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世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS HIGHLIGHTS

1. Contracted sales in 2021 was RMB269.11 billion. Contracted gross floor area amounted to 15.286 million sq.m.. The average selling price for the year ended 31 December 2021 was RMB17,605 per sq.m..
2. Revenue of the Group was approximately RMB107.797 billion, representing a decline of approximately 20.4% as compared to last year.
3. Revenue generated from hotel operation, commercial properties operation, property management and others was RMB13.309 billion, representing a year-on-year increase of 44.3%.
4. Gross profit of the Group was approximately RMB2.618 billion, representing a decline of approximately 93.4% as compared to last year. Gross profit margin was 2.4%.
5. Loss from core business attributable to shareholders was RMB23.251 billion (2020: core profit attributable to shareholders was RMB12.283 billion), representing a decline of approximately 289.3% as compared to last year.
6. As at 31 December 2021, the Group's land bank was approximately 71.46 million sq.m. (before interests).
7. The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: final dividend of HK90 cents per share and a special dividend of HK20 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

1) *Recognized Sales Revenue*

Shimao Group Holdings Limited (“Shimao Group”, “Shimao” or the “Company”, together with its subsidiaries, the “Group”) generates its revenue primarily from sales of properties, commercial properties operation, hotel operation and property management businesses. For the year ended 31 December 2021, revenue of the Group reached RMB107.80 billion. During the year, revenue from property sales amounted to RMB94.49 billion, accounting for 87.7% of the total revenue. The recognized sales area was 6.401 million sq.m., and the average recognized selling price was RMB14,762 per sq.m..

2) *Sales Performance*

With respect to property sales, in 2021, based on its judgment of the market trend, Shimao accelerated the turnover of popular projects in the first half of the year and attained approximately 57% of the sales of the year. In the second half of the year, the market cooled down significantly and the Group quickly adjusted its pace in supply so as to reduce inventory pressure. The Group’s contracted sales amounted to RMB269.11 billion in 2021. The aggregate contracted sales area was 15.286 million sq.m., and the average selling price was RMB17,605 per sq.m..

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

In light of market volatility, the Group adjusted its strategies of supply and construction plans, delayed or cancelled the supply for some projects that involved products with similar nature and high inventory level. In 2021, the Group’s floor area under construction was approximately 48.18 million sq.m.. The gross floor area (“GFA”) completed was approximately 12.05 million sq.m..

4) *Prudent Replenishment of Land Bank to Provide the Foundation for Steady Operation in the Future*

In 2021, under the impacts of the “two-centralized” land supply policy and market volatility, the Group maintained a steady development and became even more prudent in replenishing land bank. The Group acquired a total of 4.16 million sq.m. (before interests) land bank in core cities such as Shenzhen, Hangzhou, Nanjing and Ningbo, and strived to expand in the key strategic regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta region, and the West Coast of the Straits. As at 31 December 2021, the Group had over 380 projects and a total area of approximately 71.46 million sq.m. (before interests) land bank. The premium land bank has provided a good foundation for Shimao to achieve steady development in the future.

The land parcels acquired by the Group during the year are as follows:

New Land Parcels	Usage	Land Cost	Land Cost	Total	Cost per sq.m. (RMB)
		(Before Interests) (RMB million)	(Attributable Interests) (RMB million)	Planned GFA (Before Interests) ('000 sq.m.)	
1. Hangzhou Jianqiao Project	Commercial and residential	1,742	1,742	153	11,392
2. Hangzhou Tianmu Pharmacy Harbor Parcel	Commercial and residential	1,808	1,211	249	7,264
3. Jiangmen Xinhui Project	Residential, commercial services as well as commercial and financial	1,060	530	211	5,018
4. Longyan City P20 Parcel	Commercial and residential	459	138	73	6,333
5. G2 Parcel, Banqiao market, Banqiao Street, Yuhuatai District, Nanjing	Commercial and residential	1,570	518	149	10,555
6. Ningbo Jiangbei Cicheng Complex	Commercial and residential	1,984	1,984	194	10,215
7. Shenzhen Henggang Laojie Project	Commercial and residential	2,722	681	750	3,629
8. Parcel at the south of Cuihua Street and the west of Luming Road, Huangyan District, Taizhou	Commercial and residential	519	519	86	6,013
9. A3 Parcel, Tianshui County Project, Tianshui City	Commercial and residential	161	82	56	2,868
10. Xuzhou Gulou Guishan 8-2, 8-3 Parcel	Residential, commercial as well as commercial and financial	274	140	85	3,204
11. Yancheng Nanhai Future City	Commercial and residential	1,282	769	167	7,672
12. Yangzhou GZ189 Parcel	Commercial and residential	654	222	62	10,486
13. Zhangjiagang Zhangdi A04-F Parcel	Residential	383	383	29	13,028
14. Changsha Wang Gua No. 129	Commercial and residential	846	846	113	7,462
15. Ziyang Ziyue Mansion	Residential	300	300	142	2,118
16. Yantai Sunjia Penggai Project	Residential	529	159	151	3,502
17. Jinan Jiyang Skyscraper City Project Phase 1.2	Commercial and residential	697	488	513	1,357
18. Bengbu Longzihu Project	Commercial and residential	783	399	130	6,038
19. Nantong Changtai Road Project	Commercial and residential	1,344	1,344	126	10,696
20. Quanzhou Shimaoy City No. 2-B Parcel	Commercial and residential	70	36	102	693
21. Nanning Wuming Guangtuo Future City Project	Residential and retail	227	111	190	1,199
22. Nanning Jinxiushijia Project	Residential and retail	277	119	71	3,922
23. Ningde Xiapu 2021-08	Commercial and residential	572	572	111	5,130
24. Nantong Tongzhou Bay Demonstration Area Zhujiang Road South, Zhuhai Road East TR21019 Parcel	Residential	409	209	162	2,532
25. North of Xiqiao South Road CN205-A06 Parcel, Nanchang	Residential	519	519	87	5,970
Total		21,191	14,021	4,162	5,092

