carrying amounts. The auctions were eventually closed due to failure to procure bidders after two rounds of auctions.

The fair values of the related investment properties are determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgements. The Group engaged an independent qualified professional valuer to establish and determine the appropriate valuation techniques, resulting in a loss from changes in fair values of related investment properties amounting to approximately RMB1.1 billion for the year ended 31 December 2023. Whereas the net realisable values of the related inventories are determined by reference to the aforesaid valuation assessments, resulting in an impairment loss on the related inventories amounting to approximately RMB0.3 billion for the year ended 31 December 2023.

However, we have been unable to obtain sufficient appropriate audit evidence to justify the reasonableness and appropriateness of the significant unobservable inputs and assumptions used in the valuation assessment, which in turn, unable to satisfy ourselves as to whether the fair values of the investment properties and the net realisable values of the inventories as at 31 December 2023 of approximately RMB13.4 billion and approximately RMB10.6 billion, respectively, were free from material misstatements. We are also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the loss from changes in fair values of investment properties amounting to approximately RMB1.1 billion for the year ended 31 December 2023, and the impairment loss on the related inventories amounting to approximately RMB0.3 billion for the year ended 31 December 2023, were free from material misstatement.

### 2. 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 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 regarded 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 consolidated financial statements. In addition, the Group recognised the provision of accrued interests of approximately RMB1.7 billion in the consolidated profit or loss for the year ended 31 December 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 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 have been unable to obtain sufficient appropriate audit evidence to justify whether any portion of the interest expenses of approximately RMB1.7 billion should be made in the last year or in prior years.

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2023 and 2022 and the financial position of the Group as at 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

## Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**ZHONGHUI ANDA CPA Limited**
*Certified Public Accountants*
**Tse Kit Yan**
*Audit Engagement Director*
Practising Certificate Number P08158

Hong Kong, 28 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | **59,463,712** | 63,040,148 |
| Cost of sales | 29 | **(53,615,805)** | (57,758,774) |
| **Gross profit** | | **5,847,907** | 5,281,374 |
| Fair value losses on investment properties – net | 9 | **(5,878,296)** | (631,445) |
| Other (losses)/other income and gains – net | 28 | **(3,848,781)** | 3,561,859 |
| Selling and marketing costs | 29 | **(1,419,774)** | (2,813,377) |
| Administrative expenses | 29 | **(4,703,318)** | (5,718,667) |
| Provision for impairment losses on financial assets | 29 | **(2,031,610)** | (318,703) |
| Impairment losses on property and equipment | 29 | **(6,457)** | – |
| Impairment losses on intangible assets | 29 | **(121,316)** | – |
| Other operating expenses | 29 | **(1,088,070)** | (1,661,053) |
| **Operating loss** | | **(13,249,715)** | (2,300,012) |
| Finance income | | **284,155** | 391,550 |
| Finance costs | | **(8,256,328)** | (15,509,967) |
| Finance costs – net | 30 | **(7,972,173)** | (15,118,417) |
| Fair value changes of convertible bonds | 25 | **–** | 57 |
| Share of results of associated companies and joint ventures accounted for using the equity method | | **(1,022,291)** | (131,724) |
| **Loss before income tax** | | **(22,244,179)** | (17,550,096) |
| Income tax expenses | 33 | **(1,355,238)** | (3,109,210) |
| **Loss for the year** | | **(23,599,417)** | (20,659,306) |
| **Other comprehensive (loss)/income for the year** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax | | **(1,187,571)** | 28,215 |
| Share of other comprehensive loss of joint ventures accounted for using the equity method | | **(17,994)** | (47,211) |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **4,278** | (63,005) |
| **Total comprehensive loss for the year** | | **(24,800,704)** | (20,741,307) |
| **(Loss)/profit for the year attributable to:** | | | |
| – Equity holders of the Company | | **(21,030,181)** | (21,492,478) |
| – Non-controlling interests | | **(2,569,236)** | 833,172 |
| | | **(23,599,417)** | (20,659,306) |
| **Total comprehensive (loss)/income for the year attributable to:** | | | |
| – Equity holders of the Company | | **(22,225,043)** | (21,557,451) |
| – Non-controlling interests | | **(2,575,661)** | 816,144 |
| | | **(24,800,704)** | (20,741,307) |
| **Losses per share for loss attributable to the equity holders of the Company** | | | |
| – Basic (RMB) | 34 | **(5.55)** | (5.67) |
| – Diluted (RMB) | 34 | **(5.55)** | (5.67) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 7 | **17,039,656** | 18,185,394 |
| Right-of-use assets | 8 | **7,081,816** | 7,262,721 |
| Investment properties | 9 | **60,847,476** | 67,786,279 |
| Intangible assets | 10 | **2,729,081** | 3,019,413 |
| Investments accounted for using the equity method | 12 | **17,671,636** | 20,649,896 |
| Amounts due from related parties | 13 | **5,945,686** | 5,884,531 |
| Financial assets at fair value through other comprehensive income | 14 | **384,244** | 1,793,316 |
| Deferred income tax assets | 15 | **1,579,054** | 3,140,695 |
| Other non-current assets | | **2,239,654** | 3,288,152 |
| | | **115,518,303** | 131,010,397 |
| **Current assets** | | | |
| Inventories | 16 | **276,518,212** | 323,168,336 |
| Trade and other receivables and prepayments | 17 | **40,292,835** | 41,759,741 |
| Prepayment for acquisition of land use rights | 18 | **4,067,851** | 4,066,993 |
| Prepaid income taxes | | **2,539,869** | 3,919,971 |
| Amounts due from related parties | 13 | **70,578,540** | 78,475,799 |
| Derivative financial instruments | 19 | **–** | 37,705 |
| Restricted cash | 20 | **6,245,890** | 11,737,480 |
| Cash and cash equivalents | 20 | **15,186,591** | 22,034,517 |
| | | **415,429,788** | 485,200,542 |
| Assets of a disposal group classified as held for sale | 21 | **12,302,304** | – |
| | | **427,732,092** | 485,200,542 |
| **Total assets** | | **543,250,395** | 616,210,939 |
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | 22 | **384,165** | 384,165 |
| Reserves | 23 | **14,331,786** | 36,141,316 |
| | | **14,715,951** | 36,525,481 |
| **Non-controlling interests** | | | |
| Perpetual capital instruments | 24 | **1,541,000** | 1,693,620 |
| Other non-controlling interests | | **34,994,079** | 41,285,984 |
| | | **36,535,079** | 42,979,604 |
| **Total equity** | | **51,251,030** | 79,505,085 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

| | Notes | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **64,555,626** | 82,635,252 |
| Lease liabilities | 8 | **41,481** | 72,318 |
| Deferred income tax liabilities | 15 | **7,535,816** | 8,469,828 |
| | | **72,132,923** | 91,177,398 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **86,807,924** | 82,500,086 |
| Contract liabilities | | **85,834,358** | 118,102,262 |
| Dividend payable | | **873,188** | 860,759 |
| Income tax payable | | **20,367,316** | 24,653,407 |
| Borrowings | 25 | **199,407,588** | 191,371,662 |
| Lease liabilities | 8 | **56,239** | 56,216 |
| Amounts due to related parties | 27 | **19,547,025** | 27,984,064 |
| | | **412,893,638** | 445,528,456 |
| Liabilities of a disposal group classified as held for sale | 21 | **6,972,804** | – |
| | | **419,866,442** | 445,528,456 |
| **Total liabilities** | | **491,999,365** | 536,705,854 |
| **Total equity and liabilities** | | **543,250,395** | 616,210,939 |

Approved and authorised for issue by the Board of Directors on 28 March 2024.

**Hui Wing Mau**
*Director*

**Hui Sai Tan, Jason**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Notes | Attributable to the equity holders of the Company | | | | |
|---|---|---|---|---|---|---|
| | | Share capital RMB'000 | Reserves RMB'000 | Perpetual capital instruments RMB'000 | Other non-controlling interests RMB'000 | Total RMB'000 |
| **Balance as at 1 January 2023** | | 384,165 | 36,141,316 | 1,693,620 | 41,285,984 | 79,505,085 |
| **Comprehensive (loss)/income** | | | | | | |
| (Loss)/profit for the year | | – | (21,030,181) | 89,378 | (2,658,614) | (23,599,417) |
| **Other comprehensive (loss)/income for the year** | | | | | | |
| *Items that will not be reclassified to profit or loss* | | | | | | |
| Fair value losses on financial assets at fair value through other comprehensive income, net of tax | | – | (1,187,571) | – | – | (1,187,571) |
| Share of other comprehensive loss of joint ventures accounted for using the equity method | | – | (11,569) | – | (6,425) | (17,994) |
| *Items that may be reclassified to profit or loss* | | | | | | |
| Exchange differences on translation of foreign operations | | – | 4,278 | – | – | 4,278 |
| **Total comprehensive (loss)/income for the year** | | – | (22,225,043) | 89,378 | (2,665,039) | (24,800,704) |
| Transfer from joint ventures to subsidiaries | 40(a) | – | – | – | 370,023 | 370,023 |
| Changes in ownership interests in subsidiaries without change of control | 40(d) | – | 398,068 | – | (1,007,461) | (609,393) |
| Disposal of subsidiaries | 40(b) | – | – | – | (1,445,316) | (1,445,316) |
| Liquidation of subsidiaries | 40(c) | – | – | – | (315,353) | (315,353) |
| Equity-settled share-based payment – Value of employee services | 22(b) | – | 17,445 | – | – | 17,445 |
| Perpetual capital instruments dividends | | – | – | (241,998) | – | (241,998) |
| Dividends paid to non-controlling interests | | – | – | – | (1,228,759) | (1,228,759) |
| **Total transactions with owners** | | - | 415,513 | (241,998) | (3,626,866) | (3,453,351) |
| **Balance at 31 December 2023** | | 384,165 | 14,331,786 | 1,541,000 | 34,994,079 | 51,251,030 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

| | Attributable to the equity holders of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital RMB'000 | Reserves RMB'000 | Perpetual capital instruments RMB'000 | Other non-controlling interests RMB'000 | Total RMB'000 |
| **Balance as at 1 January 2022** | 384,165 | 57,433,792 | 5,091,000 | 51,090,726 | 113,999,683 |
| **Comprehensive (loss)/income** | | | | | |
| (Loss)/profit for the year | – | (21,492,478) | 184,511 | 648,661 | (20,659,306) |
| **Other comprehensive (loss)/income for the year** | | | | | |
| *Items that will not be reclassified to profit or loss* | | | | | |
| Fair value gain on financial assets at fair value through other comprehensive income, net of tax | – | 28,215 | – | – | 28,215 |
| Share of other comprehensive loss of joint ventures accounted for using the equity method | – | (30,183) | – | (17,028) | (47,211) |
| *Items that may be reclassified to profit or loss* | | | | | |
| Exchange differences on translation of foreign operations | – | (63,005) | – | – | (63,005) |
| **Total comprehensive (loss)/income for the year** | – | (21,557,451) | 184,511 | 631,633 | (20,741,307) |
| Transfer from joint ventures and associated companies to subsidiaries | – | – | – | 2,045,759 | 2,045,759 |
| Acquisition of subsidiaries | – | – | – | 51,234 | 51,234 |
| Capital contribution from non-controlling interests of subsidiaries | – | – | – | 2,171,149 | 2,171,149 |
| Changes in ownership interests in subsidiaries without change of control | – | 209,428 | – | (9,262,231) | (9,052,803) |
| Disposal of subsidiaries | – | – | – | (4,743,153) | (4,743,153) |
| Equity-settled share-based payment | | | | | |
| – Value of employee services | – | 54,823 | – | – | 54,823 |
| – Dividend received | – | 724 | – | – | 724 |
| Perpetual capital instruments redeemed/reclassified | – | – | (3,550,000) | – | (3,550,000) |
| Perpetual capital instruments dividends | – | – | (31,891) | – | (31,891) |
| Dividends and distributions | – | – | – | (699,133) | (699,133) |
| **Total transactions with owners** | – | 264,975 | (3,581,891) | (10,436,375) | (13,753,291) |
| **Balance at 31 December 2022** | 384,165 | 36,141,316 | 1,693,620 | 41,285,984 | 79,505,085 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from operations | 36 | **(1,077,861)** | 3,587,188 |
| Interest received | | **284,155** | 391,550 |
| Interest paid | | **(2,174,124)** | (5,686,757) |
| PRC income tax paid | | **(2,501,651)** | (2,617,522) |
| **Net cash used in operating activities** | | **(5,469,481)** | (4,325,541) |
| **Cash flows from investing activities** | | | |
| Additions of property and equipment and investment properties | | **(438,118)** | (810,693) |
| Disposal of property and equipment | | **694,567** | 185,658 |
| Purchase of intangible assets | | **(54,885)** | (23,713) |
| Disposal of intangible assets | | **48** | 548 |
| Settlement of derivative financial instruments | | **–** | 40,926 |
| Net cash (outflow)/inflow on acquisition of subsidiaries | | **(558,665)** | 2,644,987 |
| Net cash (outflow)/inflow on disposal of subsidiaries | | **(320,825)** | 6,758,509 |
| Net cash outflow on liquidation of a subsidiary | | **(179,262)** | – |
| Capital injections to associated companies | | **–** | (2,450) |
| Capital injections to joint ventures | | **(2,000)** | – |
| Disposal of shares of joint ventures | | **137,006** | 1,886,500 |
| Disposal of shares of associated companies | | **1,013** | 546,676 |
| Capital reduction from a joint venture | | **49,000** | - |
| Dividends received from associated companies and joint ventures | | **98,544** | 22,500 |
| Repayments from/(advances to) joint ventures and associated companies | | **864,336** | (6,123,354) |
| Disposal of investment properties | | **753,853** | 310,901 |
| Decrease of financial assets at fair value through other comprehensive income | | **4,419** | 836,363 |
| Increase of financial assets at fair value through other comprehensive income | | **–** | (594,259) |
| **Net cash generated from investing activities** | | **1,049,031** | 5,679,099 |

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2023

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **8,200,840** | 23,566,277 |
| Repayments of borrowings | **(15,002,260)** | (40,801,385) |
| Capital contribution from non-controlling interests of subsidiaries | **–** | 7,692 |
| Acquisition of additional interests in subsidiaries | **(202,990)** | (88,250) |
| Redemption of convertible bonds of a subsidiary | **–** | (2,724,768) |
| Redemption of perpetual capital instruments | **–** | (1,550,000) |
| Interest for the holders of perpetual capital instruments | **–** | (31,891) |
| Dividends paid to non-controlling interests | **(162,851)** | (13,185) |
| Advances from/(repayments to) non-controlling interests | **267,980** | (2,152,352) |
| Advances from/(repayments to) joint ventures and associated companies | **264,347** | (4,164,956) |
| Advances from the controlling shareholder | **87,127** | 1,424,258 |
| Dividends received | **–** | 724 |
| Lease payment | **(68,242)** | (65,772) |
| Increase in restricted cash pledged for borrowings | **4,180,362** | (722,937) |
| **Net cash used in financing activities** | **(2,435,687)** | (27,316,545) |
| **Net decrease in cash and cash equivalents** | **(6,856,137)** | (25,962,987) |
| Cash and cash equivalents at the beginning of the year | **22,034,517** | 47,814,400 |
| Effect of foreign exchange rate changes | **8,211** | 183,104 |
| **Cash and cash equivalents at the end of the year** | **15,186,591** | 22,034,517 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. General information

Shimao Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 29 October 2004 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are property development, property investment, property management and hotel operation in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2006.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

## 2. Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Mainboard of The Stock Exchange and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income ("FVOCI") and derivative financial instruments which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company (the "Directors") to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

### (a) Going concern basis

For the year ended 31 December 2023, the Group incurred a loss attributable to equity holders of the Company of approximately RMB21.0 billion. As at 31 December 2023, the Group had borrowings in a total of approximately RMB264.0 billion, out of which approximately RMB199.4 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 RMB21.4 billion. As at 31 December 2023, the Group had not repaid borrowings of RMB169.4 billion in aggregate according to their scheduled repayment dates. Up to the date of approval of these consolidated financial statements, the Group had not repaid borrowings with the outstanding amount of RMB174.1 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 have devised a number of plans and measures to mitigate the liquidity pressure and to improve its financial position. Certain plans and measures have been or will be taken by the Directors include, but are not limited to, the following:

(i) during the year and up to the date of these consolidated financial statements, the Group has been actively pushing forward the proposed restructuring of the offshore indebtedness of the Group, including the US$–denominated senior notes with a total principal amount of approximately US$6.8 billion and borrowings from various offshore banks and financial institutions with the total principal amounts of approximately US$2.1 billion and HK$20.4 billion. The Group, together with its financial advisers, continues to maintain constructive dialogues with various groups of creditors and endeavours to reach agreements with them on the proposed restructuring of the offshore indebtedness as soon as possible. The Directors are confident in obtaining support from the relevant creditors and completing the proposed restructuring;

## 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 completed the extension of long-term bonds with total amount of approximately RMB18.9 billion. 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 continuously focus on the acceleration of sales and delivery of its existing inventory of properties. Up to the date of these consolidated financial statements, 28 property projects had been added to the local governments' whitelists, a financing coordination mechanism launched by the Ministry of Housing and Urban-Rural Development and the National Financial Regulatory Administration in early 2024 that qualifies the property projects of the PRC property developers for financial support from financial institutions. The Group had applied for new loans in a total of approximately RMB366.1 million, of which approximately RMB68 million was granted;

(iv) 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;

(v) the Group will actively face the current situation and seek various ways to resolve the pending litigations of the Group. The Group is positive that it will be able to reach a solution to the litigations which have not yet reached a definite outcome at the current stage; and

(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 31 December 2023. Accordingly, it is appropriate to prepare the 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 consolidated financial statements.

### (b) Adoption of new or amended HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA, that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise 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 consolidated financial statements and amounts reported for the current year 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.

## 3. Material accounting policies

The material accounting policies applied in the preparation of the consolidated financial statements are set out below.

### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 3. Material accounting policies *(CONTINUED)*

### Business combinations or asset acquisitions

***Optional concentration test***

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

***Asset acquisitions***

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income, the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing. Goodwill is included in the item under intangible assets.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

## 3. Material accounting policies *(CONTINUED)*

### Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated profit or loss.

## 3. Material accounting policies *(CONTINUED)*

### Joint venture (continued)

The Group's share of a joint venture's post-acquisition profits or losses is recognised in the income statement, and its share of the post-acquisition movements in reserves is recognised in the reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Foreign currency translation

***(i) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

***(ii) Transactions and balances in each entity's financial statements***

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

***(iii) Translation on consolidation***

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## 3. Material accounting policies *(CONTINUED)*

### Property and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in consolidated profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

| | |
|---|---|
| Buildings | 50 years or the remaining lease period of the land use rights, whichever is shorter |
| Building improvements | 10 to 20 years |
| Furniture and equipment | 5 to 12 years |
| Jet plane and motor vehicles | 5 to 20 years |

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within the property and equipment.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

### Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated profit or loss.

If an entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If an investment property becomes owner-occupied or commences development with a view to sale, it is reclassified as property and equipment or as properties under development or completed properties held for sale, and the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

If an item of property and equipment becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property and equipment in equity under HKAS 16. If a property commences an operating lease to another party, it is transferred from properties under development or completed properties held for sale to investment property, and any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in consolidated profit or loss.

## 3. Material accounting policies *(CONTINUED)*

### Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 to 60 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

***(i) Computer software***

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years). The Group's computer software mainly includes the acquired software license for financial systems. Based on the current functionalities equipped by the software and the Group's daily operation needs, the Group considers useful lives of 5 to 10 years are the best estimation under the current financial reporting needs.

## 3. Material accounting policies *(CONTINUED)*

### Intangible assets (other than goodwill) (continued)

***(ii) Customer relationship***

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 96 to 120 months for the customer relationship. The useful life of 96 to 120 months for customer relationship is determined with reference to the Directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

***(iii) Service concession intangible assets***

Where the Group has entered into contractual service concession arrangements with local government authorities for its participation in the municipal sanitation public infrastructure construction business, the Group carries out the construction or upgrade work of municipal sanitation public infrastructures for the granting authorities and receives in exchange of a right to operate the public infrastructures concerned. Concession intangible assets correspond to the right granted by the respective concession grantors to the Group to charge users of the sanitation services and the fact that the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. Amortisation of concession intangible assets is calculated using the straight-line method over the concession period of 15 to 25 years.

***(iv) Brand name***

Brand acquired in the business combination is recognised at fair value at the acquisition date. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful lives of 9 years.

### Art works

Art works is classified as non-current assets at cost less accumulated impairment loss, if any.

Art works is derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

### Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

### Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

## 3. Material accounting policies *(CONTINUED)*

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in consolidated profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost; and

– Financial assets at fair value through other comprehensive income.

***(i) Financial assets at amortised cost***

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

***(ii) Financial assets at fair value through other comprehensive income***

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the financial assets at FVOCI reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the financial assets at FVOCI reserve are not reclassified to consolidated profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the financial assets.

## 3. Material accounting policies *(CONTINUED)*

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has legally enforceable rights to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

### Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated profit or loss.

### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in consolidated profit or loss as an impairment gain or loss.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

## 3. Material accounting policies *(CONTINUED)*

### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

### Other financial liabilities

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. Revenue is recognised as follows:

***(i) Sales of properties***

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates and enhances an asset that the customer controls as the Group performs; or

– do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

## 3. Material accounting policies *(CONTINUED)*

### Revenue recognition (continued)

***(i) Sales of properties (continued)***

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

– direct measurements of the value transferred by the Group to the customer; or

– the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable. For revenue from sales of properties recognised over time, the Group recognised revenue by measuring the progress towards complete satisfaction of the performance obligation using in input method, which recognises revenue based on the proportion of actual costs incurred relative to the estimated total costs for satisfaction of the performance obligation.

***(ii) Property management services***

Revenue arising from property management services is recognised in the accounting period in which the services are rendered. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

***(iii) Hotel operation income***

Hotel operation income which includes rooms rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

***(iv) Rental income***

Rental income from properties letting under operating leases is recognised on a straight line basis over the lease terms.

***(v) Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method.

***(vi) Commission income***

Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

***(vii) Dividend income***

Dividend income is recognised when the rights to receive payment is established.

### Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 3. Material accounting policies *(CONTINUED)*

### Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders and directors.

### Financial guarantee contract liabilities

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (i) the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### Employee benefits

***(i) Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

***(ii) Retirement benefits***

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

## 3. Material accounting policies *(CONTINUED)*

### Employee benefits (continued)

*(iii) Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as costs of assets or expenses to whichever the employee service is attributable.

Under the long term incentive scheme, the fair value of shares granted to eligible employees for their services is based on the share price at the grant date.

Under the share option scheme, the fair value of the options granted to the eligible employees for their services rendered is determined by reference to:

– including any market performance conditions (for example, an entity's share price);

– excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total cost/expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares/options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit or loss, with a corresponding adjustment to equity.

When shares are vested, the Company issues shares from treasury shares. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 3. Material accounting policies *(CONTINUED)*

### Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3. Material accounting policies *(CONTINUED)*

### Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (A);

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

### Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 3. Material accounting policies *(CONTINUED)*

### Non-current assets held for sale

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. Critical judgements and key accounting estimates

### (a) Critical judgments in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

***(i) Going concern consideration***

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that may individually or collectively cast a significant doubt upon the going concern assumption are set out in note 2(a) to the consolidated financial statements.

***(ii) Classification between subsidiaries, joint ventures and associates***

In the normal course of business, the Group develops properties together with other developers or institutions, through entering into cooperation agreements with these parties. The rights and obligations of the Group and the other parties are stipulated by respective co-operation agreements, articles of associations of the project companies, etc. Because of the complexity of the arrangements, significant judgement is needed in determining whether the project company is subsidiary, joint venture or associate of the Group.

The Group has made judgment on the classification of these entities to subsidiaries, joint ventures or associates in accordance with the respective agreements, articles of associations and the involvement of the Group and the other parties in these entities. The Group will continuously evaluate the situation and such investments are accounted for in accordance with accounting policies set out in note 3 to the consolidated financial statements.

## 4. Critical judgements and key accounting estimates *(CONTINUED)*

### (a) Critical judgments in applying accounting policies (continued)

*(iii) Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement.

Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

### (b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

*(i) Income taxes and deferred income tax assets*

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

*(ii) PRC land appreciation tax ("LAT")*

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related tax. The Group recognised the LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the current income tax and deferred income tax provisions in the periods in which such tax is finalised with local tax authorities.

*(iii) Impairment of goodwill*

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3 to the consolidated financial statements. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value of the properties, when applicable, is determined by independent valuers. These valuations and calculations require the use of estimates.

*(iv) Fair value of investment properties*

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in note 9 to the consolidated financial statements.

# 4. Critical judgements and key accounting estimates *(CONTINUED)*

## (b) Key sources of estimation uncertainty (continued)

### *(v) Provision for properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

### *(vi) Impairment of trade and other receivables and amount due from related parties*

The Group's management determines the provision for impairment of trade and other receivables and amount due from related parties based on the expected credit losses which use a lifetime expected loss allowance for all trade receivables. The loss allowances for trade and other receivables and amount due from related parties are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at the end of each reporting period.

### *(vii) Judgements and estimates in revenue recognition for property development activities*

The Group develops and sells residential and commercial properties in different areas. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or legal title of the completed property and the consideration amount is collected. The Group seldom provides long credit or payment terms to its property buyer.

## 5. 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.

### (a) Market risk

*(i) Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, public share and notes offerings and certain bank borrowings are in other foreign currencies. The major non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong dollar ("HK dollar", or "HK$") and United States dollar ("US dollar", or "US$").

The Company and most of its subsidiaries' functional currency is RMB, so that the fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has been paying closely attention to the fluctuation of the foreign exchange rate and will be taking measures to mitigate the risk of exchange rate fluctuation if necessary.

As at 31 December 2023, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant without capitalisation of exchange gains and losses, post-tax loss for the year would have been RMB4,980,702,000 (2022: RMB4,980,270,000) higher/lower, mainly as a result of net foreign exchange gains/losses on translation of US dollar and HK dollar denominated bank deposits, senior notes, and borrowings.

As at 31 December 2023, borrowings with a total carrying amount of RMB65,144,787,000 (2022: RMB64,134,247,000) are denominated in US dollar and borrowings with a total carrying amount of RMB34,908,086,000 (2022: RMB36,162,534,000) are denominated in HK dollar.

*(ii) Price risk*

The Group is exposed to equity securities price risk from the Group's financial assets at FVOCI which are publicly traded. The performance of the listed equity securities of the Group is closely monitored.

At 31 December 2023, if the fair values of the Group's financial assets at FVOCI increase/decrease by 10%, the financial assets at FVOCI reserve would have been RMB38,424,000 (2022: RMB179,332,000) higher/lower, arising as a result of the fair value gain/loss of the financial assets.

*(iii) Cash flow and fair value interest rate risk*

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in note 25 to the consolidated financial statements. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2023, the Group did not converted borrowings from fixed rate to floating rate through interest rate swaps (2022: Nil)

The Group analyses its interest rate exposure taking into consideration of refinancing, and renewal of existing position. Based on the above consideration, the Group calculates the impact on profit and loss of a defined interest rate change.

## 5. Financial risk management *(CONTINUED)*

### (a) Market risk (continued)

#### *(iii) Cash flow and fair value interest rate risk (continued)*

The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax loss for the year would have been RMB121,580,000 (2022: RMB141,290,000) higher/lower mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2023. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax loss for the year would have been RMB521,059,000 (2022: RMB533,746,000) higher/lower mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2023.

### (b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, pledged bank deposits and cash and cash equivalents. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on pledged bank deposits and bank and cash balances is limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

#### *(i) Cash in banks*

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2023.

| Counterparty | Rating (Note) | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Bank A | A | **3,492,230** | 4,505,875 |
| Bank B | BBB | **1,425,898** | 3,417,911 |
| Bank C | A | **1,293,796** | 2,427,207 |
| Bank D | BBB+ | **1,001,060** | 4,189,801 |
| Bank E | A | **830,897** | 2,216,128 |

Note: The source of credit rating is from Standard and Poor's or Moody's.

#### *(ii) Trade receivables*

The Group applies HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

## 5. Financial risk management *(CONTINUED)*

### (b) Credit risk (continued)

***(iii) Other receivables and amounts due from related parties***

The Group uses three categories for other receivables and amounts due from related parties which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of assumptions underpinning the Group's expected credit loss model is as follows:

| Category | Group definition of category | Basis for recognition of expected credit loss provision |
|---|---|---|
| Stage one | Customers have a low risk of default and a strong capacity to meet contractual cash flow | 12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime |
| Stage two | Receivables for which there is a significant increase in credit risk since initial recognition | Lifetime expected losses |
| Stage three | Receivables for which there is credit loss since initial recognition | Lifetime expected losses |

The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data. The Group has identified the GDP, CPI and industry key drivers to be the most relevant factors.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables and other receivables and amounts due from related parties:

| 31 December 2023 | Current and within 6 months RMB'000 | 7 months to 12 months RMB'000 | Over 1 year RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Gross carrying amount | 6,375,448 | 1,372,444 | 525,392 | 8,273,284 |
| Expected loss rate | 1.00% | 7.50% | 10.00% | |
| Loss allowance | 63,754 | 102,933 | 52,539 | 219,226 |

| 31 December 2023 | Expected Loss Rate | Gross Carrying Amount RMB'000 | Loss allowance provision RMB'000 |
|---|---|---|---|
| **Other receivables and amounts due from related parties** | | | |
| Loan receivables | 1.00% – 10.00% | 407,932 | 58,242 |
| Other receivables | 0.50% – 20.00% | 33,509,905 | 1,620,818 |
| Amounts due from related parties | 0.10% – 10.00% | 79,036,157 | 2,511,931 |
| | | 112,953,994 | 4,190,991 |

## 5. Financial risk management *(CONTINUED)*

### (b) Credit risk (continued)

***(iii) Other receivables and amounts due from related parties (continued)***

| 31 December 2022 | Current and within 6 months RMB'000 | 7 months to 12 months RMB'000 | Over 1 year RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Gross carrying amount | 6,782,186 | 1,460,003 | 558,910 | 8,801,099 |
| Expected loss rate | 1.00% | 7.50% | 10.00% | |
| Loss allowance | 67,822 | 109,500 | 55,891 | 233,213 |

| 31 December 2022 | Expected Loss Rate | Gross Carrying Amount RMB'000 | Loss allowance provision RMB'000 |
|---|---|---|---|
| **Other receivables and amounts due from related parties** | | | |
| Loan receivables | 1.00% – 10.00% | 461,970 | 61,023 |
| Other receivables | 0.50% – 20.00% | 34,006,858 | 1,215,950 |
| Amounts due from related parties | 0.10% – 10.00% | 86,107,311 | 1,746,981 |
| | | 120,576,139 | 3,023,954 |

The closing loss allowances for trade receivables and other receivables and amounts due from related parties as at 31 December 2023 and 2022 reconcile to the opening loss allowances as follows:

| | **Trade receivables RMB'000** | **Other receivables and amounts due from related parties RMB'000** | **Total RMB'000** |
|---|---|---|---|
| As at 1 January 2022 | 245,568 | 4,966,633 | 5,212,201 |
| (Decrease)/increase in loss allowance recognised in profit or loss during the year | (12,355) | 331,058 | 318,703 |
| Acquisitions of subsidiaries | – | 726,263 | 726,263 |
| Write-off during the year | – | (3,000,000) | (3,000,000) |
| As at 31 December 2022 and 1 January 2023 | 233,213 | 3,023,954 | 3,257,167 |
| (Decrease)/increase in loss allowance recognised in profit or loss during the year | (13,987) | 2,045,597 | 2,031,610 |
| Write-off during the year | – | (878,560) | (878,560) |
| **As at 31 December 2023** | 219,226 | 4,190,991 | 4,410,217 |

# 5. Financial risk management *(CONTINUED)*

## (b) Credit risk (continued)

### *(iii) Other receivables and amounts due from related parties (continued)*

Trade receivables and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and other receivables and amounts due from related parties are recognised in profit or loss within "provision for impairment losses on financial assets". Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group has policies in place to ensure that sales of properties are made to buyers with an appropriate financial strength and appropriate percentage of down payment. Meanwhile, the Group has the rights to cancel the sales contract in the event that the buyers default in payment, and put the underlying properties back to the market for re-sales. Therefore, the credit risk from sales of properties is limited. Other receivables mainly comprise bidding deposits for land use rights and prepaid tax with limited credit risk.

## (c) Liquidity risk

Cash flow forecast is performed by the management of the Group. Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecast mainly takes into consideration the Group's operational cash flows, construction of investment properties and hotel projects, committed payments for land use rights and contracted development expenditures, the Group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in the economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for developing properties for sale, implementing cost control measures, accelerating sales with more flexible pricing and placing shares. In addition, the Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

## 5. Financial risk management *(CONTINUED)*

### (c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the year-end date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

| | On demand or less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **At 31 December 2023** | | | | | |
| Borrowings and interest payments | **204,197,777** | **29,424,442** | **29,319,131** | **14,141,190** | **277,082,540** |
| Trade and other payables (excluding other taxes payables) | **79,201,248** | **–** | **–** | **–** | **79,201,248** |
| Amounts due to related parties | **19,547,025** | **–** | **–** | **–** | **19,547,025** |
| Lease liabilities | **59,394** | **35,444** | **18,655** | **9,214** | **122,707** |
| | **303,005,444** | **29,459,886** | **29,337,786** | **14,150,404** | **375,953,520** |
| At 31 December 2022 | | | | | |
| Borrowings and interest payments | 198,078,264 | 32,963,692 | 40,971,116 | 17,530,675 | 289,543,747 |
| Trade and other payables (excluding other taxes payables) | 73,029,547 | – | – | – | 73,029,547 |
| Amounts due to related parties | 27,984,064 | – | – | – | 27,984,064 |
| Lease liabilities | 60,568 | 43,338 | 41,360 | 9,335 | 154,601 |
| | 299,152,443 | 33,007,030 | 41,012,476 | 17,540,010 | 390,711,959 |

Note:

The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2023 and 2022 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2023 and 2022, respectively.

## 5. Financial risk management *(CONTINUED)*

### (d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets/subsidiaries to reduce debt.

Based on the relevant regulator in the PRC and consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less restricted cash and cash and cash equivalents. Total capital is the total equity as shown in the consolidated statement of financial position.

The net gearing ratios at 31 December 2023 and 2022 are as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Total borrowings | **263,963,214** | 274,006,914 |
| Less: Cash and cash equivalents (note 20) | **(15,186,591)** | (22,034,517) |
| Restricted cash (note 20) | **(6,245,890)** | (11,737,480) |
| Net debt | **242,530,733** | 240,234,917 |
| Total equity | **51,251,030** | 79,505,085 |
| Net gearing ratio | **473.2%** | 302.2% |

### (e) 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.

## 5. Financial risk management *(CONTINUED)*

### (e) Fair values (continued)

*i) Disclosures of level in fair value hierarchy for the Group's financial assets:*

| Description | Fair value measurement using: Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **At 31 December 2023** | | | | |
| **Financial assets** | | | | |
| Financial assets at FVOCI | | | | |
| – investment in listed equity securities | **65** | **–** | **–** | **65** |
| – investment in structured products | **–** | **–** | **384,179** | **384,179** |
| **At 31 December 2022** | | | | |
| **Financial assets** | | | | |
| Derivative financial instruments | – | 37,705 | – | 37,705 |
| Financial assets at FVOCI | | | | |
| – investment in listed equity securities | 1,057 | – | – | 1,057 |
| – investment in unlisted entities | – | – | 198,000 | 198,000 |
| – investment in structured products | – | – | 1,594,259 | 1,594,259 |

Derivative financial instruments included in Level 2 as at 31 December 2022 are two 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 31 December 2023 and 2022 are the equity securities traded in NASDAQ, the fair value of which is based on quoted market prices at the end of the reporting period.

Financial assets at FVOCI as at 31 December 2023 and 2022 included in Level 3 are the investment in unlisted entities and structured products entered into with financial institutions, the fair value of which are determined using the valuation model for which not all inputs are market observable, such as discount rates and net assets value of underlying assets. The higher the discount rates/net assets value, the lower/higher the fair value of the financial assets at FVOCI measured at fair value based on level 3.