Commercial Properties Operation

In respect of commercial properties operation, Shimao Group is principally engaged in the development of commercial properties through its subsidiary, Shanghai Shimao Co., Ltd. (“Shanghai Shimao”). Shanghai Shimao is determined to develop premium commercial complexes to bolster urbanization, and tap into the growing public demand for a better life as its impetus and starting point for its various construction projects.

Confronting a complex market environment in 2021, Shimao maintained a steady pace in its advancement. Although the pandemic remained volatile in the second half of the year and markedly curtailed residents’ consumption, Shimao Commercial achieved constant breakthrough and innovation in its business to stand out amidst intense market competition, and recorded major growth in both the sales and foot traffic of its commercial projects under management as compared with last year. As the flagship projects of Shimao Festival City, Chengdu Shimao Festival City and Xiamen Jimei Shimao Festival City commenced operation successively during the year, leveraging on their unique positioning of “Mini Vacation Lifestyle Center” and “Simple Lifestyle Center”, respectively, to entice multiple brands to establish presence there. Upon commencing operation, both projects had all their shops occupied by businesses. In addition, multiple office buildings of Shimao attained stable operation, maintaining annual occupancy rates of above 90%. Shenzhen Shimao Qianhai Center and Changsha Shimao Global Financial Center, which commenced operation in the past two years, also retained robust growth momentum, ushering in reputable enterprises successively. Their occupancy rates stood at 85% and 74% by the end of 2021, respectively.

In 2021, Shimao Commercial was highly recognized by its peers and received several prizes awarded by professional institutions, such as “Top 100 Commercial Property Enterprises of 2021 Guandian Annual Business Meeting” (「觀點商業年會2021年度商業地產企業表現100強」) and “Outstanding Enterprise for Robust Development of 11th session of IF • Commercial Property Annual Meeting” (「第十一屆IF • 商業地產年會卓越穩健發展企業」), reflecting the increasing brand awareness and recognition of Shimao Commercial during the year. Looking forward, Shimao Commercial will implement its development orientation of “Balancing both asset-light and asset-heavy”. In tandem with its continuous engagement in premium commercial projects, Shimao Commercial will accelerate the development of its asset-light commercial management business with meticulous operation and professional management capabilities.

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”). Shimao Services is positioned as a leading comprehensive property management provider and a full-scenario provider of city life services in China and works to build three business portfolios, namely comprehensive property management services, diversified value-added services and smart city services, fostering digital service capabilities. At present, Shimao Services has four major business segments – property management services, community value-added services, value-added services to non-property owners and city services.

In 2021, GFA under management and contracted GFA of Shimao Services recorded rapid growth. As of 31 December 2021, Shimao Services had 830 projects under management, covering 107 cities across the country, and GFA under management and contracted GFA were 240.5 million sq.m. and 308.0 million sq.m. respectively, representing respective year-on-year increases of 64.6% and 53.2%. In addition, the third-party bidding expansion attained exceptional performance, with various indicators such as external expansion area and annualized saturated revenue enhanced considerably. Among which, newly-added area from third-party bidding expansion reached 61.6 million sq.m., representing a substantial year-on-year increase of 162.1%.

In future, Shimao Services will continue to extensively expand the market, obtain more third-party projects, enhance capabilities, fully upgrade strategies, and improve competitiveness. At the same time, Shimao Services will actively tap into value-added services in a range of operations by offering diversified value-added services to various non-residential projects such as schools, hospitals and industrial parks, with a focus on high-potential areas to develop capabilities of core competitiveness.

Hotel Operation

As of 31 December 2021, the Group had a total of 27 hotels in operation, including InterContinental Shanghai Wonderland, Le Royal Méridien Shanghai (currently rebranded as Conrad Shanghai), Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, InterContinental Fuzhou, Hilton Shenyang, Crowne Plaza Shaoxing, Sheraton Hong Kong Tung Chung Hotel and Four Points by Sheraton Hong Kong Tung Chung. In the second half of 2021, Hilton Changsha Riverside and MiniMax Hotel Chengdu Longquanyi officially commenced operation. Currently, the Group has more than 9,100 hotel guest rooms. In addition, the Group had 6 directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Hotel Xiamen Central, MiniMax Premier Hotel Chengdu City Center, ETHOS Hotel Xiamen and ETHOS Hotel Wuhan Riverside, offering over 1,100 hotel guest rooms. In 2021, the domestic tourism market recovered, but was still affected by the resurgence of the pandemic. In 2021, the overall revenue reached RMB2,116 million, representing a year-on-year increase of 46.2% as compared with 2020.