## 5. Financial risk management *(CONTINUED)*

### (e) Fair values (continued)

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

**Financial assets at FVOCI at fair value:**

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Opening balances of assets | **1,792,259** | 1,589,283 |
| Additions | **–** | 594,259 |
| Disposals | **(4,419)** | (319,128) |
| Disposal of subsidiaries | **(261,471)** | (177,131) |
| Fair value (losses)/gains recognised in OCI | **(1,142,190)** | 104,976 |
| Closing balances of assets | **384,179** | 1,792,259 |

## 6. 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 profit before tax. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

### (a) Revenue

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Sales of properties | **46,985,856** | 50,260,189 |
| Hotel operation income | **2,295,484** | 1,746,286 |
| Commercial properties operation income | **1,740,254** | 1,889,052 |
| Property management income, and others | **8,442,118** | 9,144,621 |
| | **59,463,712** | 63,040,148 |

## 6. Segment information *(CONTINUED)*

### (b) Segment information

**Year ended 31 December 2023**

| | Property development and investment | | | | |
|---|---|---|---|---|---|
| | Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000 | Others RMB'000 | Shimao Services** RMB'000 | Unallocated*** RMB'000 | Total RMB'000 |
| Revenue | | | | | |
| – Sales of properties | 3,607,618 | 43,378,238 | – | – | 46,985,856 |
| – Recognised at a point in time | 3,607,618 | 43,378,238 | – | – | 46,985,856 |
| – Hotel operation income | 245,285 | 2,050,199 | – | – | 2,295,484 |
| – Commercial property operation income | 1,289,840 | 450,414 | – | – | 1,740,254 |
| – Property management income, and others | 361,946 | 235,642 | 8,202,668 | – | 8,800,256 |
| Total revenue before elimination | 5,504,689 | 46,114,493 | 8,202,668 | – | 59,821,850 |
| Elimination | | | | | (358,138) |
| Total revenue | | | | | 59,463,712 |
| Operating profit/(loss) | (7,752,379) | (6,248,446) | 464,885 | 286,225 | (13,249,715) |
| Finance income | 15,517 | 173,524 | 78,106 | 17,008 | 284,155 |
| Finance costs | (1,023,422) | (5,448,253) | (45,932) | (1,738,721) | (8,256,328) |
| Share of results of associated companies and joint ventures accounted for using the equity method | (20,312) | (1,014,081) | 12,102 | – | (1,022,291) |
| Profit/(loss) before income tax | (8,780,596) | (12,537,256) | 509,161 | (1,435,488) | (22,244,179) |
| Income tax expense | | | | | (1,355,238) |
| Loss for the year | | | | | (23,599,417) |
| Other segment items are as follows: | | | | | |
| Capital expenditures | 123,993 | 125,460 | 243,550 | – | 493,003 |
| Fair value losses on investment properties | (3,786,921) | (2,091,375) | – | – | (5,878,296) |
| Fair value losses on derivative financial instruments | – | – | – | (37,705) | (37,705) |
| Depreciation and amortisation charge | 97,129 | 349,207 | 344,339 | 123,767 | 914,442 |
| Amortisation of right-of-use assets | 9,122 | 123,283 | 47,066 | – | 179,471 |
| Provision for impairment on financial assets | 528,136 | 1,380,737 | 122,737 | – | 2,031,610 |
| Impairment losses on property and equipment | – | – | 6,457 | – | 6,457 |
| Impairment losses on intangible assets | – | – | 121,316 | – | 121,316 |
| Provision for impairment losses on properties under development and completed properties held for sale | 1,530,481 | 1,434,313 | 1,230 | – | 2,966,024 |

* The Group owns an effective equity interest of 63.45% in Shanghai Shimao as at 31 December 2023

** The Group owns an effective equity interest of 62.87% in Shimao Services as at 31 December 2023

*** Unallocated mainly represent corporate level activities

## 6. Segment information *(CONTINUED)*

### (b) Segment information (continued)

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

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

# 6. Segment information *(CONTINUED)*

## (b) Segment information (continued)

Year ended 31 December 2022

| | Property development and investment | | | | |
|---|---|---|---|---|---|
| | Shanghai Shimao* RMB'000 | Others RMB'000 | Shimao Services** RMB'000 | Unallocated*** RMB'000 | Total RMB'000 |
| Revenue | | | | | |
| – Sales of properties | 3,948,033 | 46,312,156 | – | – | 50,260,189 |
| – Recognised at a point in time | 3,948,033 | 45,230,698 | – | – | 49,178,731 |
| – Recognised over time | – | 1,081,458 | – | – | 1,081,458 |
| – Hotel operation income | 178,779 | 1,567,507 | – | – | 1,746,286 |
| – Commercial property operation income | 1,297,239 | 591,813 | – | – | 1,889,052 |
| – Property management income, and others | 270,156 | 814,281 | 8,636,811 | – | 9,721,248 |
| Total revenue before elimination | 5,694,207 | 49,285,757 | 8,636,811 | – | 63,616,775 |
| Elimination | | | | | (576,627) |
| Total revenue | | | | | 63,040,148 |
| Operating profit/(loss) | (843,310) | (1,461,582) | (84,226) | 89,106 | (2,300,012) |
| Finance income | 43,865 | 292,491 | 54,616 | 578 | 391,550 |
| Finance costs | (4,310,166) | (7,119,077) | (216,298) | (3,864,426) | (15,509,967) |
| Fair value changes of convertible bonds | – | – | 57 | – | 57 |
| Share of results of associated companies and joint ventures accounted for using the equity method | (179,340) | 34,867 | 12,749 | – | (131,724) |
| Loss before income tax | (5,288,951) | (8,253,301) | (233,102) | (3,774,742) | (17,550,096) |
| Income tax expense | | | | | (3,109,210) |
| Loss for the year | | | | | (20,659,306) |
| Other segment items are as follows: | | | | | |
| Capital expenditures | 272,836 | 326,282 | 235,288 | – | 834,406 |
| Fair value losses on investment Properties | (235,359) | (396,086) | – | – | (631,445) |
| Fair value gains on derivative financial instruments | – | – | – | 67,219 | 67,219 |
| Depreciation and amortisation charge | 120,191 | 626,230 | 301,032 | 51,194 | 1,098,647 |
| Amortisation of right-of-use assets | 13,269 | 100,859 | 48,305 | – | 162,433 |
| Provision for impairment on financial assets | 76,364 | 72,445 | 169,894 | – | 318,703 |
| Provision for impairment losses on properties under development and completed properties held for sale | 47,769 | 1,006,639 | – | – | 1,054,408 |

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao as at 31 December 2022

** The Group owns an effective equity interest of 62.96% in Shimao Services as at 31 December 2022

*** Unallocated mainly represent corporate level activities

## 6. Segment information *(CONTINUED)*

### (b) Segment information (continued)

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

| | Property development and investment | | | |
|---|---|---|---|---|
| | Shanghai Shimao* RMB'000 | Others RMB'000 | Shimao Services** RMB'000 | Total RMB'000 |
| Investments accounted for using the equity method | 920,146 | 19,669,965 | 59,785 | 20,649,896 |
| Intangible assets | – | 106,576 | 2,912,837 | 3,019,413 |
| Other segment assets | 127,329,675 | 449,974,630 | 9,264,534 | 586,568,839 |
| Total segment assets | 128,249,821 | 469,751,171 | 12,237,156 | 610,238,148 |
| Deferred income tax assets | | | | 3,140,695 |
| Financial assets at FVOCI | | | | 1,793,316 |
| Derivative financial instruments | | | | 37,705 |
| Other assets | | | | 1,001,075 |
| Total assets | | | | 616,210,939 |
| Borrowings | 32,719,779 | 163,709,380 | 526,871 | 196,956,030 |
| Other segment liabilities | 53,160,009 | 194,153,932 | 3,472,323 | 250,786,264 |
| Total segment liabilities | 85,879,788 | 357,863,312 | 3,999,194 | 447,742,294 |
| Corporate borrowings | | | | 77,050,884 |
| Deferred income tax liabilities | | | | 8,469,828 |
| Other liabilities | | | | 3,442,848 |
| Total liabilities | | | | 536,705,854 |

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

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

## 6. Segment information *(CONTINUED)*

### (b) Segment information (continued)

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Related to development and sales of properties contracts | | |
| Contract liabilities (Note) | **85,834,358** | 118,102,262 |

Note: Contract liabilities have been disclosed with the value-added tax of approximately RMB5.5 billion deducted in 2023 (2022: approximately RMB7.1 billion).

Revenue from sales of properties totalled approximately RMB38 billion was recognised in the current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled approximately RMB28 billion as of 31 December 2023 will be recognised as revenue from sales of properties during the next reporting year.

## 7. Property and equipment

| | Assets under construction RMB'000 | Hotel buildings and improvements RMB'000 | Furniture and equipment and others RMB'000 | Jet plane and motor vehicles RMB'000 | Self-use buildings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2023 | 3,346,168 | 18,016,839 | 762,860 | 903,957 | 1,544,754 | 24,574,578 |
| Additions | 44,468 | 74,694 | 99,899 | 59,642 | 28,069 | 306,772 |
| Additions through acquisitions of subsidiaries | – | – | 118 | – | – | 118 |
| Disposal of subsidiaries | (120) | – | (14,517) | (240) | (103,040) | (117,917) |
| Disposals | (14,886) | (1,200) | (26,174) | (739,252) | (23,222) | (804,734) |
| Liquidation of subsidiaries | – | – | (1,436) | – | – | (1,436) |
| Transfer to assets of a disposal group classified as held for sale | – | – | (124) | – | – | (124) |
| At 31 December 2023 | 3,375,630 | 18,090,333 | 820,626 | 224,107 | 1,446,561 | 23,957,257 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| At 1 January 2023 | – | 5,069,253 | 463,086 | 229,261 | 627,584 | 6,389,184 |
| Charge for the year | – | 387,630 | 73,724 | 65,301 | 164,262 | 690,917 |
| Disposal of subsidiaries | – | – | (14,455) | (228) | (42,814) | (57,497) |
| Disposals | – | (273) | (17,195) | (89,519) | (3,180) | (110,167) |
| Liquidation of subsidiaries | – | – | (1,293) | – | – | (1,293) |
| Impairment loss recognised | – | – | – | 6,457 | – | 6,457 |
| At 31 December 2023 | – | 5,456,610 | 503,867 | 211,272 | 745,852 | 6,917,601 |
| **Carrying amount** | | | | | | |
| At 31 December 2023 | 3,375,630 | 12,633,723 | 316,759 | 12,835 | 700,709 | 17,039,656 |

## 7. Property and equipment *(CONTINUED)*

| | Assets under construction RMB'000 | Hotel buildings and improvements RMB'000 | Furniture and equipment and others RMB'000 | Jet plane and motor vehicles RMB'000 | Self-use buildings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2022 | 1,186,736 | 19,053,063 | 750,941 | 1,074,193 | 1,885,940 | 23,950,873 |
| Additions | 55,377 | 69,732 | 34,421 | 78,924 | 118,352 | 356,806 |
| Additions through acquisitions of subsidiaries | 1,885,611 | 234,070 | 4,461 | 3,702 | 6,073 | 2,133,917 |
| Disposal of subsidiaries | (9,072) | (1,316,186) | (4,308) | (1,668) | (395,693) | (1,726,927) |
| Disposals | (12,822) | (23,840) | (26,106) | (252,289) | (56,797) | (371,854) |
| Transfer upon completion | (9,402) | – | 1,035 | 1,095 | 7,272 | – |
| Transfer from/(to) properties under development | 249,740 | – | – | – | (17,977) | 231,763 |
| Cost adjustments | – | – | 2,416 | – | (2,416) | – |
| At 31 December 2022 | 3,346,168 | 18,016,839 | 762,860 | 903,957 | 1,544,754 | 24,574,578 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| At 1 January 2022 | – | 5,331,813 | 367,518 | 222,483 | 414,738 | 6,336,552 |
| Charge for the year | – | 354,724 | 107,333 | 158,328 | 270,678 | 891,063 |
| Disposal of subsidiaries | – | (616,190) | (1,439) | (646) | (33,960) | (652,235) |
| Disposals | – | (1,094) | (10,326) | (150,904) | (23,872) | (186,196) |
| At 31 December 2022 | – | 5,069,253 | 463,086 | 229,261 | 627,584 | 6,389,184 |
| **Carrying amount** | | | | | | |
| At 31 December 2022 | 3,346,168 | 12,947,586 | 299,774 | 674,696 | 917,170 | 18,185,394 |

Depreciation charge of approximately RMB690,917,000 for the year ended 31 December 2023 (2022: RMB891,063,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (note 29).

An impairment loss on certain property and equipment of approximately RMB6,457,000 was recognised for the year (2022: Nil) as the management of the Group determined that the recoverable amount of these assets exceeded their carrying amounts.

As at 31 December 2023, assets under construction and buildings of the Group with a total carrying amount of approximately RMB11,964,855,000 (2022: RMB12,372,935,000) were pledged as collateral for certain borrowings of the Group (note 25).

For the year ended 31 December 2023, the Group has capitalised borrowing costs amounting to approximately RMB13,383,000 (2022: RMB43,444,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 8.10% (2022: 8.31%).

## 8. Leases

### (a) Amounts recognised in the consolidated statement of financial position

The carrying amounts of the right-of-use assets relating to leases:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Land use rights and leasehold land | **6,985,069** | 7,117,089 |
| Buildings | **95,673** | 143,340 |
| Vehicles | **1,074** | 2,292 |
| | **7,081,816** | 7,262,721 |
| **Lease liabilities** | | |
| Current | **56,239** | 56,216 |
| Non-current | **41,481** | 72,318 |
| | **97,720** | 128,534 |

### (b) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Amortisation charge of right-of-use assets** | | |
| Land use rights and leasehold land | **(91,599)** | (97,326) |
| Buildings | **(86,134)** | (61,455) |
| Vehicles | **(1,738)** | (3,652) |
| | **(179,471)** | (162,433) |
| Interest expense (included in finance cost) (note 30) | **(6,573)** | (6,832) |

The total cash outflow for leases in 2023 was approximately RMB68,242,000 (2022: RMB65,772,000). As at 31 December 2023, land use rights of approximately RMB3,592,894,000 (2022: RMB3,680,223,000) were pledged as collateral for the Group's borrowings (note 25).

## 9. Investment properties

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Opening balance at 1 January | **67,786,279** | 66,319,235 |
| Additions – Construction cost and others | **131,346** | 453,887 |
| Additions – Acquisitions of subsidiaries | **–** | 884,526 |
| Transfer from properties under development | **–** | 1,070,977 |
| Transfer to assets of a disposal group classified as held for sale | **(438,000)** | – |
| Disposals | **(753,853)** | (310,901) |
| Fair value losses – net | **(5,878,296)** | (631,445) |
| Closing balance at 31 December | **60,847,476** | 67,786,279 |

As at 31 December 2023, investment properties under construction of approximately RMB465,363,000 were measured at cost, because their constructions were at a very early stage and related fair values were not reliably determinable (31 December 2022: approximately RMB465,363,000). These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

### (a) Amounts recognised in the consolidated profit or loss for investment properties

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Commercial properties operation income | **1,740,254** | 1,889,052 |
| Direct operating expenses from properties that generated rental income | **19,586** | 20,877 |
| Direct operating expenses from properties that did not generate rental income | **5,149** | 7,416 |

# 9. Investment properties *(CONTINUED)*

## (b) Valuation

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2023 and 2022.

| **Description** | **Fair value measurements at 31 December 2023 using** | | |
|---|---|---|---|
| | **Quoted prices in active markets for identical assets (Level 1) RMB'000** | **Significant other observable inputs (Level 2) RMB'000** | **Significant unobservable inputs (Level 3) RMB'000** |
| Recurring fair value measurements | | | |
| Investment properties: | | | |
| – Commercial buildings – China | **–** | **–** | **60,382,112** |

| Description | Fair value measurements at 31 December 2022 using | | |
|---|---|---|---|
| | Quoted prices in active markets for identical assets (Level 1) RMB'000 | Significant other observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 |
| Recurring fair value measurements | | | |
| Investment properties: | | | |
| – Commercial buildings – China | – | – | 67,320,916 |

There were no transfers between Levels 1, 2 and 3 during the year.

## 9. Investment properties *(CONTINUED)*

### (b) Valuation (continued)

***Fair value measurements using significant unobservable inputs (Level 3)***

| | **Year ended 31 December 2023 Significant unobservable Inputs – Commercial buildings – China (Level 3)** | | |
|---|---|---|---|
| | **Completed investment properties RMB'000** | **Investment properties under development RMB'000** | **Total RMB'000** |
| Opening balance | **42,823,196** | **24,497,720** | **67,320,916** |
| Additions – Construction cost and others | **–** | **131,346** | **131,346** |
| Transfer to assets of a disposal group classified as held for sale | **(438,000)** | **–** | **(438,000)** |
| Disposals | **(753,853)** | **–** | **(753,853)** |
| Net losses from fair value adjustment | **(3,223,060)** | **(2,655,236)** | **(5,878,296)** |
| Closing balance | **38,408,283** | **21,973,830** | **60,382,113** |

| | Year ended 31 December 2022 Significant unobservable Inputs – Commercial buildings – China (Level 3) | | |
|---|---|---|---|
| | Completed investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
| Opening balance | 42,135,871 | 23,718,001 | 65,853,872 |
| Additions – Construction cost and others | – | 453,887 | 453,887 |
| Additions – Acquisitions of subsidiaries | 884,526 | – | 884,526 |
| Transfer from properties under development | – | 1,070,977 | 1,070,977 |
| Disposals | (310,901) | – | (310,901) |
| Net gains/(losses) from fair value adjustment | 113,700 | (745,145) | (631,445) |
| Closing balance | 42,823,196 | 24,497,720 | 67,320,916 |

## 9. Investment properties *(CONTINUED)*

### (b) Valuation (continued)

***Valuation processes of the Group***

The Group's investment properties were valued at 31 December 2023 and 2022 by independent and professionally qualified valuers who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the investment properties, their current use equates to the best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the financial department and the valuation team at least once every six months, in line with the Group's interim and annual reporting dates. This team reports directly to the executive Directors and the audit committee of the Company.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;

- Assesses property valuations movements when compared to the prior year valuation report;

- Holds discussions with the independent valuer.

***Valuation techniques***

For completed investment properties, the fair values were determined using term and reversionary method on the basis of capitalisation of net rental income derived from the existing tenancies and the reversionary value by reference to recent comparable sales transactions or capitalisation of comparable market rents in the relevant property market. The significant unobservable inputs adopted in the valuation included market prices, market rents, term and reversionary yields.

For investment properties under development, the valuation was determined using residual method by making reference to market capitalisation rates and recent comparable sales transactions on the assumption that the property had already been completed in accordance with latest development scheme at the valuation date by deducting the estimated costs to be incurred to complete the project and the developer's estimated profit margin.

There were no changes to the valuation techniques during the year.

## 9. Investment properties *(CONTINUED)*

### (b) Valuation (continued)

***Information about fair value measurements using significant unobservable inputs (Level 3)***

| Description | Fair value at 31 Dec 2023 (RMB'000) | Valuation technique(s) | Unobservable inputs | Range of unobservable inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Completed commercial buildings – China | **38,408,283** | Term and reversionary method | Market prices | RMB3,376-RMB58,736 per square meter (RMB16,835 per square meter) | The higher the market prices, the higher the fair value |
| | | | Market rents | RMB3-RMB190 per square meter (RMB40 per square meter) | The higher the market rents, the higher the fair value |
| | | | Term yields | 4.50%-9.14% (5.70%) | The higher the term yields, the lower the fair value |
| | | | Reversionary yields | 4.50%-8.50% (5.77%) | The higher the reversionary yields, the lower the fair value |
| Commercial buildings – China (under development) | **21,973,830** | Discounted cash flows with estimated costs to complete | Market prices | RMB3,125-RMB30,242 per square meter (RMB12,007 per square meter) | The higher the market prices, the higher the fair value |
| | | | Estimated costs to be incurred | RMB4,000-RMB9,107 per square meter (RMB5,748 per square meter) | The higher the estimated costs to be incurred, the lower the fair value |
| | | | Yields | 3.45% | The higher the capitalisation rate, the lower the fair value |

| Description | Fair value at 31 Dec 2022 (RMB'000) | Valuation technique(s) | Unobservable inputs | Range of unobservable inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Completed commercial buildings – China | 42,823,196 | Term and reversionary method | Market prices | RMB3,485-RMB117,378 per square meter (RMB25,855 per square meter) | The higher the market prices, the higher the fair value |
| | | | Market rents | RMB6-RMB251 per square meter (RMB54 per square meter) | The higher the market rents, the higher the fair value |
| | | | Term yields | 3.75%-8.50% (5.76%) | The higher the term yields, the lower the fair value |
| | | | Reversionary yields | 3.75%-8.50% (5.85%) | The higher the reversionary yields, the lower the fair value |
| Commercial buildings – China (under development) | 24,497,720 | Discounted cash flows with estimated costs to complete | Market prices | RMB3,193-RMB32,491 per square meter (RMB13,432 per square meter) | The higher the market prices, the higher the fair value |
| | | | Estimated costs to be incurred | RMB4,000-RMB9,107 per square meter (RMB6,641 per square meter) | The higher the estimated costs to be incurred, the lower the fair value |
| | | | Yields | 4.30%-4.45% (4.32%) | The higher the capitalisation rate, the lower the fair value |

There are inter-relationships between unobservable inputs. For investment property under development, increases in construction costs that enhance the property's features may result in an increase of future market prices. An increase in future market prices may be linked with higher costs. There is no indication that any slight increases/(decreases) in market prices in isolation would result in a significantly higher/(lower) fair value of the investment properties.

## 9. Investment properties *(CONTINUED)*

### (c) Pledge

As at 31 December 2023, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB48,629,974,000 (2022: RMB52,257,992,000) were pledged as collateral for the Group's borrowings (note 25).

### (d) Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals receivable monthly. Minimum lease rental receivable under non cancellable operating leases of investment properties are as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Within one year | **1,170,259** | 1,395,107 |
| Between one to two years | **817,585** | 991,212 |
| Between two to three years | **594,988** | 656,418 |
| Between three to four years | **355,719** | 473,949 |
| Between four to five years | **265,917** | 280,331 |
| Later than five years | **335,651** | 477,579 |
| | **3,540,119** | 4,274,596 |

## 10. Intangible assets

| | Computer Software RMB'000 | Goodwill RMB'000 | Customer relationship RMB'000 | Service concession intangible assets RMB'000 | Brand names RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| Opening net book amount | 271,830 | 1,457,658 | 907,757 | 74,895 | 15,333 | 2,727,473 |
| Additions | 23,713 | – | – | – | – | 23,713 |
| Additions from acquisition of subsidiaries | 429 | 315,898 | 194,200 | – | – | 510,527 |
| Disposals | (548) | – | – | – | – | (548) |
| Disposal of subsidiaries | (912) | (33,256) | – | – | – | (34,168) |
| Amortisation charge | (64,496) | – | (129,023) | (12,065) | (2,000) | (207,584) |
| **Closing net book amount** | 230,016 | 1,740,300 | 972,934 | 62,830 | 13,333 | 3,019,413 |
| **As at 31 December 2022** | | | | | | |
| Cost | 592,577 | 5,181,771 | 1,265,000 | 79,058 | 16,000 | 7,134,406 |
| Accumulated amortisation and impairment | (362,561) | (3,441,471) | (292,066) | (16,228) | (2,667) | (4,114,993) |
| **Net book amount** | 230,016 | 1,740,300 | 972,934 | 62,830 | 13,333 | 3,019,413 |
| **Year ended 31 December 2023** | | | | | | |
| Opening net book amount | **230,016** | **1,740,300** | **972,934** | **62,830** | **13,333** | **3,019,413** |
| Additions | **51,091** | **–** | **–** | **3,794** | **–** | **54,885** |
| Additions from acquisition of subsidiaries | **11** | **–** | **–** | **–** | **–** | **11** |
| Disposals | **(48)** | **–** | **–** | **–** | **–** | **(48)** |
| Disposal of subsidiaries | **(339)** | **–** | **–** | **–** | **–** | **(339)** |
| Amortisation charge | **(73,594)** | **–** | **(136,010)** | **(11,921)** | **(2,000)** | **(223,525)** |
| Impairment loss recognised | **–** | **(15,391)** | **(105,925)** | **–** | **–** | **(121,316)** |
| **Closing net book amount** | **207,137** | **1,724,909** | **730,999** | **54,703** | **11,333** | **2,729,081** |
| **As at 31 December 2023** | | | | | | |
| Cost | **643,292** | **5,181,771** | **1,265,000** | **82,852** | **16,000** | **7,188,915** |
| Accumulated amortisation and impairment | **(436,155)** | **(3,456,862)** | **(534,001)** | **(28,149)** | **(4,667)** | **(4,459,834)** |
| **Net book amount** | **207,137** | **1,724,909** | **730,999** | **54,703** | **11,333** | **2,729,081** |

Amortisation charge of approximately RMB223,525,000 for the year ended 31 December 2023 (2022: RMB207,584,000) has been recorded in the cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (note 29).

## 10. Intangible assets *(CONTINUED)*

### Goodwill comprise goodwill arising from acquisitions

***Impairment tests for goodwill***

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. As at 31 December 2023, the carrying amount of goodwill had been allocated to the CGUs within the business segment of the Shimao Services.

The recoverable amounts of CGUs are determined based on the higher of fair values (less cost to sale) and value-in-use calculation.

Goodwill has been allocated to the CGUs of the subsidiaries of Shimao Services for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2023 based on approved budgets covering a five-year period. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation. Given the slowdown in overall economic growth and the performance growth in the relevant markets, which was slower than expected due to the volatility and downturn in the real estate industry, the approved budgets were prepared on a prudent basis. Based on the impairment assessment, an impairment loss of approximately RMB15,391,000 (2022: no impairment loss was provided) was recognised for CGU – Shimao Services for the year.

The key assumptions used in the value-in-use calculation in 2023 and 2022 are as follows:

| | **2023** | 2022 |
|---|---|---|
| Revenue growth rate during the forecast period | **–2% – 41%** | –4% – 56% |
| Gross profit margin during the forecast period | **6% – 28%** | 7% – 28% |
| Pre-tax discount rate | **16% – 20%** | 16% – 22% |

Notes:

These assumptions have been used for the analysis of Shimao Services CGU within the operating segment. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segments.

## 11. Financial instruments by category

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Financial assets** | | |
| Financial assets at amortised cost: | | |
| – Trade and other receivables | **30,353,152** | 31,571,721 |
| – Amounts due from related parties | **76,524,226** | 84,360,330 |
| – Restricted cash | **6,245,890** | 11,737,480 |
| – Cash and cash equivalents | **15,186,591** | 22,034,517 |
| Financial assets at FVOCI | **384,244** | 1,793,316 |
| Derivative financial instruments | **–** | 37,705 |
| **Total** | **128,694,103** | 151,535,069 |
| **Financial liabilities** | | |
| Other financial liabilities at amortised cost: | | |
| – Borrowings | **263,963,214** | 274,006,914 |
| – Trade and other payables (excluding other taxes payable) | **79,201,248** | 73,029,547 |
| – Amounts due to related parties | **19,547,025** | 27,984,064 |
| Lease liabilities | **97,720** | 128,534 |
| **Total** | **362,809,207** | 375,149,059 |

The Group's exposure to various risks, associated with the financial instruments is discussed in note 5 to the consolidated financial statements.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount each class of financial assets mentioned above.

## 12. Investments accounted for using the equity method

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Investments accounted for using the equity method comprise: | | |
| Associated companies (Note (a)) | **4,107,028** | 4,565,722 |
| Joint ventures (Note (b)) | **13,564,608** | 16,084,174 |
| | **17,671,636** | 20,649,896 |

Notes:

(a) Interests in associated companies

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Carrying amounts of interests | **4,107,028** | 4,565,722 |

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Profit for the year | **45,975** | 120,536 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **45,975** | 120,536 |

Details of the principal associated companies of the Group as at 31 December 2023 are set out in note 37 to the consolidated financial statements.

There was no individually material associated company of the Group as at 31 December 2023 and 2022.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB1,039,349,000 as at 31 December 2023 (2022: RMB1,327,335,000) (note 38(b)).

## 12. Investments accounted for using the equity method *(CONTINUED)*

Notes: (continued)

(b) Interests in joint ventures

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial joint ventures that are accounted for using the equity method.

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Carrying amounts of interests | **13,564,608** | 16,084,174 |

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Loss for the year | **(1,068,266)** | (252,260) |
| Other comprehensive loss | **(17,994)** | (47,211) |
| Total comprehensive loss | **(1,086,260)** | (299,471) |

Details of the principal joint ventures of the Group as at 31 December 2023 are set out in note 37 to the consolidated financial statements.

There was no individually material joint ventures of the Group as at 31 December 2023 and 2022.

The Group provided guarantees to joint ventures for their borrowings from banks and other financial institutions amounting to RMB22,121,879,000 as at 31 December 2023 (2022: RMB23,635,356,000) (note 38(b)).

## 13. 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.

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Included in non-current assets | | |
| – Joint ventures | **5,093,144** | 5,258,396 |
| – Associated companies | **942,252** | 715,747 |
| | **6,035,396** | 5,974,143 |
| Provision for impairment | **(89,710)** | (89,612) |
| | **5,945,686** | 5,884,531 |

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

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Included in non-current assets | | |
| – Associated companies | **1,298,297** | 1,296,704 |
| – Joint ventures | **53,508,481** | 60,440,822 |
| – Non-controlling interest | **18,193,983** | 18,395,642 |
| | **73,000,761** | 80,133,168 |
| Provision for impairment | **(2,422,221)** | (1,657,369) |
| | **70,578,540** | 78,475,799 |

These advances are interest free, unsecured and have no fixed repayment terms. The carrying amounts of amounts due from related companies approximate their fair values.

The loss allowance increased by approximately RMB764,950,000 to approximately RMB2,511,931,000 for amounts due from related parties during the current reporting period.

Information about the impairment of amounts due from related parties and the Group's exposure to credit risk and foreign exchange risk can be found in note 5 to the consolidated financial statements.

## 14. Financial assets at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Non-current assets | | |
| – Listed securities | **65** | 1,057 |
| – Unlisted securities | **–** | 198,000 |
| – Structured products | **384,179** | 1,594,259 |
| | **384,244** | 1,793,316 |

Notes:

(i) Listed securities represented investments in listed equity securities in USA which were stated at market value based on the quoted price.

(ii) Unlisted securities and structured products represented investments measured at fair value of which the fair value are determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (note 5).

## 15. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same tax authority. The net deferred income tax balances after offsetting are as follows:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Deferred income tax assets | | |
| – to be recovered after more than 12 months | **972,709** | 1,488,636 |
| – to be recovered within 12 months | **606,345** | 1,652,059 |
| | **1,579,054** | 3,140,695 |
| Deferred income tax liabilities | | |
| – to be recovered after more than 12 months | **7,374,910** | 8,355,208 |
| – to be recovered within 12 months | **160,906** | 114,620 |
| | **7,535,816** | 8,469,828 |
| Net deferred income tax liabilities | **5,956,762** | 5,329,133 |

## 15. Deferred income tax *(CONTINUED)*

The movement on the net deferred income tax liabilities is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Opening balance at 1 January | **5,329,133** | 5,351,841 |
| Disposal of subsidiaries (note 40(b)) | **182,099** | 170,391 |
| Acquisition of subsidiaries (note 40(a)) | **(52,291)** | (1,431,822) |
| Liquidation of subsidiaries (note 40(c)) | **91,227** | – |
| Transfer to assets of a disposal group classified as held for sale (note 21) | **12,522** | – |
| Charged to the consolidated income statement (note 33) | **394,072** | 1,238,723 |
| Closing balance at 31 December | **5,956,762** | 5,329,133 |

Movement in deferred income tax assets and liabilities for the year ended 31 December 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

| | Provision for land appreciation tax deductible for future income tax clearance RMB'000 | Unrealised profit on intra-group transaction RMB'000 | Tax loss and temporary difference on recognition of expenses RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2022 | 2,218,569 | 273,942 | 859,932 | 3,352,443 |
| (Charged)/credited to the consolidated income statement | 65,377 | 25,710 | (1,618,042) | (1,526,955) |
| Acquisition of subsidiaries | 10,448 | – | 1,475,150 | 1,485,598 |
| Disposal of subsidiaries | (79,018) | – | (91,373) | (170,391) |
| At 31 December 2022 | 2,215,376 | 299,652 | 625,667 | 3,140,695 |
| Charged to the consolidated income statement | **(645,271)** | **(15,127)** | **(666,747)** | **(1,327,145)** |
| Acquisition of subsidiaries | **9,261** | **–** | **43,030** | **52,291** |
| Disposal of subsidiaries | **(181,088)** | **–** | **(1,950)** | **(183,038)** |
| Liquidation of subsidiaries | **(91,227)** | **–** | **–** | **(91,227)** |
| Transfer to assets of a disposal group classified as held for sale | **(12,522)** | **–** | **–** | **(12,522)** |
| At 31 December 2023 | **1,294,529** | **284,525** | **–** | **1,579,054** |

## 15. Deferred income tax *(CONTINUED)*

### Deferred income tax liabilities

| | Fair value changes on investment properties RMB'000 | Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000 | Withholding tax on the retained earnings of certain subsidiaries RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2022 | 5,152,091 | 1,185,900 | 2,329,920 | 36,373 | 8,704,284 |
| Charged to the consolidated income statement | (157,861) | (130,371) | – | – | (288,232) |
| Acquisition of subsidiaries | – | 53,776 | – | – | 53,776 |
| At 31 December 2022 | 4,994,230 | 1,109,305 | 2,329,920 | 36,373 | 8,469,828 |
| (Credited)/charged to the consolidated income statement | **(927,029)** | **(6,044)** | **–** | **–** | **(933,073)** |
| Disposal of subsidiaries | **–** | **(939)** | **–** | **–** | **(939)** |
| At 31 December 2023 | **4,067,201** | **1,102,322** | **2,329,920** | **36,373** | **7,535,816** |

Deferred income tax arose as a result of differences in timing of recognising certain revenue, costs and expenses between the tax based financial statements and the HKFRS financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated statement of financial positions and their tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB2,515,204,000 (2022: RMB1,376,589,000) in respect of accumulated losses amounting to RMB10,060,815,000 (2022: RMB5,506,356,000) that can be carried forward against future taxable income. All unrecognised tax losses will expire in the years ranging from 2024 to 2028 (2022: 2023 to 2027). During the year, the Group has deductible temporary differences arising from various impairments of the Group's assets in aggregate of approximately RMB4,996,404,000 (2022: RMB1,373,111,000). No deferred tax asset has been recognised in respect of such amount as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries in the PRC. Such amounts will be reinvested according to the distribution and reinvestment plan of the Group.

## 16. Inventories

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Inventories comprise: | | |
| Properties under development (Note (a)) | **231,797,395** | 280,164,804 |
| Completed properties held for sale (Note (b)) | **44,720,817** | 43,003,532 |
| | **276,518,212** | 323,168,336 |

Notes:

(a) Properties under development

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Properties under development comprise: | | |
| Land use rights and leasehold land | **117,749,367** | 154,649,020 |
| Construction costs and capitalised expenditures | **77,722,499** | 95,021,467 |
| Interests capitalised | **46,153,091** | 44,573,918 |
| | **241,624,957** | 294,244,405 |
| Provision for impairment loss | **(9,827,562)** | (14,079,601) |
| | **231,797,395** | 280,164,804 |

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Land use rights and leasehold land, held on leases of: | | |
| Over 50 years | **99,849,629** | 134,189,396 |
| Between 10 and 50 years | **17,899,738** | 20,459,624 |
| | **117,749,367** | 154,649,020 |

As at 31 December 2023, leasehold land of approximately RMB8,966,147,000 (2022: RMB8,966,147,000) was located in Hong Kong. The other properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2023, properties under development of approximately RMB100,052,675,000 (2022: RMB113,704,247,000) were pledged as collateral for the Group's borrowings (note 25).

For the year ended 31 December 2023, the Group recognised impairment losses of approximately RMB2,085,477,000 (2022: RMB669,869,000) on properties under development (note 29).

## 16. Inventories *(CONTINUED)*

Notes: (continued)

(a) Properties under development (continued)

The capitalisation rate of borrowings was 8.10% for the year ended 31 December 2023 (2022: 8.31%).

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Properties under development: | | |
| Expected to be completed and available for sale after more than 12 months | **197,027,786** | 237,594,087 |
| Expected to be completed and available for sale within 12 months | **34,769,609** | 42,570,717 |
| | **231,797,395** | 280,164,804 |

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC. Included in completed properties held for sale are land use rights as follows:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Land use rights and leasehold land, held on leases of: | | |
| Over 50 years | **14,507,705** | 14,413,469 |
| Between 10 and 50 years | **424,497** | 1,543,697 |
| | **14,932,202** | 15,957,166 |

As at 31 December 2023, completed properties held for sale of RMB17,440,133,000 (2022: RMB13,990,134,000) were pledged as collateral for the Group's borrowings (note 25).

For the year ended 31 December 2023, the Group recognised impairment losses of approximately RMB880,547,000 (2022: RMB384,539,000) on completed properties held for sale (note 29).