Shimao Hotel continues its brand internationalization path and asset-light output strategy, opens up the industrial chain and cooperates with its procurement companies, technology companies and agent construction companies, establishing strong competitiveness to support growth and continuing to contribute to cost saving and product innovation. At the same time, it adheres to adjusting approaches from the perspective of overall digital operation, and launches a series of festival promotions with WeChat Mall, Fliggy, Ctrip, Alipay and Zmjudian (週末酒店), so as to stimulate potential consumption by introducing diversified and more experiential products to meet the multi-level needs of consumers. In addition, Shimao Hotel pays attention to every detail. It launched a quality life experience platform, “Shi” Life Pavilion (「世」品生活館), at the end of October, selecting a variety of quality hotel peripheral products which deliver an experience beyond travel accommodation.

In 2021, Shimao Hotel and Hilton Hotel Group further strengthened their partnership by signing a strategic cooperation agreement on luxury hotels, leading the long-term and quality development of luxury hotels in China and creating a booster to the recovery of the hotel and tourism market. On 1 January 2022, the grand opening of Conrad Shanghai took place at Shanghai Shimao Festival City, presenting a remarkable and refreshing image of the place, which kicked off the second decade of cooperation between the two parties.

In the future, Shimao Hotel will continue to develop its diversified businesses, consolidate the hotel industry ecosystem and support the projects of hotels under management services, covering destinations with robust economic and tourism development mainly in first- and second-tier cities. Yuluxe Hotel Lanzhou (蘭州中山林茂御酒店) was unveiled in the summer vacation of 2022, which was also the first opening hotel after the complete renewal of the brand “Yuluxe” in 2021. The high-end hotel brand “Yu Hotel” with the largest number of contracts will maintain a stable trend, including Yu Hotel Xixian (西咸文創世御酒店) and Yu Hotel, Shanghai Nanqiao (上海南橋臨港科技城世御酒店), etc. The brand “MiniMax” with inspirational business travel experience will also seize the opportunity to expand into emerging tourism cities by establishing presence in regions of Chengdu, Jiaxing and Changchun, so as to enrich consumer experience and escort urban development.

OUTLOOK

Since the second half of 2021, with changes in market conditions, real estate enterprises have been facing increased pressures from sell-through and recoverability, leading to investment recession of the industry as a whole. The domestic sales of commercial properties continued to decline, further squeezing the overall profit of the industry.

The Group believes that the operational logic of the industry is shifting from “quantity” to “quality”, and the key to the long-term success of an enterprise is to provide quality products, services and assets operation. Accordingly, the Group adjusted and refined its management structure in 2022, so as to focus on the core operation objectives, continually enhance organizational agility, improve operational efficiency, fully strengthen product quality and innovation and firmly adhere to a “product-oriented and user-centered” approach.

In respect of production and operation, the Group will spare no effort to fulfill the responsibility and goal of “ensuring delivery while maintaining stability”, facilitating the work and management at every stage in an orderly manner to safeguard project delivery to the largest possible extent. In respect of financial management, the Group is actively pursuing the restructuring of the onshore and offshore debts and is continuing to engage in constructive dialogues with each of the creditors and their respective advisors with the aim of stabilizing the Group’s situation and alleviating its current liquidity difficulties. In addition, Shimao will continue to guarantee the Group’s normal production and operation and safeguard the interests of its investors through active promotion of sales and collection of receivables, reasonable disposal of assets, proactive adjustment to its operating strategies and proper arrangement of its existing debt profile, while giving top priority to risk prevention.

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Revenue	107,797	135,353
Gross profit	2,618	39,667
(Loss)/profit attributable to shareholders	(27,093)	12,628
(Losses)/Earnings per share – Basic (<i>RMB cents</i>)	(762.7)	361.5

Revenue

For the year ended 31 December 2021, the revenue of the Group was approximately RMB107,797 million (2020: RMB135,353 million), representing a decrease of 20.4% over 2020, which was mainly due to the slower completion progress than expected. 87.7% (2020: 93.2%) of the revenue was generated from the sales of properties and 12.3% (2020: 6.8%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Sales of properties	94,488	126,133
Hotel operation income	2,116	1,447
Commercial properties operation income	2,033	1,538
Property management income and others	9,160	6,235
Total	107,797	135,353

* The income does not include revenue from the Group.

(i) Sales of Properties

Sales of properties for the years ended 31 December 2021 and 2020 are set out below:

	2021		2020	
	<i>Area</i>	<i>RMB</i>	<i>Area</i>	<i>RMB</i>
	<i>(sq.m.)</i>	<i>million</i>	<i>(sq.m.)</i>	<i>million</i>
Straits Development District	2,410,654	38,015	2,959,329	41,643
Zhejiang District	711,386	16,221	1,095,066	23,481
Northern China District	738,144	12,757	404,869	14,006
Jiangsu and Shanghai District	874,322	11,481	1,310,412	20,437
Western District	723,937	6,464	1,120,663	11,588
Shandong District	636,198	5,756	1,081,458	10,322
Central China District	306,282	3,794	333,763	4,656
Total	6,400,923	94,488	8,305,560	126,133

(ii) *Hotel Income*

Hotel operation income is set out as follows:

	Date of Commencement	2021 RMB million	2020 RMB million
InterContinental Shanghai Wonderland	November 2018	272	265
Le Royal Méridien Shanghai (rebranded as Conrad Shanghai)	September 2006	217	110
Hyatt on the Bund Shanghai	June 2007	197	169
Four Points by Sheraton Hong Kong Tung Chung	January 2021	192	–
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	141	97
Conrad Xiamen	August 2016	116	118
Hilton Wuhan Riverside	July 2016	111	72
Sheraton Hong Kong Tung Chung Hotel	December 2020	103	6
Hilton Nanjing Riverside	December 2011	78	72
InterContinental Fuzhou	January 2014	74	66
Crowne Plaza Shaoxing	March 2014	73	73
Hilton Shenyang	January 2018	71	64
Hilton Yantai	August 2017	69	49
Le Méridien Hangzhou Binjiang	September 2018	56	49
DoubleTree by Hilton Ningbo Beilun	December 2016	52	43
Hilton Tianjin Eco-City	April 2015	45	45
Yutopia Wuyi Mountain Retreat	September 2020	40	15
Yuluxe Hotel Taizhou	August 2014	28	29
DoubleTree by Hilton Ningbo Chunxiao	December 2015	27	19
Holiday Inn Mudanjiang	December 2010	18	17
Others		136	69
Total		2,116	1,447

Hotel operation income increased by approximately 46.2% to RMB2,116 million in 2021 from RMB1,447 million in 2020. The increase of income was mainly due to the fact that economy and tourism recovered to some extent in China while new hotels opened.

(iii) *Commercial properties operation income*

Commercial properties operation income increased by approximately 32.2% to RMB2,033 million in 2021 from RMB1,538 million in 2020. Rental income increased by 28.5%. This was mainly attributable to the opening of Chengdu Shimao Festival City and Xiamen Jimei Shimao Festival City in 2021, Shenzhen Shimao Qianhai Center and Changsha Shimao Global Financial Center in the second half of 2020.

Commercial properties operation income is analysed as follows:

	Date of Commencement	2021 RMB million	2020 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	221	208
Jinan Shimao International Plaza	May 2014	161	152
Beijing Shimao Tower	July 2009	138	154
Shenzhen Shimao Qianhai Center	July 2020	95	32
Nanjing Yuhua Shimao (Commercial)	December 2018	63	61
Shaoxing Shimao Dear Town (Commercial)	May 2010	61	66
Nanjing Straits City (Commercial)	December 2014	59	55
Shanghai Shimao Tower	December 2018	58	65
Kunshan Shimao Plaza	April 2012	54	52
Xiamen Shimao Straits Mansion	January 2017	51	48
Chengdu Shimao Festival City	April 2021	48	–
Changsha Shimao Global Financial Center	September 2020	35	9
Suzhou Shimao Canal Scene (Commercial)	June 2010	28	30
Shanghai Shimao Shangdu	November 2010	23	24
Quanzhou Shishi Shimao Skyscraper City	January 2017	20	26
Xiamen Jimei Shimao Festival City	April 2021	16	–
Qingdao Shimao 52+	August 2020	13	5
Xuzhou Shimao Dongdu (Commercial)	January 2012	11	10
Wuhu Shimao Riviera Garden (Commercial)	September 2009	10	5
Miscellaneous rental income		218	74
Rental income sub-total		1,383	1,076
Commercial properties operation related service income		650	462
Total		2,033	1,538

(iv) *Property management income and others*

Property management income and others increased by approximately 46.9% to RMB9,160 million in 2021 from RMB6,235 million in 2020, which were mainly due to increased revenues from property management services, community value-added services, and city services.

Cost of Sales

Cost of sales increased by 9.9% to approximately RMB105,179 million in 2021 from RMB95,685 million in 2020, although there was a decline in revenue. It was mainly due to the provision for impairment losses on properties of RMB23,565 million made on the Group's property development business.

Cost of sales are analysed as follows:

	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Land costs and construction costs	68,656	84,794
Capitalised borrowing costs	5,337	6,298
Direct operating costs for hotels, commercial properties operation, property management and others	6,948	3,882
Sales taxes	673	708
Provision for impairment losses on properties	23,565	3
Total	105,179	95,685

Gross Profit Margin

For the year ended 31 December 2021, the Group's gross profit margin was approximately 2.4% (2020: 29.3%). The decrease in gross profit margin was due to the following reasons: provision for impairment losses on properties increased significantly; low margin revenue with high land cost entered settlement. The gross profit margin excluding inventories provision was 24.3%.

Fair Value Losses/Gains on Investment Properties – Net

During the year, the Group recorded aggregate fair value losses of approximately RMB602 million (2020: fair value gains of RMB398 million), mainly caused by the decrease in value of certain investment properties due to the downturn in economy and property market. Aggregate net fair value losses after deferred income tax of approximately RMB150 million (2020: RMB100 million) recognized was RMB452 million (2020: net fair value gains of RMB298 million).

Other Income/Other Gains – Net

Net other income/other gains was approximately RMB132 million (2020: RMB1,029 million). The decrease was mainly due to recognition of a loss of RMB630 million from the disposal of 22.5% interest in the property development project in South West Kowloon, Hong Kong known as “Grand Victoria (維港滙)” to joint venture partners.

Selling and Marketing Costs and Administrative Expenses

During the year, the Group's selling and marketing costs and administrative expenses arising from property sales accounted for 3.0% of contracted sales in 2021 (2020: 2.4%). The increase was mainly due to the continuously input in marketing and promotional activities to promote sales in response to the complex market situation and the impact of the COVID-19 pandemic on the economic environment in certain cities.