## 17. Trade and other receivables and prepayments

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Trade receivables (Note (a)) | **8,273,284** | 8,801,099 |
| Bidding deposits for land use rights (Note (b)) | **4,110,738** | 4,251,995 |
| Prepayments for construction costs | **9,078,401** | 8,993,816 |
| Loan receivables (Note (c)) | **407,932** | 461,970 |
| Prepaid tax and surcharges on pre-sale proceeds | **861,282** | 1,194,204 |
| Deposits paid | **9,438,937** | 10,451,338 |
| Receivables from disposals of equity interests | **236,386** | 396,275 |
| Payments on behalf of customers | **382,546** | 467,470 |
| Other receivables | **9,401,615** | 8,251,760 |
| | **42,191,121** | 43,269,927 |
| Provision for impairment | **(1,898,286)** | (1,510,186) |
| | **40,292,835** | 41,759,741 |

Notes:

(a) Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the respective year-ended dates is as follows:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Within 180 days | **6,375,448** | 6,782,186 |
| Over 180 days and within 365 days | **1,372,444** | 1,460,003 |
| Over 365 days | **525,392** | 558,910 |
| | **8,273,284** | 8,801,099 |

As at 31 December 2023, receivables arising from sales of properties were approximately RMB3,630,905,000 (2022: RMB3,892,308,000).

(b) Bidding deposits for land use rights mainly represented deposits placed by the Group to various municipal governments for the participation in land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the deposits will be fully refunded.

(c) As at 31 December 2023, loan receivables of RMB407,932,000 (31 December 2022: RMB461,970,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

## 17. Trade and other receivables and prepayments *(CONTINUED)*

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 31 December 2023, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 December 2023, a provision of approximately RMB219,226,000 (31 December 2022: RMB233,213,000) 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 31 December 2023, a provision of approximately RMB1,679,060,000 (31 December 2022: RMB1,276,973,000) was made against the gross amount of other receivables.

Information about the impairment of trade and other receivables and the Group's exposure to credit risk and foreign exchange risk can be found in note 5 to the consolidated financial statements.

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

## 18. Prepayment for acquisition of land use right

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2023.

## 19. Derivative financial instruments

| | **At 31 December** | |
|---|---|---|
| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
| Current assets | | |
| Interest rate swaps | – | 37,705 |

## 20. Cash and cash equivalents and restricted cash

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Bank balances and cash | | |
| – denominated in RMB | **20,993,646** | 33,080,621 |
| – denominated in US dollar | **21,777** | 34,309 |
| – denominated in HK dollar | **416,810** | 656,678 |
| – denominated in other foreign currencies | **248** | 389 |
| Less: restricted cash | **(6,245,890)** | (11,737,480) |
| | **15,186,591** | 22,034,517 |

As at 31 December 2023, the Group's restricted cash comprised approximately RMB2,547,250,000 (2022: RMB3,858,478,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (note 38(a)) and approximately RMB3,698,640,000 (2022: RMB7,879,002,000) of deposits pledged as collateral for the Group's borrowings (note 25).

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

## 21. A disposal group classified as held for sale

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

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

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

## 21. A disposal group classified as held for sale *(CONTINUED)*

Subsequent to the year ended 31 December 2023, the conditions precedent under the agreements above were satisfied and the transactions were completed. In this regard, the management of the Group classified the group of relevant assets and liabilities as a disposal group of assets and liabilities held for sale and is presented separately in the consolidated statement of financial position as at 31 December 2023. The major classes of assets and liabilities of a disposal group classified as held for sale are as follows:

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

## 22. Share capital

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

| | Par value | Number of shares | Nominal value of ordinary shares | |
|---|---|---|---|---|
| | | | | Equivalent to |
| | HK$ | '000 | HK$'000 | RMB'000 |
| Authorised: | | | | |
| At 31 December 2023 and 2022 | **0.1** | **5,000,000** | **500,000** | |
| Issued and fully paid: | | | | |
| At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023 | | **3,797,831** | **379,783** | **384,165** |

The issued shares rank pari passu to the then existing shares.

### (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 31 December 2023, the Trust purchased a total of 47,026,000 ordinary shares from market, totaling HK$756,630,000 (equivalent to RMB665,074,000). Up to 31 December 2023, a total of 48,751,338 shares were granted to eligible employees according to the Share Scheme, among the shares granted, 36,764,063 shares were vested, and 7,769,429 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.

## 22. Share capital *(CONTINUED)*

### (b) Share Award Scheme (continued)

(1) (continued)

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

| | 2023 | 2022 |
|---|---|---|
| Unvested shares, beginning | **8,709,353** | 8,709,353 |
| Lapsed | **(4,491,507)** | – |
| Unvested shares, ending | **4,217,846** | 8,709,353 |

No shares were granted or vested during the year ended 31 December 2023. The weighted average fair value of the unvested shares granted at 31 December 2023 is approximately HK$97,282,000, equivalent to approximately RMB88,157,000 (2022: approximately HK$200,875,000, equivalent to approximately RMB172,542,000).

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

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Shimao Services Share Award Scheme and determine the number of awarded shares.

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

Movements in the number of unvested shares granted under the Shimao Services Share Award Scheme during the year are as follows:

| | 2023 | 2022 |
|---|---|---|
| Unvested shares, beginning | **2,660,408** | 6,865,821 |
| Lapsed | **(498,113)** | (758,918) |
| Vested | **(2,128,914)** | (3,446,495) |
| Unvested shares, ending | **33,381** | 2,660,408 |

The weighted average fair value of the unvested shares granted under the Shimao Services Share Award Scheme at 31 December 2023 is HK$40,000, equivalent to RMB36,000 (2022: HK$48,552,000, equivalent to RMB42,940,000).

## 22. Share capital *(CONTINUED)*

### (b) Share Award Scheme (continued)

(2) (continued)

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

During the year ended 31 December 2023, a total of 3,525,446 shares under the Shimao Services Share Award Scheme II were granted to certain employees of Shimao Services at nil consideration. Pursuant to the Shimao Services Share Award Scheme II, after meeting the vesting conditions and circumstances of the stock reward plan, 60% of the reward shares will be vested after 6 months or 12 months from the grant date, and 40% of the reward shares will be vested after 18 months or 24 months from the grant date.

Movements in the number of unvested shares granted under the Shimao Services Share Award Scheme II during the year are as follows:

| | **2023** | 2022 |
|---|---|---|
| Unvested shares, beginning | **4,017,105** | – |
| Granted | **3,525,446** | 4,017,105 |
| Lapsed | **(997,036)** | – |
| Vested | **(1,826,554)** | – |
| Unvested shares, ending | **4,718,961** | 4,017,105 |

The weighted average fair value of the unvested shares granted under the Shimao Services Share Award Scheme II at 31 December 2023 is HK$5,616,000, equivalent to RMB5,089,000 (2022: HK$10,646,000, equivalent to RMB9,415,000).

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

| | **2023**<br>**'000** | 2022<br>'000 |
|---|---|---|
| Shares issued | **3,797,831** | 3,797,831 |
| Treasury shares for Share Scheme | **(10,262)** | (10,242) |
| Shares outstanding | **3,787,569** | 3,787,589 |

### (d) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2023 and 2022.

## 23. Reserves

| | Merger Reserve RMB'000 | Share Premium RMB'000 | Other Reserve RMB'000 | Share-based compensation reserve RMB'000 | Statutory Reserve RMB'000 | Capital redemption reserve RMB'000 | Financial assets at FVOCI reserve RMB'000 | Retained Earnings/ (accumulated losses) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2023 | (185,787) | 4,976,615 | 9,731,381 | 869,380 | 4,231,409 | 4,949 | (422,305) | 16,935,674 | 36,141,316 |
| Loss for the year | – | – | – | – | – | – | – | (21,030,181) | (21,030,181) |
| Fair value losses on financial assets at FVOCI, net of tax | – | – | – | – | – | – | (1,187,571) | – | (1,187,571) |
| Release upon disposal of financial assets at FVOCI | – | – | – | – | – | – | (63,471) | 63,471 | – |
| Share of other comprehensive loss of joint ventures accounted for using the equity method | – | – | (11,569) | – | – | – | – | – | (11,569) |
| Exchange differences on translation of foreign operations | – | – | 4,278 | – | – | – | – | – | 4,278 |
| Changes in ownership interests in subsidiaries without change of control | – | 398,068 | – | – | – | – | – | – | 398,068 |
| Equity-settled share-based payment – Value of employee services | – | – | – | 17,445 | – | – | – | – | 17,445 |
| Profit appropriations | – | – | – | – | 10,471 | – | – | (10,471) | – |
| Balance at 31 December 2023 | (185,787) | 5,374,683 | 9,724,090 | 886,825 | 4,241,880 | 4,949 | (1,673,347) | (4,041,507) | 14,331,786 |

## 23. Reserves *(CONTINUED)*

| | Merger Reserve RMB'000 | Share Premium RMB'000 | Other Reserve RMB'000 | Share-based compensation reserve RMB'000 | Statutory Reserve RMB'000 | Capital redemption reserve RMB'000 | Financial assets at FVOCI reserve RMB'000 | Retained Earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2022 | (185,787) | 4,766,463 | 9,824,569 | 814,557 | 4,118,717 | 4,949 | (528,938) | 38,619,262 | 57,433,792 |
| Loss for the year | – | – | – | – | – | – | – | (21,492,478) | (21,492,478) |
| Fair value gains on financial assets at FVOCI, net of tax | – | – | – | – | – | – | 28,215 | – | 28,215 |
| Release upon disposal of financial assets at FVOCI | – | – | – | – | – | – | 78,418 | (78,418) | – |
| Share of other comprehensive loss of joint ventures accounted for using the equity method | – | – | (30,183) | – | – | – | – | – | (30,183) |
| Exchange differences on translation of foreign operations | – | – | (63,005) | – | – | – | – | – | (63,005) |
| Changes in ownership interests in subsidiaries without change of control | – | 209,428 | – | – | – | – | – | – | 209,428 |
| Equity-settled share-based payment | | | | | | | | | |
| – Value of employee services | – | – | – | 54,823 | – | – | – | – | 54,823 |
| – Dividend received | – | 724 | – | – | – | – | – | – | 724 |
| Profit appropriations | – | – | – | – | 112,692 | – | – | (112,692) | – |
| Balance at 31 December 2022 | (185,787) | 4,976,615 | 9,731,381 | 869,380 | 4,231,409 | 4,949 | (422,305) | 16,935,674 | 36,141,316 |

## 24. Perpetual capital instruments

For the year ended 31 December 2023, no subordinated unlisted perpetual capital instruments were redeemed (2022: Subordinated unlisted perpetual capital instruments of RMB1,550,000,000 were redeemed).

All perpetual capital instruments are unsecured and non-guaranteed. There is no maturity of the instruments and the payments of distribution can be deferred at the issuers' discretion, and there is no limit to the number of times of deferral of distribution. The perpetual capital instruments are redeemable. When the issuers elect to declare dividends to their shareholders, they shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

## 25. Borrowings

| | At 31 December | |
|---|---|---|
| | **2023** **RMB'000** | 2022 RMB'000 |
| **Borrowings included in non-current liabilities** | | |
| Long-term borrowings | | |
| – secured by assets (Note (i)) | **79,864,254** | 73,204,647 |
| – secured by assets and shares of subsidiaries (Note (i)) | **18,160,061** | 15,128,023 |
| – secured by shares of subsidiaries (Note (i)) | **12,366,467** | 19,678,048 |
| – secured by shares of subsidiary guarantors (Note (ii)) | **23,388,596** | 22,971,168 |
| – unsecured | **18,580,020** | 17,250,084 |
| Senior notes – secured (Note (iii)) | **45,369,173** | 44,575,079 |
| Medium-term notes – unsecured (Note (iv)) | **3,040,000** | 3,090,000 |
| Long-term bonds – secured (Note (v)) | **18,873,355** | 18,139,648 |
| | **219,641,926** | 214,036,697 |
| Less: Portion of long-term borrowings due within one year | **(106,082,119)** | (104,413,100) |
| Portion of senior notes due within one year | **(45,369,173)** | (13,923,345) |
| Portion of medium-term notes due within one year | **(3,040,000)** | (3,090,000) |
| Portion of long-term bonds due within one year | **(595,008)** | (9,975,000) |
| Amounts due within one year | **(155,086,300)** | (131,401,445) |
| | **64,555,626** | 82,635,252 |
| **Borrowings included in current liabilities** | | |
| Short-term borrowings | | |
| – secured by assets (Note (i)) | **18,275,733** | 28,259,044 |
| – secured by assets and shares of subsidiaries (Note (i)) | **4,198,010** | 5,108,080 |
| – secured by shares of subsidiaries (Note (i)) | **5,209,096** | 4,556,601 |
| – unsecured | **13,710,659** | 19,142,115 |
| Senior notes – secured (Note (iii)) | **2,648,540** | 2,604,377 |
| Private placement notes (Note (vi)) | **279,250** | 300,000 |
| Current portion of non-current borrowings | **155,086,300** | 131,401,445 |
| | **199,407,588** | 191,371,662 |

Notes:

(i) As at 31 December 2023, the Group's total secured bank borrowings and borrowings from other financial institutions of approximately RMB138,073,621,000 (2022: RMB145,934,443,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash, and/or secured by the pledge of the shares of certain subsidiaries of the Group.

## 25. Borrowings *(CONTINUED)*

Notes: (continued)

(i) (continued)

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

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Properties under development (note 16(a)) | **100,052,675** | 113,704,247 |
| Investment properties (note 9) | **48,629,974** | 52,257,992 |
| Restricted cash (note 20) | **3,698,640** | 7,879,002 |
| Completed properties held for sale (note 16(b)) | **17,440,133** | 13,990,134 |
| Land use rights (note 8) | **3,592,894** | 3,680,223 |
| Property and equipment (note 7) | **11,964,855** | 12,372,935 |
| | **185,379,171** | 203,884,533 |

(ii) On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$540,000,000 facility and a HK$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US$570,000,000 facility and a HK$3,551,500,000 facility at a floating rate of interest. As at 31 December 2023, US$399,000,000 and HK$2,486,050,000 of the principal remained outstanding (31 December 2022: US$399,000,000 and HK$2,486,050,000) and 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 31 December 2023, US$795,958,000 and HK$3,794,300,000 of the principal remained outstanding (31 December 2022: US$795,958,000 and HK$3,794,300,000) and was defaulted.

On 22 April 2021, the Company entered into a multi-currency loan facility agreement with a syndicate of 19 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$657,500,000 facility and a HK$5,128,500,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2023, 35% will mature in 2024 and 50% will mature in 2025. As at 31 December 2023, US$657,500,000 and HK$5,128,500,000 of the principal remained outstanding (31 December 2022: US$657,500,000 and HK$5,128,500,000) and was defaulted.

(iii) On 3 July 2017, the Company issued senior notes with total principal of US$450,000,000 and US$150,000,000 at a fixed interest rate of 4.75% initially due on 3 July 2022. On 11 December 2017, the Company issued senior notes with total principal of US$400,000,000 at a fixed interest rate of 4.75% initially due on 3 July 2022. As at 31 December 2023, the senior notes with a total principal amount of US$1,000,000,000 (31 December 2022: US$1,000,000,000) remained outstanding and was defaulted.

On 30 January 2018, the Company issued senior notes with total principal of US$500,000,000 at a fixed interest rate of 5.20% initially due on 30 January 2025. As at 31 December 2023, the entire principal amount remained outstanding and was defaulted.

On 21 February 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 6.125% initially due on 21 February 2024. As at 31 December 2023, the principal amount of US$1,000,000,000 (31 December 2022: US$1,000,000,000) remained outstanding and was defaulted.

## 25. Borrowings *(CONTINUED)*

Notes: (continued)

(iii) (continued)

On 15 July 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 5.60% initially due on 15 July 2026. As at 31 December 2023, the entire principal amount remained outstanding and was defaulted.

On 13 July 2020, the Company issued senior notes with total principal of US$300,000,000 at a fixed interest rate of 4.60% initially due on 13 July 2030. As at 31 December 2023, the entire principal amount remained outstanding and was defaulted.

On 11 January 2021, the Company issued senior notes with total principal of US$872,000,000 at a fixed interest rate of 3.45% initially due on 11 January 2031. As at 31 December 2023, the entire principal amount remained outstanding and was defaulted.

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

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

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

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

The Company may at its option redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.

(iv) On 21 October 2019, Shanghai Shimao issued medium-term notes with a total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 21 October 2022. During the year ended 31 December 2022, the Group redeemed the medium-term notes with the principal of RMB20,000,000, whereas the maturity of the remaining medium-term notes was extended to 21 October 2023. During the year ended 31 December 2023, the Group redeemed the medium-term notes with the principal of RMB50,000,000. As at 31 December 2023, the principal amount of RMB930,000,000 (31 December 2022: RMB930,000,000) remained outstanding and was defaulted.

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. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which 5% of the total principal will mature in May 2023, 5% of the total principal will mature in November 2023, and 90% of the total principal will mature in January 2024. As at 31 December 2023, the principal amount of RMB500,000,000 (31 December 2022: RMB500,000,000) remained outstanding, of which RMB50,000,000 was defaulted.

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. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which RMB31,040,000 will mature in or before December 2023 and RMB938,960,000 will mature in or before March 2024. As at 31 December 2023, the principal amount of RMB970,000,000 (31 December 2022: RMB970,000,000) remained outstanding, of which RMB31,040,000 was defaulted.

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. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which RMB44,800,000 will mature in or before December 2023 and RMB595,200,000 will mature in or before May 2024. As at 31 December 2023, the principal amount of RMB640,000,000 (31 December 2022: RMB640,000,000) remained outstanding, of which RMB44,800,000 was defaulted.

## 25. 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 was due on 16 October 2022 at a fixed interest rate of 4.15%. During the year ended 31 December 2022, the due date of the long-term bonds was extended to 16 October 2024. During the year ended 31 December 2023, the Group further extended the due date of the long-term bonds in which 4% of the total principal will be due in or before September 2024, 20% of the total principal will be due in or before December 2025, 25% of the total principal will be due in or before December 2026, and 51% of the total principal will be due in or before September 2027.

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. During the year ended 31 December 2022, the due date of the third phase of long-term bonds was extended to 22 May 2023. During the year ended 31 December 2023, the Group further extended the due date of the third phase of the long-term bonds in which an aggregate amount of approximately RMB9,738,000 will be due in December 2024, an aggregate amount of approximately RMB185,015,000 will be due in or before December 2025, and aggregate amount of approximately RMB292,129,000 will be due in or before December 2026.

On 18 September 2019, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.30% due on 18 September 2022. On 11 November 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.80% due on 11 November 2024. On 11 November 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB900,000,000 at a fixed interest rate of 4.30% due on 11 November 2022. During the year ended 31 December 2022, each of the due dates of the first phase and the third phase of long-term bonds was extended to 19 September 2024 and 11 November 2024, respectively. During the year ended 31 December 2023, the Group further extended the due dates of all phases of the long-term bonds ("2019 Shimao Jianshe Bonds") in which 4% of the principal amounts of 2019 Shimao Jianshe Bonds will be due in or before September 2024, 20% of the principal amounts of 2019 Shimao Jianshe Bonds will be due in or before December 2025, 25% of the principal amounts of 2019 Shimao Jianshe Bonds will be due in or before December 2026, and 51% of the principal amounts of 2019 Shimao Jianshe Bonds will be due in or before September 2027.

On 5 March 2020, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 3.60% due on 5 March 2023. On 8 July 2020, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 3.76% due on 8 July 2022. On 1 September 2020, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.99% due on 1 September 2022. On 24 September 2020, Shanghai Shimao issued the fourth phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.94% due on 24 September 2022. During the year ended 31 December 2023, the Group extended the due dates of all phases of the long-term bonds in which aggregate amount of approximately RMB81,277,000 will be due in December 2024, aggregate amount of approximately RMB1,544,251,000 will be due in or before December 2025, and aggregate amount of approximately RMB2,438,291,000 will be due in or before December 2026.

## 25. Borrowings *(CONTINUED)*

Notes: (continued)

(v) (continued)

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. During the year ended 31 December 2023, the Group extended the due dates of all phases of the long-term bonds. For the first phase of long-term bonds with the principal amount of RMB2,800,000,000, 2% of the principal amount will be due in or before September 2024, 7% of the principal amount will be due in or before December 2025, 15% of the principal amount will be due in or before December 2026, 25% of the principal amount will be due in or before December 2027, and 51% of the principal amount will be due in or before June 2028. For the rest of the long-term bonds with the aggregate principal amount of RMB7,500,000,000, 4% of the aggregate principal amount will be due in or before September 2024, 20% of the principal amount will be due in or before December 2025, 25% of the principal amount will be due in or before December 2026, and 51% of the principal amount will be due in or before September 2027.

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

(vi) On 17 January 2020, Shanghai Shimao issued the first phase of private placement notes with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.50% due on 19 January 2022. On 18 January 2022, the amount was fully redeemed. On 24 April 2020, Shanghai Shimao issued the second phase of private placement notes with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.70% due on 26 April 2022. During the year ended 31 December 2022, Shanghai Shimao redeemed the second phase of private placement notes with the amount of RMB200,000,000 and the due date of the remaining principal amount was extended to year 2023. As at 31 December 2023, the principal amount of RMB279,250,000 remained outstanding and was defaulted.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates, whichever is the earlier date, is as follows:

| | 6 months or less RMB'000 | 6–12 months RMB'000 | 1–5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Borrowings included in non-current liabilities: | | | | | |
| At 31 December 2023 | **70,938** | **4,436,644** | **49,909,701** | **10,138,343** | **64,555,626** |
| At 31 December 2022 | 879,146 | 4,384,278 | 63,335,508 | 14,036,320 | 82,635,252 |
| Borrowings included in current liabilities: | | | | | |
| At 31 December 2023 | **191,269,203** | **8,138,385** | **–** | **–** | **199,407,588** |
| At 31 December 2022 | 160,871,659 | 30,500,003 | – | – | 191,371,662 |

## 25. Borrowings *(CONTINUED)*

The maturity of the borrowings included in non-current liabilities is as follows:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Bank and other borrowings: | | |
| Between 1 and 2 years | **23,057,448** | 17,681,721 |
| Between 2 and 5 years | **13,031,508** | 20,140,968 |
| Over 5 years | **10,188,323** | 5,996,181 |
| Senior notes: | | |
| Between 1 and 2 years | **–** | 6,951,278 |
| Between 2 and 5 years | **–** | 15,578,229 |
| Over 5 years | **–** | 8,122,227 |
| Long-term bonds: | | |
| Between 1 and 2 years | **4,218,681** | 5,364,648 |
| Between 2 and 5 years | **14,059,666** | 2,800,000 |
| | **64,555,626** | 82,635,252 |

The weighted average effective interest rates at the year-ended date were as follows:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Bank and other borrowings | **7.2%** | 6.7% |
| Senior notes | **4.9%** | 4.9% |
| Medium-term notes | **4.8%** | 4.8% |

The carrying amounts and fair value of non-current borrowings are as follows:

| | **Carrying amounts RMB'000** | **Fair values RMB'000** |
|---|---|---|
| Fixed rate portion – others | **47,592,755** | **47,285,795** |
| Floating rate portion | **16,962,871** | **16,933,691** |
| At 31 December 2023 | **64,555,626** | **64,219,486** |
| Fixed rate portion – senior notes | 30,651,734 | 5,210,765 |
| Fixed rate portion – others | 26,281,316 | 26,301,045 |
| Floating rate portion | 25,702,202 | 25,555,347 |
| At 31 December 2022 | 82,635,252 | 57,067,157 |

## 25. Borrowings *(CONTINUED)*

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant.

The fair values of senior notes recorded in non-current liabilities as at 31 December 2022 amounting to RMB5,210,765,000 were calculated using the market price of the traded senior notes on the year-ended date. The fair values of senior notes are within Level 1 of the fair value hierarchy.

The fair values of other non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institutions with substantially the same terms and characteristics at the respective year-ended dates. The fair values of other non-current borrowings are within Level 3 of the fair value hierarchy.

## 26. Trade and other payables

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Trade payables (Note (a)) | **42,187,616** | 56,710,341 |
| Other payables (Note (b)) | **12,724,643** | 6,969,146 |
| Other taxes payable | **7,606,676** | 9,470,539 |
| Accrued expenses | **24,288,989** | 9,350,060 |
| | **86,807,924** | 82,500,086 |

Notes:

(a) As at 31 December 2023, the aging analysis of the trade payables based on invoice date is as follows:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Within 90 days | **39,706,984** | 54,509,980 |
| Over 90 days and within 1 year | **2,480,632** | 2,200,361 |
| | **42,187,616** | 56,710,341 |

(b) Other payables comprise:

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Deposits received from customers | **3,060,912** | 3,221,837 |
| Deposits from constructors | **665,979** | 412,955 |
| Rental deposits from tenants and hotel customers | **1,066,990** | 1,738,412 |
| Payables for equity interest | **613,688** | 763,907 |
| Fees collected from customers on behalf of government agencies | **414,995** | 413,424 |
| Amount due to liquidated subsidiaries or disposed subsidiaries | **6,617,679** | – |
| Others | **284,400** | 418,611 |
| | **12,724,643** | 6,969,146 |

## 27. Amounts due to related parties

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| – Associated companies | **3,555,590** | 5,233,417 |
| – Joint ventures | **7,981,394** | 15,775,218 |
| – Non-controlling interests | **1,866,894** | 919,409 |
| – entities controlled by the controlling shareholder | **6,143,147** | 6,056,020 |
| | **19,547,025** | 27,984,064 |

Amounts due to associated companies and joint ventures mainly represent advanced proceeds received for purchasing construction materials and other operating and financing activities. Amounts due to non-controlling interests mainly represent funds injected by the non-controlling shareholders for the development of properties. Amounts due to entities controlled by the controlling shareholder mainly represent funds injected by the entities which are beneficially owned by Mr. Hui Wing Mau for the general working capital of the Group.

## 28. Other (losses)/other income and gains – net

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Other income** | | |
| Government grants received | **59,476** | 283,133 |
| **Other gains/(losses) – net** | | |
| Net (losses)/gains on disposal of subsidiaries with loss of control (note 40(b)) | **(715,509)** | 2,581,603 |
| (Losses)/gains on derivative financial instruments (note 19) | **(37,705)** | 67,219 |
| Net losses on deemed disposal of joint ventures and associated companies | **(558,175)** | (280,764) |
| Net gains on disposal of joint ventures | **10,770** | 807,819 |
| Net gains/(losses) on disposal of associate companies | **6,380** | (230,065) |
| Penalty income (Note) | **28,451** | 74,978 |
| Net losses on liquidation of subsidiaries (note 40(c)) | **(2,194,586)** | – |
| Loss on impairment of assets of a disposal group classified as held for sale | **(966,229)** | – |
| Others | **518,346** | 257,936 |
| | **(3,908,257)** | 3,278,726 |
| | **(3,848,781)** | 3,561,859 |

Note:

Penalty income represents penalty received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

## 29. Expenses by nature

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Cost of properties sold and others | **45,817,606** | 52,029,561 |
| Taxes and surcharges on sales of properties | **627,474** | 598,632 |
| Staff costs – including directors' emoluments (note 31) | **5,207,813** | 6,074,802 |
| Advertising, promotion and commission costs | **1,089,092** | 2,428,430 |
| Direct expenses arising from hotel operation | **846,740** | 687,645 |
| Corporate and office expenses | **985,145** | 1,398,396 |
| Consulting fee | **339,836** | 620,004 |
| Depreciation and amortisation (note 7) (note 10) | **914,442** | 1,098,647 |
| Amortisation of right-of-use assets (note 8) | **179,471** | 162,433 |
| Charitable donations | **1,306** | 12,073 |
| Penalties | **877,409** | 806,239 |
| Auditor's remuneration | **11,000** | 15,800 |
| Provision for impairment losses on financial assets | **2,031,610** | 318,703 |
| Provision for impairment losses on properties under development and completed properties held for sale (note 16) | **2,966,024** | 1,054,408 |
| Provision for impairment losses on property and equipment (note 7) | **6,457** | – |
| Impairment loss on intangible assets (note 10) | **121,316** | – |
| Other expenses | **963,609** | 964,801 |
| Total | **62,986,350** | 68,270,574 |

## 30. Finance costs – net

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Finance income | | |
| – interest income on short-term bank deposits | **(284,155)** | (391,550) |
| Interest on bank and other borrowings | | |
| – wholly repayable within five years | **13,577,028** | 20,047,164 |
| – not wholly repayable within five years | **593,466** | 397,307 |
| Interest on senior notes | | |
| – wholly repayable within five years | **2,283,660** | 1,999,494 |
| – not wholly repayable within five years | **–** | 305,635 |
| Interest on convertible bonds | | |
| – wholly repayable within five years | **–** | 161,019 |
| Interest charges paid/payable for lease liabilities (note 8) | | |
| – wholly repayable within five years | **6,573** | 6,832 |
| | **16,460,727** | 22,917,451 |
| Net foreign exchange loss (Note) | **1,840,216** | 8,923,021 |
| Less: interest and foreign exchange losses capitalised | **(10,044,615)** | (16,330,505) |
| Finance costs | **8,256,328** | 15,509,967 |
| Net finance costs | **7,972,173** | 15,118,417 |

Note:

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

## 31. Employee benefit expense

### (a) Staff costs (including directors' emoluments) comprise:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Wages and salaries | **4,380,498** | 5,105,621 |
| Pension costs – statutory pension (Note (b)) | **363,665** | 454,513 |
| Other allowances and benefits | **463,650** | 514,668 |
| | **5,207,813** | 6,074,802 |

## 31. Employee benefit expense *(CONTINUED)*

### (b) Pensions-defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2022: five) directors whose emoluments are reflected in the analysis shown in note 32 to the consolidated financial statements.

## 32. Benefits and interests of directors

### (a) Directors' emoluments

The remuneration of each of the Directors for the year ended 31 December 2023 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| Name of directors | Fees RMB'000 | Salary RMB'000 | Bonuses RMB'000 | Housing Allowance RMB'000 | Employer's contribution to a retirement benefit scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Executive directors | | | | | | |
| Mr. Hui Wing Mau | – | 3,794 | – | – | – | 3,794 |
| Mr. Hui Sai Tan, Jason | – | 5,279 | – | – | 16 | 5,295 |
| Ms. Tang Fei | – | 1,290 | – | – | 171 | 1,461 |
| Mr. Xie Kun | – | 1,915 | – | – | 171 | 2,086 |
| Non-executive director | | | | | | |
| Mr. Ye Mingjie | – | – | – | – | – | – |
| Mr. Lu Yi (Note (i)) | – | 2,393 | 1,150 | 110 | 157 | 3,810 |
| Independent non-executive directors | | | | | | |
| Mr. Fung Tze Wa | 325 | – | – | – | – | 325 |
| Mr. Lyu Hong Bing | 325 | – | – | – | – | 325 |
| Mr. Lam Ching Kam | 325 | – | – | – | – | 325 |
| | 975 | 14,671 | 1,150 | 110 | 515 | 17,421 |

Notes:

(i) Mr. Lu Yi redesignated from executive director to non-executive director with effect from 2 August 2023, and subsequently resigned from non-executive director with effect from 15 November 2023.

## 32. Benefits and interests of directors *(CONTINUED)*

### (a) Directors' emoluments (continued)

The remuneration of each of the Directors for the year ended 31 December 2022 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

| Name of directors | Fees RMB'000 | Salary RMB'000 | Bonuses RMB'000 | Housing Allowance RMB'000 | Employer's contribution to a retirement benefit scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Executive directors | | | | | | |
| Mr. Hui Wing Mau | – | 3,608 | – | – | – | 3,608 |
| Mr. Hui Sai Tan, Jason | – | 5,075 | – | – | 15 | 5,090 |
| Ms. Tang Fei | – | 1,290 | – | – | 146 | 1,436 |
| Mr. Lu Yi | – | 1,916 | 2,320 | 120 | 146 | 4,502 |
| Mr. Xie Kun | – | 1,915 | – | – | 146 | 2,061 |
| Non-executive director | | | | | | |
| Mr. Ye Mingjie | – | – | – | – | – | – |
| Independent non-executive directors | | | | | | |
| Mr. Fung Tze Wa (Note (i)) | 110 | – | – | – | – | 110 |
| Ms. Kan Lai Kuen, Alice (Note (ii)) | 206 | – | – | – | – | 206 |
| Mr. Lyu Hong Bing | 309 | – | – | – | – | 309 |
| Mr. Lam Ching Kam | 309 | – | – | – | – | 309 |
| | 934 | 13,804 | 2,320 | 120 | 453 | 17,631 |

Notes:

(i) Mr. Fung Tze Wa was appointed as an independent non-executive director with effect from 24 August 2022.

(ii) Ms. Kan Lai Kuen, Alice resigned as an independent non-executive director with effect from 24 August 2022.

### (b) Directors' retirement benefits

None of the Directors received or will receive any retirement benefits during the year.

### (c) Directors' termination benefits

None of the Directors received or will receive any termination benefits during the year.

### (d) Consideration provided to third parties for making available Directors' services

The Group did not pay consideration to any third parties for making available Directors' services during the year.

### (e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

No loans, quasi-loans and other dealings were made available in favor of Directors, bodies corporate controlled by and entities connected with Directors subsisted at the end of the year or at any time during the year.

## 32. Benefits and interests of directors *(CONTINUED)*

### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 33. Income tax expense

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Current income tax | | |
| – PRC enterprise and withholding income tax | **296,519** | 887,956 |
| – PRC land appreciation tax | **664,647** | 982,531 |
| | **961,166** | 1,870,487 |
| Deferred income tax | | |
| – PRC enterprise and withholding income tax (note 15) | **394,072** | 1,238,723 |
| | **1,355,238** | 3,109,210 |

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Loss before income tax | **(22,244,179)** | (17,550,096) |
| Add: Share of results of associated companies and joint ventures | **1,022,291** | 131,724 |
| Less: Land appreciation tax | **(664,647)** | (982,531) |
| | **(21,886,535)** | (18,400,903) |
| Calculated at PRC enterprise income tax rate of 25% (2022: 25%) | **(5,471,634)** | (4,600,226) |
| Tax effects of: | | |
| – Different tax rates in other countries or regions | **1,306,115** | 1,223,306 |
| – Expenses and losses not deductible for income tax purposes | **1,194,817** | 2,052,010 |
| – Income not taxable for tax purpose | **(199,790)** | (436,862) |
| – Tax losses and temporary differences not recognised | **3,861,083** | 3,888,451 |
| PRC enterprise and withholding income tax charge | **690,591** | 2,126,679 |
| PRC land appreciation tax charge | **664,647** | 982,531 |
| | **1,355,238** | 3,109,210 |

## 33. Income tax expense *(CONTINUED)*

### 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 year ended 31 December 2023 (2022: Nil).

### PRC enterprise income tax

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

### PRC land appreciation tax

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

### PRC withholding income tax

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

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

## 34. Loss per share

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

| | **Year ended 31 December** | |
|---|---|---|
| | **2023** | 2022 |
| Loss attributable to the equity holders of the Company (RMB'000) | **(21,030,181)** | (21,492,478) |
| Weighted average number of ordinary shares (thousands) | **3,787,589** | 3,787,589 |
| Basic losses per share (RMB) | **(5.55)** | (5.67) |

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Scheme assuming they were exercised. No diluted loss per share for the year ended 31 December 2023 is presented as the effects caused by the shares granted under the Share Scheme is anti-dilutive.

No diluted loss per share for the year ended 31 December 2022 is presented as the effects caused by the shares granted under the Share Scheme and the conversion of the Group's convertible bonds are anti-dilutive.

## 35. Dividends

The board of Directors does not recommend the payment of the final dividend for the year ended 31 December 2023 (2022: Nil).