Provision for Impairment Losses on Financial Assets

For the year ended 31 December 2021, provision for impairment losses on financial assets recognised by the Group was approximately RMB4,360 million, representing an increase of 802.9% over 2020, mainly due to the further provisions made by the Group for expected credit losses on other receivables such as amounts due from related companies considering the combined impact of multiple unfavorable factors in macroeconomic, industry and financing environments.

Impairment losses on intangible assets

For the year ended 31 December 2021, the impairment loss on goodwill and customer relationship were RMB2,513 million and RMB20 million, respectively (2020: Nil).

The impairment losses on goodwill was mainly due to the Group's impairment on the goodwill 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 and hotel business market were slower than expected; and the number of and revenue from certain acquired companies' expansion projects were lower than expected.

Finance (Costs)/Income – Net

Net finance costs was approximately RMB2,768 million (2020: net finance income RMB3,315 million), mainly due to interest on borrowings increased in 2021.

Share of Results of Associated Companies and Joint Ventures

Share of results of associated companies and joint ventures decreased to losses of approximately RMB433 million in 2021 from profits of RMB159 million in 2020, which was mainly due to the decrease in gross margin of sales of properties and increase in the provision for impairment of properties of the Group's associated companies and joint ventures as compared with the year ended 31 December 2020.

Taxation

The Group's tax provisions amounted to approximately RMB6,805 million for the year, in which PRC land appreciation tax ("LAT") was RMB3,634 million (2020: RMB14,129 million, in which LAT was RMB6,631 million). The decrease in LAT was in line with the decline in gross profit.

(Loss)/Profit Attributable to Shareholders

Profit attributable to shareholders for the year decreased from approximately RMB12.628 billion in 2020 to loss of approximately RMB27.093 billion in 2021. The decrease was mainly due to the decrease in core profit from revenue and gross profit.

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

Excluding the after-tax impact of non-recurring or non-cash items, profit from core business attributable to shareholders for the year decreased by RMB35.534 billion to loss of approximately RMB23.251 billion (2020: profit of RMB12.283 billion, excluding gain from the disposal of part of the equity of Shimao Services). Profit margin from core business attributable to shareholders was minus 32.4% in 2021.

Amounts due from Associated Companies and Joint Ventures

Amounts due from associated companies and joint ventures, represent proportional funding to the associated companies and joint ventures for the underlying projects by the Group, have increased by RMB25.159 billion by the end of 2021 due to funding to these companies for normal operation and other fund demand. Meanwhile, less cash support comes from these associated companies and joint ventures as less cash collection from sales due to the downturn of market. These balances are expected to be recovered within one year to three years.

Liquidity and Financial Resources

The net gearing ratio is calculated by dividing total borrowings (including current and non-current borrowings) and perpetual capital instruments amounting RMB1.55 billion issued after 1 August 2020 minus cash balances (including restricted cash) by total equity (excluding perpetual capital instruments amounting RMB1.55 billion issued after 1 August 2020). As at 31 December 2021, the Group's net gearing ratio was approximately 156.0% (31 December 2020: 51.8%).

The liabilities to assets ratio after excluding receipts in advance is calculated by dividing total liabilities and perpetual capital instruments amounting RMB1.55 billion issued after 1 August 2020 minus receipts in advance (including contract liabilities and relevant value-added tax amounted approximately RMB129.84 billion as at 31 December 2021) by total assets minus receipts in advance. As at 31 December 2021, the Group's liabilities to assets ratio after excluding receipts in advance was approximately 77.4% (31 December 2020: 68.3%).

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 2021: approximately RMB25.47 billion) by current borrowings. As at 31 December 2021, the Group's cash to current borrowings ratio was 0.21 (31 December 2020: 1.16).

The maturity of the borrowings of the Group as at 31 December 2021 is set out as follows:

	<i>RMB million</i>
<i>Bank borrowings, borrowings from other financial institutions and bonds</i>	
Within 1 year	92,230
Between 1 and 2 years	51,798
Between 2 and 5 years	37,331
Over 5 years	<u>4,879</u>
<i>Senior notes and convertible bonds</i>	
Within 1 year	15,607
Between 1 and 2 years	1,892
Between 2 and 5 years	15,870
Over 5 years	<u>12,152</u>
Total	<u><u>231,759</u></u>

The total amount of borrowings increased by approximately RMB86.616 billion from approximately RMB145.143 billion as at 31 December 2020 to approximately RMB231.759 billion as at 31 December 2021. The increase was mainly due to the following reasons:

First of all, the Group issued new senior notes and drew down new syndicated loan in offshore financing markets.

In January 2021, the Group issued US\$872 million senior notes with 3.45% coupon rate and 10-year maturity periods. In September 2021, the Group issued US\$300 million senior notes with 3.975% coupon rate and 2-year maturity periods and US\$748 million green senior notes with 5.2% coupon rate and 5-year and 4-month maturity periods. In October 2021, the Group redeemed an aggregate principal amount of US\$820 million of all outstanding 6.375% senior notes due in 2021.

In April 2021, the Group obtained 4-year maturity periods dual currency syndicated loan facilities of US\$657.5 million and HK\$5,128.5 million with a Libor/Hibor+2.5% interest rate. Amounts of US\$657.5 million and HK\$5,128.5 million had been drawn down before 31 December 2021. And in April and October 2021, the Group repaid all the outstanding balance of 2017 syndicated loans with a total amount of US\$476 million and HK\$4,123 million.