## 36. Notes to the consolidated statement of cash flows

### (a) Net cash generated from operations:

| | Year ended 31 December | |
|---|---|---|
| | **2023** **RMB'000** | 2022 RMB'000 |
| Loss before income tax | **(22,244,179)** | (17,550,096) |
| Adjustments for: | | |
| Interest income | **(284,155)** | (391,550) |
| Interest expense | **6,416,112** | 6,586,946 |
| Provision of impairment losses on financial assets | **2,031,610** | 318,703 |
| Provision for impairment losses on properties under development and completed properties held for sale | **2,966,024** | 1,054,408 |
| Provision for impairment losses on property and equipment | **6,457** | – |
| Loss on impairment of assets of a disposal group classified as held for sale | **966,229** | – |
| Impairment losses on intangible assets | **121,316** | – |
| Depreciation and amortisation | **914,442** | 1,098,647 |
| Share of results of associated companies and joint ventures accounted for using the equity method | **1,022,291** | 131,724 |
| Net losses/(gains) on disposal of subsidiaries with loss of control | **715,509** | (2,581,603) |
| Net losses on deemed disposal of joint ventures and associated companies | **558,175** | 280,764 |
| Net losses on liquidation of a subsidiary | **2,194,586** | – |
| Gains from disposal of shares of joint ventures | **(10,770)** | (807,819) |
| (Gains)/losses from disposal of associated companies | **(6,380)** | 230,065 |
| Amortisation of right-of-use assets | **179,471** | 162,433 |
| Fair value losses/(gains) on derivative financial instruments | **37,705** | (67,219) |
| Fair value losses on investment properties | **5,878,296** | 631,445 |
| Fair value changes of convertible bonds | **–** | (57) |
| Value of employee services arising from equity-settled share based payment scheme | **17,445** | 54,823 |
| Net exchange loss | **1,840,216** | 8,923,021 |
| | **3,320,400** | (1,925,365) |
| Changes in working capital: | | |
| Properties under development, completed properties held for sale and prepayment for acquisition of land use rights | **34,383,070** | 32,472,991 |
| Land use rights | **–** | 42,676 |
| Other non-current assets | **262,152** | 319,902 |
| Restricted cash | **1,311,228** | (944,620) |
| Trade and other receivables and prepayments | **(7,979,143)** | 2,059,986 |
| Trade and other payables | **(1,996,309)** | (9,108,078) |
| Contract liabilities | **(30,379,259)** | (19,252,751) |
| Amounts due to related companies | **–** | (77,553) |
| Net cash generated from operations | **(1,077,861)** | 3,587,188 |

## 36. Notes to the consolidated statement of cash flows *(CONTINUED)*

### (b) Reconciliation of liabilities arising from financing activities

| | Liabilities from financing activities | | | | |
|---|---|---|---|---|---|
| | Amounts due to related parties RMB'000 | Borrowings due within 1 year RMB'000 | Borrowings due after 1 year RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
| **At 1 January 2022** | 30,336,173 | 107,836,757 | 123,921,866 | 96,341 | 262,191,137 |
| Financing cash flows | (4,893,050) | (15,123,998) | (4,835,878) | (65,772) | (24,918,698) |
| Foreign exchange adjustments | – | 1,656,805 | 7,102,158 | – | 8,758,963 |
| Reclassification | – | 131,401,445 | (131,401,445) | – | – |
| Working capital changes from operations | (77,553) | – | – | – | (77,553) |
| Other non-cash movements | 2,618,494 | (34,399,347) | 87,848,551 | 97,965 | 56,165,663 |
| **At 31 December 2022** | 27,984,064 | 191,371,662 | 82,635,252 | 128,534 | 302,119,512 |
| Financing cash flows | **619,454** | **(12,482,264)** | **5,680,844** | **(68,242)** | **(6,250,208)** |
| Foreign exchange adjustments | **–** | **1,425,906** | **171,583** | **–** | **1,597,489** |
| Reclassification | **–** | **23,684,855** | **(23,684,855)** | **–** | **–** |
| Other non-cash movements | **(9,056,493)** | **(4,592,571)** | **(247,198)** | **37,428** | **(13,858,834)** |
| **At 31 December 2023** | **19,547,025** | **199,407,588** | **64,555,626** | **97,720** | **283,607,959** |

## 37. Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2023 are as follows:

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – established and operation conducted in the PRC** | | | | | |
| 上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.) | 1 July 1992 | Foreign investment enterprise | Registered capital RMB3,751,168,261 | 63.45% | Property development |
| 上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.) | 15 September 1994 | Foreign investment enterprise | Registered capital RMB1,600,000,000 | 100.00% | Shopping mall and hotel |
| 上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.) | 15 March 2000 | Foreign investment Enterprise | Registered capital US$75,000,000 | 100.00% | Property development |
| 西藏世茂企業發展有限公司 (Xizang Shimao Enterprises Development Co., Ltd.) | 22 June 2000 | Domestic enterprise | Registered capital RMB101,723,586 | 50.85% | Investment holding |
| 上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.) | 16 March 2001 | Foreign investment Enterprise | Registered capital RMB3,140,000,000 | 100.00% | Investment holding |
| 上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.) | 19 June 2002 | Foreign investment Enterprise | Registered capital US$18,400,000 | 100.00% | Property development and hotel |
| 福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.) | 17 November 2003 | Foreign investment Enterprise | Registered capital RMB200,000,000 | 81.73% | Property development |
| 昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.) | 24 December 2003 | Domestic enterprise | Registered capital RMB547,668,147 | 63.45% | Property development |
| 南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.) | 23 July 2004 | Foreign investment enterprise | Registered capital RMB410,000,000 | 81.73% | Property development |
| 武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.) | 6 June 2005 | Foreign investment Enterprise | Registered capital US$114,269,000 | 100.00% | Property development |
| 上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.) | 6 March 2006 | Domestic enterprise | Registered capital RMB391,092,834 | 63.45% | Property development |
| 大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.) | 9 June 2006 | Foreign investment enterprise | Registered capital US$109,600,000 | 100.00% | Property development |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – established and operation conducted in the PRC** *(continued)* | | | | | |
| 煙台世茂置業有限公司 (Yantai Shimao Property Co., Ltd.) | 6 September 2006 | Foreign investment enterprise | Registered capital US$48,500,000 | 100.00% | Property development |
| 常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.) | 27 November 2006 | Foreign investment enterprise | Registered capital US$323,730,000 | 100.00% | Property development |
| 瀋陽世茂新發展置業有限公司 (Shenyang Shimao New Development Property Co., Ltd.) | 5 December 2006 | Foreign investment enterprise | Registered capital RMB782,577,000 | 100.00% | Property development |
| 上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.) | 22 January 2007 | Foreign investment enterprise | Registered capital HK$5,782,000,000 | 100.00% | Trading of construction |
| 蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.) | 26 January 2007 | Foreign investment enterprise | Registered capital US$178,000,000 | 100.00% | Property development |
| 常州世茂新城房地產開發有限公司 (Changzhou Shimao New City Real Estate Development Co., Ltd.) | 12 February 2007 | Domestic enterprise | Registered capital RMB269,300,000 | 100.00% | Property development |
| 徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.) | 14 February 2007 | Foreign investment enterprise | Registered capital US$75,980,000 | 100.00% | Property development |
| 徐州世茂置業有限公司 (Xuzhou Shimao Property Co., Ltd.) | 14 February 2007 | Foreign investment enterprise | Registered capital RMB491,412,640 | 63.45% | Property development |
| 蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.) | 2 March 2007 | Domestic enterprise | Registered capital RMB526,795,630 | 63.45% | Property development |
| 上海茗沃建築裝潢有限公司 (Shanghai Mingwo Building Decoration Co., Ltd.) | 6 March 2007 | Foreign investment Enterprise | Registered capital RMB10,000,000 | 100.00% | Trading of construction |
| 紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.) | 13 July 2007 | Domestic enterprise | Registered capital RMB483,457,740 | 63.45% | Property development |
| 重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.) | 25 July 2007 | Foreign investment enterprise | Registered capital US$200,000,000 | 100.00% | Property development |
| 上海世盈投資管理有限公司 (Shanghai Shiying Investment Management Co., Ltd.) | 21 August 2007 | Domestic enterprise | Registered capital RMB200,000,000 | 100.00% | Investment holding |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – established and operation conducted in the PRC** *(continued)* | | | | | |
| 常熟世茂新發展置業有限公司 (Changshu Shimao New Development Property Co., Ltd.) | 24 August 2007 | Domestic enterprise | Registered capital RMB692,174,000 | 63.45% | Property development |
| 牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.) | 4 September 2007 | Foreign investment enterprise | Registered capital US$16,000,000 | 95.00% | Property development |
| 牡丹江世茂新城房地產開發有限公司 (Mudanjiang Shimao New City Real Estate Development Co., Ltd.) | 4 September 2007 | Foreign investment enterprise | Registered capital US$29,980,000 | 100.00% | Property development |
| 昆山世茂新發展置業有限公司 (Kunshan Shimao New Development Property Co., Ltd.) | 12 September 2007 | Foreign investment enterprise | Registered capital US$49,980,000 | 100.00% | Property development |
| 上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.) | 11 May 2009 | Domestic enterprise | Registered capital RMB50,000,000 | 100.00% | Investment holding |
| 大連世茂嘉年華置業有限公司 (Dalian Shimao Carnival Property Co., Ltd.) | 4 September 2009 | Foreign investment enterprise | Registered capital US$100,000,000 | 100.00% | Property development |
| 成都世茂置業有限公司 (Chengdu Shimao Property Co., Ltd.) | 13 October 2009 | Domestic enterprise | Registered capital RMB299,021,884 | 100.00% | Property development |
| 天津世茂新里程置業有限公司 (Tianjin Shimao New Miles Property Co., Ltd.) | 5 November 2009 | Domestic enterprise | Registered capital RMB1,470,000,000 | 100.00% | Property development |
| 武漢世茂嘉年華置業有限公司 (Wuhan Shimao Carnival Property Co., Ltd) | 14 December 2009 | Domestic enterprise | Registered capital RMB200,000,000 | 81.36% | Property development |
| 青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Real Estate Development Co., Ltd.) | 29 April 2010 | Foreign investment enterprise | Registered capital US$492,999,800 | 100.00% | Property development |
| 寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.) | 27 May 2010 | Domestic enterprise | Registered capital RMB50,000,000 | 100.00% | Property development |
| 長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.) | 25 February 2011 | Domestic enterprise | Registered capital RMB1,000,000,000 | 63.45% | Property development |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – established and operation conducted in the PRC** *(continued)* | | | | | |
| 文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.) | 19 April 2011 | Domestic enterprise | Registered capital RMB550,000,000 | 100.00% | Property development |
| 南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.) | 26 April 2011 | Domestic enterprise | Registered capital US$692,000,000 | 100.00% | Property development |
| 青島世茂投資發展有限公司 (Qingdao Shimao Investment & Development Co., Ltd.) | 27 May 2011 | Domestic enterprise | Registered capital RMB450,000,000 | 100.00% | Property development |
| 平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.) | 31 May 2011 | Domestic enterprise | Registered capital RMB615,630,000 | 100.00% | Property development |
| 武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate Development Co., Ltd.) | 23 March 2010 | Domestic enterprise | Registered capital RMB526,000,000 | 100.00% | Property development |
| 南通沿海世茂房地產開發有限公司 (Nantong Yanhai Shimao Real Estate Development Co., Ltd.) | 9 May 2013 | Domestic enterprise | Registered capital RMB100,000,000 | 51.00% | Property development |
| 杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.) | 29 May 2013 | Foreign investment Enterprise | Registered capital US$150,000,000 | 51.00% | Property development |
| 寧波世茂新騰飛置業有限公司 (Ningbo Shimao Xintengfei Property Co., Ltd.) | 9 June 2013 | Domestic enterprise | Registered capital RMB1,238,500,000 | 63.45% | Property development |
| 常熟世茂新紀元置業有限公司 (Changshu Shimao New Era Property Co., Ltd.) | 11 September 2013 | Domestic enterprise | Registered capital RMB850,000,000 | 63.45% | Property development |
| 杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.) | 16 October 2013 | Domestic enterprise | Registered capital RMB2,000,000,000 | 100.00% | Property development |
| 大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.) | 29 October 2013 | Foreign investment enterprise | Registered capital US$136,000,000 | 100.00% | Property development |
| 大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.) | 29 October 2013 | Foreign investment enterprise | Registered capital US$120,000,000 | 100.00% | Property development |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – established and operation conducted in the PRC** *(continued)* | | | | | |
| 濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.) | 7 January 2014 | Domestic enterprise | Registered capital RMB2,911,110,000 | 63.45% | Property development |
| 上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.) | 21 January 2014 | Domestic enterprise | Registered capital RMB2,000,000,000 | 100.00% | Investment holding |
| 南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate Development Co., Ltd.) | 2 July 2014 | Domestic enterprise | Registered capital RMB120,000,000 | 100.00% | Property development |
| 南京世招荃晟置業有限公司 (Nanjing Shizhao Quansheng Property Co., Ltd.) | 27 January 2015 | Domestic enterprise | Registered capital RMB250,000,000 | 51.00% | Property development |
| 杭州融大齊雲置業有限公司 (Hangzhou Rongda Qiyun Property Co., Ltd) | 8 September 2016 | Domestic enterprise | Registered capital RMB100,000,000 | 51.00% | Property development |
| 泉州世茂融信新世紀房地產有限責任公司 (Quanzhou Shimao Rongxin New Century Real Estate Co., Ltd.) | 10 October 2016 | Domestic enterprise | Registered capital RMB50,000,000 | 63.45% | Property development |
| 泉州世茂融信新領航房地產有限責任公司 (Quanzhou Shimao Rongxin New Pioneer Real Estate Co., Ltd.) | 10 October 2016 | Domestic enterprise | Registered capital RMB50,000,000 | 63.45% | Property development |
| 上海益碧房地產開發有限公司 (Shanghai Yibi Real Estate Development Co., Ltd.) | 19 January 2017 | Domestic enterprise | Registered capital RMB10,000,000 | 51.00% | Property development |
| 寧波世茂新領航置業有限公司 (Ningbo Shimao New Pioneer Property Co., Ltd.) | 25 November 2016 | Domestic enterprise | Registered capital RMB800,000,000 | 51.00% | Property development |
| 濟南世茂新陽置業有限公司 (Jinan Shimao Xinyang Property Co., Ltd) | 23 March 2018 | Domestic enterprise | Registered capital RMB50,000,000 | 70.00% | Property development |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – established and operation conducted in the PRC** *(continued)* | | | | | |
| 青島世茂世悦置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd) | 7 August 2018 | Domestic enterprise | Registered capital RMB200,000,000 | 100.00% | Property development |
| 湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd) | 27 August 2018 | Domestic enterprise | Registered capital RMB50,000,000 | 41.49% | Property development |
| 湖北長荊上河置業有限公司 (Hubei Changjing Shanghe Property Co., Ltd) | 12 April 2013 | Domestic enterprise | Registered capital RMB50,000,000 | 60.00% | Property development |
| 合肥世茂欣源茂房地產開發有限公司 (Hefei Shimao Xinyuan Real Estate Development Co., Ltd.) | 10 May 2019 | Domestic enterprise | Registered capital RMB10,000,000 | 100.00% | Property development |
| 肇慶四會悦盈房地產開發經營有限公司 (Zhaoqing Sihui Yueying Real Estate Development Co., Ltd) | 15 April 2019 | Domestic enterprise | Registered capital RMB5,000,000 | 100.00% | Property development |
| 茂名世茂悦盈房地產開發有限公司 (Maoming Shimao Yueying Real Estate Development Co., Ltd) | 10 April 2019 | Domestic enterprise | Registered capital RMB100,000,000 | 100.00% | Property development |
| 淄博盛元房地產諮詢有限公司 (Zibo Shengyuan Real Estate Development Co., Ltd) | 13 August 2019 | Domestic enterprise | Registered capital RMB2,000,000 | 81.36% | Investment holding |
| 天水世唐房地產開發有限公司 (Tianshui Shitang Real Estate Development Co., Ltd.) | 5 December 2019 | Domestic enterprise | Registered capital RMB1,083,000,000 | 51.00% | Property development |
| 荊州長盈置業有限公司 (Jingzhou Changying Property Co., Ltd) | 6 December 2019 | Domestic enterprise | Registered capital RMB10,000,000 | 51.00% | Property development |
| 福州世茂鹿馳置業有限公司 (Fuzhou Shimao Luchi Property Co., Ltd) | 28 November 2019 | Domestic enterprise | Registered capital RMB210,000,000 | 100.00% | Property development |
| 淮北世茂房地產開發有限公司 (Huaibei Shimao Real Estate Development Co., Ltd) | 27 December 2019 | Domestic enterprise | Registered capital RMB607,500,000 | 100.00% | Property development |
| 南平光耀世隆房地產開發有限公司 (Nanping Guangyao Shilong Real Estate Development Co., Ltd) | 20 January 2020 | Domestic enterprise | Registered capital RMB50,000,000 | 60.00% | Property development |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – established and operation conducted in the PRC** *(continued)* | | | | | |
| 麗水世茂新紀元置業有限公司 (Lishui Shimao New Era Property Co., Ltd) | 17 February 2020 | Domestic enterprise | Registered capital RMB10,000,000 | 100.00% | Property development |
| 海安市百俊房地產開發有限公司 (Haian Baijun Real Estate Development Co., Ltd) | 27 February 2020 | Domestic enterprise | Registered capital RMB747,225,550 | 51.00% | Property development |
| 溫州世茂新騰飛房地產開發有限公司 (Wenzhou Shimao Xintengfei Real Development Co., Ltd) | 9 March 2020 | Domestic enterprise | Registered capital RMB20,000,000 | 100.00% | Property development |
| 合肥梁佑置業有限公司 (Hefei Liangyou Property Co., Ltd) | 25 March 2020 | Domestic enterprise | Registered capital RMB335,288,328 | 51.00% | Property development |
| 霞浦世茂金禾置業有限公司 (Xiapu Shimao Jinhe Property Co., Ltd) | 7 April 2020 | Domestic enterprise | Registered capital RMB416,500,000 | 51.00% | Property development |
| 九江世茂華晟置業有限公司 (Jiujiang Shimao Huasheng Property Co., Ltd) | 13 April 2020 | Domestic enterprise | Registered capital RMB406,841,940 | 51.00% | Property development |
| 肇慶世茂悦桂房地產開發有限公司 (Zhaoqing Shimao Yuegui Real Estate Development Co., Ltd) | 21 April 2020 | Domestic enterprise | Registered capital RMB50,000,000 | 100.00% | Property development |
| 三亞翔睿置業有限責任公司 (Sanya Xiangrui Property Co., Ltd) | 21 May 2020 | Domestic enterprise | Registered capital RMB1,200,000,000 | 63.45% | Property development |
| 阜陽世茂房地產開發有限公司 (Fuyang Shimao Real Estate Development Co., Ltd.) | 2 June 2020 | Domestic enterprise | Registered capital RMB395,750,000 | 100.00% | Property development |
| 南昌金駿房地產開發有限公司 (Nanchang Jinjun Real Estate Development Co., Ltd.) | 16 June 2020 | Domestic enterprise | Registered capital RMB185,460,000 | 51.00% | Property development |
| 茂名世茂悦升房地產開發有限公司 (Maoming Shimao Yuesheng Real Estate Development Co., Ltd) | 3 July 2020 | Domestic enterprise | Registered capital RMB20,000,000 | 81.36% | Property development |
| 瀋陽世茂新里程房地產開發有限公司 (Shenyang Shimao New Miles Real Estate Development Co., Ltd) | 7 July 2020 | Domestic enterprise | Registered capital RMB10,000,000 | 100.00% | Property development |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands** | | | | | |
| Vicking International Ltd. | 19 January 1994 | Limited liability company | 50,000 ordinary shares of US$50,000 | 100.00% | Investment holding |
| Everactive Properties Limited | 2 May 2001 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Mega Universe Limited | 10 July 2001 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Year Grant Investments Limited | 3 September 2001 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Precisely Choice Investments Limited | 18 October 2001 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Double Achieve Assets Limited | 31 January 2002 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Best Empire Investments Limited | 2 July 2002 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Peak Castle Assets Limited | 2 July 2002 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Prime Master Holdings Limited | 2 July 2002 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Shimao Property Holdings (BVI) Limited | 23 August 2002 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| East Lighter Group Limited | 12 May 2006 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Ease Reach Group Limited | 13 December 2006 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Peak Gain International Limited | 13 December 2006 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Win Real Group Limited | 29 May 2007 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |
| Straits Construction Investment (Holdings) Limited | 17 November 2009 | Limited liability company | 45,000 ordinary shares of US$450,000,000 | 100.00% | Investment holding |
| Up Chance Holdings Limited | 1 December 2016 | Limited liability company | 1 ordinary share of US$1 | 100.00% | Investment holding |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Principal subsidiaries – incorporated and operation conducted in Hong Kong** | | | | | |
| Shimao Investment Holdings Limited | 3 February 1994 | Limited liability company | 395 million ordinary shares of HK$395 million | 100.00% | Investment holding |
| Topwise Limited | 29 March 2005 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Management services |
| Clear Rise Investments Limited | 8 May 2007 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Investment holding |
| Grandday International Limited | 11 May 2007 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Investment holding |
| Rise Max International Limited | 16 May 2007 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Investment holding |
| Global Square Investments Limited | 29 October 2007 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Investment holding |
| Lion Kingdom Investments Limited | 27 November 2007 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Investment holding |
| Power One Holdings Limited | 27 November 2007 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Investment holding |
| Brand Rise Limited | 5 March 2013 | Limited liability company | 1 ordinary share of HK$1 | 100.00% | Hotel |
| Adventure Success Limited | 25 November 2014 | Limited liability company | 1,837 ordinary shares of HK$4.85 billion | 100.00% | Property development |
| **Associated companies – established and operation conducted in the PRC** | | | | | |
| 成都市恒裕房地產開發有限公司 (Chengdu Hengyu Real Estate Development Co., Ltd.) | 7 May 2010 | Domestic enterprise | Registered capital RMB130,000,000 | 33.33% | Property development |
| 北京創譽房地產開發有限公司 (Beijing Chuangyu Real Estate Development Co., Ltd.) | 2 April 2013 | Domestic enterprise | Registered capital RMB20,000,000 | 50.00% | Property development |
| 南京明茂置業有限公司 (Nanjing Mingmao Property Co., Ltd.) | 5 February 2015 | Domestic enterprise | Registered capital RMB820,000,000 | 49.00% | Property development |
| 杭州龍尚房地產開發有限公司 (Hangzhou Longshang Real Estate Development Co., Ltd.) | 8 August 2016 | Domestic enterprise | Registered capital RMB10,000,000 | 25.00% | Property development |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Associated companies – established and operation conducted in the PRC** *(continued)* | | | | | |
| 蘇州孚元置業有限公司 (Suzhou Fuyuan Property Co., Ltd.) | 12 July 2017 | Domestic enterprise | Registered capital RMB2,875,000,000 | 33.00% | Property development |
| 宣城世茂卓盈房地產開發有限公司 (Xuancheng Shimao Zhuoying Real Estate Development Co., Ltd) | 20 August 2019 | Domestic enterprise | Registered capital RMB20,000,000 | 49.00% | Property development |
| 南寧金盛泓房地產開發有限公司 (Nanning Jinshenghong Real Estate Development Co., Ltd) | 10 April 2019 | Domestic enterprise | Registered capital RMB205,000,000 | 40.00% | Property development |
| 巢湖市世巽置業有限公司 (Chaohu Shixun Property Co., Ltd) | 24 July 2019 | Domestic enterprise | Registered capital RMB20,000,000 | 40.00% | Property development |
| 福州融檸置業有限公司 (Fuzhou Rongning Property Co., Ltd) | 30 April 2020 | Domestic enterprise | Registered capital RMB900,000,000 | 33.00% | Property development |
| **Joint ventures – established and operation conducted in the PRC** | | | | | |
| 濟南碧世榮光房地產開發有限公司 (Jinan Bishi Rongguang Real Estate Development Co., Ltd.) | 19 June 2017 | Domestic enterprise | Registered capital RMB10,000,000 | 33.00% | Property development |
| 福州世茂瑞盈置業有限公司 (Fuzhou Shimao Ruiying Property Co., Ltd) | 4 January 2018 | Domestic enterprise | Registered capital RMB10,000,000 | 20.00% | Property development |
| 南平世茂新紀元置業有限公司 (Nanping Shimao New Era Property Co., Ltd.) | 15 May 2018 | Domestic enterprise | Registered capital RMB100,000,000 | 42.00% | Property development |
| 滄鑾(廈門)置業有限公司 (Cangluan (Xiamen) Property Co., Ltd) | 29 June 2018 | Domestic enterprise | Registered capital RMB1,455,000,000 | 25.00% | Property development |
| 莆田聯茂置業有限公司 (Putian Lianmao Real Estate Development Co., Ltd) | 17 June 2019 | Domestic enterprise | Registered capital RMB200,000,000 | 49.00% | Property development |
| 滎陽市雅恒置業有限公司 (Xingyang Yaheng Property Co., Ltd) | 25 June 2019 | Domestic enterprise | Registered capital RMB30,303,030 | 33.00% | Property development |
| 武漢光穀芯動力地產開發有限公司 (Wuhan Optical Core Power Real Estate Development Co., Ltd) | 14 April 2020 | Domestic enterprise | Registered capital RMB50,000,000 | 30.00% | Property development |