In October 2021, Shimao Services, a subsidiary of the Group, issued convertible bonds with an aggregate principal amount of HK\$3,110 million, to support the expansion of its business.

Secondly, the onshore subsidiaries of the Group made new drawdowns to support the construction of the projects. Most of these borrowings are secured by the assets and/or secured by the pledge of shares of the projects. As a result, borrowings secured by assets and/or by the pledge of shares of the onshore subsidiaries increased by approximately RMB61.778 billion by the end of the year.

Thirdly, the national real estate market fell deteriorated sharply from the second half of year 2021 and went worse in the last quarter of the year. There were frequent debt default events of property developers. As a result, some of the partners of joint ventures early withdrew their investment equities to avoid potential liquidity risk. And these joint ventures with borrowings became subsidiaries of the Group, thus increased the total amount of the borrowings of the Group.

Placing and Subscription

On 6 December 2021, the Company entered into the placing and subscription agreement (the “Agreement”) with the placing agents and the vendor, Gemfair Investments Limited (“Gemfair”), pursuant to which, the placing agents conditionally agreed to place to not less than six independent professional, institutional and/or individual investors, on a fully underwritten basis, 145,000,000 existing ordinary shares of the Company at the placing price of HK\$8.14 per share and Gemfair conditionally agreed to subscribe for the same number of new ordinary shares of the Company as the placing shares placed by the placing agents at the placing price. The subscription shares have a nominal value of HK\$14.5 million and a market value of HK\$1,290.5 million, based on the closing price of HK\$8.9 per share on the last full trading day prior to the date of the Agreement. The net price of the subscription is HK\$8.09 per share. The directors of the Company (the “Directors”) considered that the placing and the subscription represented an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Company intended to apply the net proceeds to repay the Company’s debts and for general corporate purposes of the Group. Please refer to the announcement of the Company dated 7 December 2021 for further details. On 14 December 2021, the Company has completed the placing of the existing shares as well as the allotment and issuance of shares under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2021 annual general meeting of the Company. The net proceeds received by the Company after deducting relating fees and expense, were approximately HK\$1,173 million. As of 31 December 2021, the Group has applied the net proceeds of approximately HK\$833 million for repaying the Company’s debts and approximately HK\$340 million for general working capital.

Foreign Exchange Risks

The Group’s foreign exchange exposure is mainly derived from the borrowings denominated in USD and HKD.

The Group has been paying closely attention to the fluctuation of the foreign exchange rate and actively taking measures to mitigate the risk of exchange rate fluctuation.

Pledge of Assets

As at 31 December 2021, the Group’s total secured borrowings of approximately RMB170.616 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 RMB187.896 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 2021, the Group had contracted capital and property development expenditure but not provided for amounted to RMB40.904 billion.

Employees and Remuneration Policy

As of 31 December 2021, the Group employed a total of 53,926 employees, among whom 4,973 were engaged in property development. Total remuneration for the year amounted to approximately RMB6.427 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 purpose of the Share Award Schemes 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.

ANNUAL RESULTS

The Board presents the audited consolidated results of the Group for the year ended 31 December 2021, together with comparative figures for 2020. These annual results have been reviewed by the Company's Audit Committee and audited and agreed by the Company's auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Revenue	3	107,797,269	135,352,755
Cost of sales	6	(105,179,409)	(95,685,488)
Gross profit		2,617,860	39,667,267
Fair value (losses)/gains on investment properties – net		(601,614)	397,539
Other income/other gains or losses – net		132,360	1,029,335
Selling and marketing costs	6	(5,376,840)	(4,416,344)
Administrative expenses	6	(6,002,605)	(5,498,682)
Provision for impairment losses on financial assets	6	(4,360,195)	(482,918)
Impairment losses on intangible assets	6	(2,533,022)	–
Other operating expenses	6	(2,391,803)	(503,530)
Operating (loss)/profit		(18,515,859)	30,192,667
Finance income		3,170,705	5,629,202
Finance costs		(5,939,042)	(2,313,743)
Finance (costs)/income – net	7	(2,768,337)	3,315,459
Fair value changes of convertible redeemable preferred shares		–	(75,860)
Fair value changes of convertible bonds		144,746	–
Share of results of associated companies and joint ventures accounted for using the equity method		(432,927)	159,320
(Loss)/profit before income tax		(21,572,377)	33,591,586
Income tax expense	9	(6,804,501)	(14,129,120)
(Loss)/profit for the year		(28,376,878)	19,462,466