## 37. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

| Company name | Date of incorporation/ establishment | Legal status | Issued/ registered capital | Effective interest held as at 31 December 2023 | Principal activities |
|---|---|---|---|---|---|
| **Joint ventures – established and operation conducted in Hong Kong** | | | | | |
| Fast Right Investments Limited | 7 May 2007 | Limited liability company | 2 ordinary shares of HK$2 | 50.00% | Investment holding |
| Kingtron Enterprises Limited | 14 June 2007 | Limited liability company | 2 ordinary shares of HK$2 | 50.00% | Investment holding |

## 38. Contingencies and financial guarantee contract

### (a) The Group had the following contingent liabilities:

| | At 31 December | |
|---|---|---|
| | **2023** **RMB'000** | 2022 RMB'000 |
| Guarantees in respect of mortgage facilities for certain purchasers | **39,635,718** | 35,739,362 |

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. As in the case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty, no provision has been made in the consolidated financial statements for the guarantees.

**(b)** At 31 December 2023, the Group provided financial guarantees for certain joint ventures and associated companies in respect of their bank and other borrowings in the amount of approximately RMB23,161,228,000 (2022: approximately RMB24,962,691,000) with maturity between 2023 to 2026. These guarantees are not expected to result in a 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 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 year ended 31 December 2023. As the Group was actively negotiating with relevant creditors and 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.

## 39. Commitments

### Commitments for capital and property development expenditure

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Contracted but not provided for | | |
| – Property and equipment | **517,780** | 476,257 |
| – Land use rights (including those related to associated companies and joint ventures) | **5,939,529** | 5,745,419 |
| – Properties being developed by the Group for sale | **24,465,634** | 39,414,335 |
| | **30,922,943** | 45,636,011 |

## 40. Significant acquisition or disposal of subsidiaries and transactions with NCI

During the year ended 31 December 2023, the Group has the following significant acquisition or disposal of subsidiaries and transactions with NCI.

### (a) Acquisition of subsidiaries

For the year ended 31 December 2023, the Group acquired additional equity interests in several joint ventures of the Group, at an aggregate consideration of approximately RMB985,286,000. After the acquisitions, the Group gained control over these companies pursuant to the acquisition agreements and revised articles of association. The carrying amount of the investments in joint ventures was approximately RMB1,279,733,000 before the acquisitions. The purchases resulted in a total net cash outflow of approximately RMB558,665,000.

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

## 40. Significant acquisition or disposal of subsidiaries and transactions with NCI

*(CONTINUED)*

### (a) Acquisition of subsidiaries (continued)

| | Joint ventures transferred to subsidiaries RMB'000 |
|---|---|
| **Total purchase consideration** | |
| Cash consideration paid | 764,502 |
| Settled by other receivables | 220,784 |
| | 985,286 |
| Carrying amount of investments in joint ventures held before acquisitions | 1,279,733 |
| | 2,265,019 |
| **Total recognised amounts of identifiable assets acquired and liabilities assumed:** | |
| Cash and cash equivalents | 205,837 |
| Inventories | 3,730,061 |
| Trade and other receivables and prepayments | 833,184 |
| Amounts due from related parties | 4,391,955 |
| Amounts due from the Group | 523,782 |
| Prepaid income taxes | 130,338 |
| Property and equipment | 118 |
| Intangible assets other than goodwill | 11 |
| Deferred income tax assets | 52,291 |
| Contract liabilities | (4,360,950) |
| Amounts due to related parties | (2,860,248) |
| Trade and other payables | (569,512) |
| Total identifiable net assets | 2,076,867 |
| Non-controlling interests | (370,023) |
| Net losses on deemed disposal of joint ventures (note 28) | 558,175 |
| | 2,265,019 |
| Cash consideration paid | (764,502) |
| Cash and cash equivalents in the entities acquired | 205,837 |
| Net cash outflow from acquisitions | (558,665) |

If the business combinations had occurred on 1 January 2023, the Group's consolidated pro-forma revenue and net loss for the year ended 31 December 2023 would have been increased by approximately RMB174,000 and increased by approximately RMB457,647,000, respectively.

## 40. Significant acquisition or disposal of subsidiaries and transactions with NCI
*(CONTINUED)*

### (b) Disposal of subsidiaries with loss of control

For the year ended 31 December 2023, the Group lost control of certain subsidiaries. The disposal resulted in a total net cash outflow of approximately RMB320,825,000 and net losses of approximately RMB715,509,000.

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

| | RMB'000 |
|---|---|
| Cash and cash equivalents | 360,435 |
| Inventories | 12,254,148 |
| Property and equipment | 60,420 |
| Right-of-use assets | 3,786 |
| Financial assets at fair value through other comprehensive income | 261,471 |
| Intangible assets other than goodwill | 339 |
| Other non-current assets | 786,346 |
| Deferred income tax assets | 183,038 |
| Trade and other receivables and prepayments | 760,008 |
| Prepaid income taxes | 662 |
| Trade and other payables | (1,704,376) |
| Contract liabilities | (4,618,952) |
| Amounts due to related parties | (536,012) |
| Amounts due to the Group | (577,479) |
| Income tax payable | (364,832) |
| Borrowings | (2,954,500) |
| Deferred income tax liabilities | (939) |
| Total identifiable net assets | 3,913,563 |
| Non-controlling interests | (1,445,316) |
| Net assets attributable to the equity holders of the Company | 2,468,247 |
| Cash consideration | 39,610 |
| Cash consideration receivables | 43,870 |
| Considerations setoff by: | |
| – amounts due to entities being disposed of | 207,912 |
| – amounts due to related parties | 692,446 |
| – borrowings | 768,900 |
| Net assets disposed | (2,468,247) |
| Net losses on disposal of subsidiaries (note 28) | (715,509) |
| Cash consideration | 39,610 |
| Less: cash and cash equivalents in the entities disposed | (360,435) |
| Net cash outflow from the disposals | (320,825) |

## 40. Significant acquisition or disposal of subsidiaries and transactions with NCI

*(CONTINUED)*

### (c) Liquidations of subsidiaries

For the year ended 31 December 2023, the PRC courts adjudged the liquidation of the Group's certain subsidiaries applied by certain creditors and have proceeded with receivership procedures. The Directors considered that the Group lost control over these subsidiaries upon the judgement and deconsolidated the subsidiaries thereafter. The liquidation resulted in a total net cash outflow of approximately RMB179,262,000 and net losses of approximately RMB2,914,586,000.

Net assets deconsolidated and reconciliation of losses and cash outflow on liquidations are as follow:

| | RMB'000 |
|---|---|
| Cash and cash equivalents | 179,262 |
| Inventories | 2,684,344 |
| Property and equipment | 143 |
| Deferred income tax assets | 91,227 |
| Amounts due from the Group | 722,492 |
| Amounts due from related parties | 152,469 |
| Trade and other receivables and prepayments | 4,317,315 |
| Prepaid income taxes | 5,529 |
| Trade and other payables | (4,285,518) |
| Contract liabilities | (697,069) |
| Borrowings | (452,500) |
| Income tax payable | (207,755) |
| Total identifiable net assets | 2,509,939 |
| Non-controlling interests | (315,353) |
| Net assets attributable to the equity holders of the Company | 2,194,586 |
| Total consideration | – |
| Net assets deconsolidated | (2,194,586) |
| Loss on liquidations of subsidiaries (note 28) | (2,194,586) |
| Net cash outflow due to the deconsolidation | (179,262) |

## 40. Significant acquisition or disposal of subsidiaries and transactions with NCI
*(CONTINUED)*

### (d) Transaction with non-controlling interests

***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 year:

| | **The date of acquisitions RMB'000** |
|---|---|
| Carrying amount of non-controlling interests acquired | **1,007,461** |
| Consideration settled by amounts due from non-controlling interests | **(406,403)** |
| Consideration paid/payable to non-controlling interests in the current period | **(202,990)** |
| Increase in equity due to the gain on acquisition of non-controlling interests | **398,068** |

Note:

During the year ended 31 December 2023, the Group acquired additional interests in subsidiaries for a total consideration of approximately RMB609,393,000. The Group recognised a decrease in non-controlling interests of approximately RMB1,007,461,000 and an increase in the equity attributable to the equity holders of the Company of approximately RMB398,068,000.

## 41. 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.

| | **Year ended 31 December** | |
|---|---|---|
| | **2023 RMB'000** | 2022 RMB'000 |
| Brand management fee income | **16,119** | 75,327 |
| Construction material sold to related companies | **11,949** | 396,583 |
| | **28,068** | 471,910 |

## 41. Related party transactions *(CONTINUED)*

### (b) Key management compensation

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Emoluments | | |
| – Salaries and other short-term employee benefits | **15,931** | 16,244 |
| – Retirement scheme contributions | **515** | 453 |
| | **16,446** | 16,697 |

## 42. Events after the reporting period

(a) On 14 March 2024, the Group entered into agreements with an independent third party under which the Group agreed to sell the entire equity interest of a non-wholly owned subsidiary and the creditor's right of the Group against the subsidiaries to the independent third party for an aggregate consideration of RMB245.7 million.

(b) Subsequent to the year ended 31 December 2023, the Company and its advisors have been actively engaged in dialogue with various groups of creditors on the restructuring of its offshore debt (the "Offshore Debt"), in an effort to reach a solution under which all of its stakeholders will be treated fairly. On 25 March 2024, the Company announced that it had prepared a creditor support agreement to be signed by, among others, the persons holding beneficial interests as principal in Offshore Debt that are in support of a restructuring proposal (the "Proposal") and the Company. The key terms of the Proposal were summarised in the Company's announcement dated 25 March 2024.

## 43. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 28 March 2024.

## 44. Statement of financial position and reserve movement of the Company

### Statement of financial position of the Company

| | At 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **ASSETS** | | |
| **Non-current assets** | | |
| Interests in subsidiaries | **50,793,857** | 50,367,384 |
| **Current assets** | | |
| Other receivables | **3,509** | 3,514 |
| Derivative financial instruments | **–** | 37,705 |
| Dividends receivable from subsidiaries | **43,789,834** | 43,789,834 |
| Cash and cash equivalents | **246,115** | 7,192 |
| | **44,039,458** | 43,838,245 |
| **Total assets** | **94,833,315** | 94,205,629 |
| **EQUITY** | | |
| **Equity attributable to the equity holders of the Company** | | |
| Share capital | **384,165** | 384,165 |
| Reserves | **4,480,149** | 9,559,746 |
| **Total equity** | **4,864,314** | 9,943,911 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Borrowings | **–** | 39,377,539 |
| **Current liabilities** | | |
| Borrowings | **78,405,990** | 37,673,345 |
| Other payables and accrued expenses | **7,551,968** | 3,255,694 |
| Amounts due to subsidiaries | **33,960** | 33,960 |
| Amounts due to entities controlled by the controlling shareholder | **3,103,894** | 3,060,421 |
| Dividend payable | **873,189** | 860,759 |
| | **89,969,001** | 44,884,179 |
| **Total liabilities** | **89,969,001** | 84,261,718 |
| **Total equity and liabilities** | **94,833,315** | 94,205,629 |
| **Net current liabilities** | **(45,929,543)** | (1,045,934) |
| **Total assets less current liabilities** | **4,864,314** | 49,321,450 |

## 44. Statement of financial position and reserve movement of the Company *(CONTINUED)*

### Reserve movement of the Company

| | Share premium RMB'000 (Note (i)) | Share-based compensation reserve RMB'000 (Note (ii)) | Capital redemption reserve RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Balance 1 January 2022 | 6,772,978 | 753,381 | 4,949 | 10,325,890 | 17,857,198 |
| Loss for the year | – | – | – | (8,323,226) | (8,323,226) |
| Equity-settled share-based payment | | | | | |
| – Value of employee services | – | 25,050 | – | – | 25,050 |
| – Dividend received | 724 | – | – | – | 724 |
| Balance at 31 December 2022 | 6,773,702 | 778,431 | 4,949 | 2,002,664 | 9,559,746 |
| Balance 1 January 2023 | **6,773,702** | **778,431** | **4,949** | **2,002,664** | **9,559,746** |
| Loss for the year | **–** | **–** | **–** | **(5,079,597)** | **(5,079,597)** |
| Balance at 31 December 2023 | **6,773,702** | **778,431** | **4,949** | **(3,076,933)** | **4,480,149** |

Notes:

(i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

(ii) Share-based compensation reserve represents the value of employee services in respect of share options granted under the share option schemes and shares granted under the Share Award Scheme (note 22(b)).

SHIMAO GROUP

世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世 茂 集 團 控 股 有 限 公 司