	Year ended 31 December	
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive (loss)/income for the year:		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value losses on financial assets at fair value through other comprehensive income, net of tax	(488,334)	(271,072)
Share of other comprehensive income of joint ventures accounted for using the equity method	35,730	49,035
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(80,841)	(166,508)
Total comprehensive (loss)/income for the year	(28,910,323)	19,073,921
(Loss)/profit for the year attributable to:		
Equity holders of the Company	(27,092,790)	12,627,679
Non-controlling interests	(1,284,088)	6,834,787
	(28,376,878)	19,462,466
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the Company	(27,544,968)	12,216,352
Non-controlling interests	(1,365,355)	6,857,569
	(28,910,323)	19,073,921
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company		
– Basic (RMB cents)	11 (762.7)	361.5
– Diluted (RMB cents)	11 (762.7)	361.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment		17,614,321	16,864,312
Right-of-use assets		8,286,458	8,316,268
Investment properties		66,319,235	63,175,590
Intangible assets		2,727,473	3,826,812
Investments accounted for using the equity method		27,720,624	30,936,756
Amounts due from related parties		6,460,176	1,978,774
Financial assets at fair value through other comprehensive income		2,184,336	1,974,946
Financial assets at fair value through profit or loss		–	168,016
Deferred income tax assets		3,352,443	3,231,065
Other non-current assets		3,556,190	3,722,189
		<u>138,221,256</u>	<u>134,194,728</u>
Current assets			
Inventories		332,890,055	313,787,270
Trade and other receivables and prepayments	4	23,727,928	21,387,554
Prepayment for acquisition of land use rights		4,838,963	13,483,055
Prepaid income taxes		4,473,623	4,452,805
Amounts due from related parties		66,056,509	33,978,392
Derivative financial instruments		11,412	2,337
Restricted cash		10,069,923	7,428,982
Cash and cash equivalents		47,814,400	61,038,027
		<u>489,882,813</u>	<u>455,558,422</u>
Total assets		<u>628,104,069</u>	<u>589,753,150</u>

		As at 31 December	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		384,165	362,850
Reserves		57,433,792	87,639,210
		<u>57,817,957</u>	<u>88,002,060</u>
Non-controlling interests			
Perpetual capital instruments		5,091,000	5,141,000
Other non-controlling interests		51,090,726	59,351,692
		<u>56,181,726</u>	<u>64,492,692</u>
Total equity		<u>113,999,683</u>	<u>152,494,752</u>
LIABILITIES			
Non-current liabilities			
Borrowings		123,921,866	108,602,305
Lease liabilities		45,740	39,452
Deferred income tax liabilities		8,704,284	8,520,394
		<u>132,671,890</u>	<u>117,162,151</u>
Current liabilities			
Trade and other payables	5	91,163,159	102,506,442
Contract liabilities		124,124,133	106,126,631
Dividend payable		787,817	–
Income tax payable		27,133,799	30,480,635
Borrowings		107,836,757	36,540,759
Derivative financial instruments		57	33,114
Lease liabilities		50,601	37,495
Amounts due to related parties		30,336,173	44,371,171
		<u>381,432,496</u>	<u>320,096,247</u>
Total liabilities		<u>514,104,386</u>	<u>437,258,398</u>
Total equity and liabilities		<u>628,104,069</u>	<u>589,753,150</u>

NOTES

1 GENERAL INFORMATION

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

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

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 Main Board 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”), financial assets at fair value through profit or loss (“FVPL”) 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.

(a) Going concern basis

For the year ended 31 December 2021, the Group incurred a loss attributable to equity holders of the Company of approximately RMB27.1 billion. As at 31 December 2021, the Group had borrowings in a total of approximately RMB231.8 billion, out of which approximately RMB107.8 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 RMB57.9 billion. As at 31 December 2021, the Group had not repaid borrowings of RMB1.3 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 RMB82.5 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) Subsequent to 31 December 2021, the Group has been actively pushing forward the proposed restructuring of the offshore indebtedness of the Group, including the US\$-denominated senior notes with a total principal amount of approximately US\$6.8 billion and borrowings from various offshore banks and financial institutions with the total principal amounts of approximately US\$2.1 billion and HK\$20.9 billion. The Group, together with its financial advisers, continues to maintain constructive dialogues with various groups of creditors and endeavours to reach agreements with them on the proposed restructuring of the offshore indebtedness as soon as possible. The Directors are confident in obtaining support from the relevant creditors and completing the proposed restructuring;
- (ii) The Group has also been actively negotiating with other onshore lenders and creditors on the extension of borrowings and has agreed to the extension of long-term bonds and medium-term notes of approximately RMB5.9 billion and RMB11.6 billion which were originally due in 2022 and 2023, respectively. Due to the diverse lender base and changing market conditions, time is still required to determine the extension plans on a case-by-case basis. Taking into account the successful extension cases and the Group's credit history and longstanding relationships with the relevant lenders and creditors, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the existing borrowings step by step;
- (iii) The Group will actively seek other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (iv) The Group will actively face the current situation and seek various ways to resolve the pending litigations of the Group. The Group is positive that it will be able to reach a solution to the litigations which have not yet reached a definite outcome at the current stage;
- (v) The Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties; and
- (vi) The Group will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows.

The Directors are of the opinion that, assuming the above plans and measures can be successfully implemented as scheduled, the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due within the following twelve months from 31 December 2021. 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 2021. 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 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

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

	Year ended 31 December	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of properties	94,487,931	126,132,570
Hotel operation income	2,116,438	1,447,039
Commercial properties operation income	2,033,243	1,538,465
Property management income, and others	9,159,657	6,234,681
	<u>107,797,269</u>	<u>135,352,755</u>

(b) **Segment information**

The segment results for 31 December 2021 are as follows:

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")*	Others	Shimao Services**	Unallocated***	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
– Sales of properties	17,537,444	76,950,487	–	–	94,487,931
– Recognised at a point in time	17,537,444	75,854,570	–	–	93,392,014
– Recognised over time	–	1,095,917	–	–	1,095,917
– Hotel operation income	199,354	1,917,084	–	–	2,116,438
– Commercial properties operation income	1,299,005	734,238	–	–	2,033,243
– Property management income, and others	239,506	1,319,491	8,343,432	–	9,902,429
Total revenue before elimination	<u>19,275,309</u>	<u>80,921,300</u>	<u>8,343,432</u>	<u>–</u>	<u>108,540,041</u>
Elimination					(742,772)
Total revenue					<u>107,797,269</u>
Operating profit/(loss)	(3,659,399)	(15,167,660)	634,927	(323,727)	(18,515,859)
Finance income	130,354	2,997,578	30,775	11,998	3,170,705
Finance costs	(406,770)	(5,125,577)	(53,761)	(352,934)	(5,939,042)
Fair value changes of convertible bonds	–	–	144,746	–	144,746
Share of results of associated companies and joint ventures accounted for using the equity method	(63,313)	(383,010)	13,396	–	(432,927)
Profit/(loss) before income tax	<u>(3,999,128)</u>	<u>(17,678,669)</u>	<u>770,083</u>	<u>(664,663)</u>	<u>(21,572,377)</u>
Income tax expense					(6,804,501)
Loss for the year					<u>(28,376,878)</u>
Other segment items are as follows:					
Capital expenditures	33,885	1,323,284	193,173	–	1,550,342
Fair value (losses)/gains on investment properties	(724,928)	123,314	–	–	(601,614)
Fair value gains on derivative financial instruments	–	–	–	38,493	38,493
Depreciation and amortisation charge	121,526	520,852	149,969	62,506	854,853
Amortisation of right-of-use assets	46,359	99,860	26,745	–	172,964
Provision for impairment on financial assets	588,609	3,520,438	251,148	–	4,360,195
Impairment losses on intangible assets	1,709,730	97,672	725,620	–	2,533,022
Provision for impairment losses on properties under development and completed properties held for sale	5,289,487	18,275,243	–	–	23,564,730
Impairment loss on investment properties under construction measured at cost	–	836,456	–	–	836,456
Impairment losses on property and equipment	–	1,186,354	–	–	1,186,354

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao as at 31 December 2021

** The Group owns an effective equity interest of 62.82% in Shimao Services as at 31 December 2021

*** Unallocated mainly represent corporate level activities

The segment results for 31 December 2020 are as follows:

	Property development and investment		Shimao Services** RMB'000	Unallocated*** RMB'000	Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000			
Revenue					
– Sales of properties	20,243,795	105,888,775	–	–	126,132,570
– Recognised at a point in time	20,116,160	104,794,398	–	–	124,910,558
– Recognised over time	127,635	1,094,377	–	–	1,222,012
– Hotel operation income	193,203	1,253,836	–	–	1,447,039
– Commercial properties operation income	1,041,624	496,841	–	–	1,538,465
– Property management income, and others	226,720	1,777,308	5,025,688	–	7,029,716
Total revenue before elimination	<u>21,705,342</u>	<u>109,416,760</u>	<u>5,025,688</u>	<u>–</u>	<u>136,147,790</u>
Elimination					(795,035)
Total revenue					<u>135,352,755</u>
Operating profit/(loss)	5,910,993	24,018,043	897,052	(633,421)	30,192,667
Finance income	133,429	5,448,541	11,407	35,825	5,629,202
Finance costs	(299,059)	(1,137,447)	(14,587)	(862,650)	(2,313,743)
Fair value changes of convertible redeemable preferred shares	–	(75,860)	–	–	(75,860)
Share of results of associated companies and joint ventures accounted for using the equity method	(16,265)	164,670	10,915	–	159,320
Profit/(loss) before income tax	<u>5,729,098</u>	<u>28,417,947</u>	<u>904,787</u>	<u>(1,460,246)</u>	<u>33,591,586</u>
Income tax expense					(14,129,120)
Profit for the year					<u>19,462,466</u>
Other segment items are as follows:					
Capital expenditures	8,298	6,359,261	133,790	–	6,501,349
Fair value gains on investment properties	256,489	141,050	–	–	397,539
Fair value losses on derivative financial instruments	–	–	–	(68,152)	(68,152)
Depreciation and amortisation charge	88,808	537,962	65,648	60,649	753,067
Amortisation of right-of-use assets	125,519	96,545	9,541	–	231,605
(Reversal of)/provision for impairment on financial assets	(30,284)	442,675	70,527	–	482,918
Provision for impairment losses on completed properties held for sale	–	2,653	–	–	2,653

* The Group owns an effective equity interest of 63.92% in Shanghai Shimao as at 31 December 2020

** The Group owns an effective equity interest of 65.88% in Shimao Services as at 31 December 2020

*** Unallocated mainly represent corporate level activities

The segment assets and liabilities at 31 December 2021 are as follows:

	Property development and investment			Total
	Shanghai Shimao	Others	Shimao Services	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments accounted for using the equity method	1,089,481	26,588,959	42,184	27,720,624
Intangible assets	–	176,167	2,551,306	2,727,473
Other segment assets	<u>134,042,730</u>	<u>442,916,115</u>	<u>13,826,344</u>	<u>590,785,189</u>
Total segment assets	<u>135,132,211</u>	<u>469,681,241</u>	<u>16,419,834</u>	<u>621,233,286</u>
Deferred income tax assets				3,352,443
Financial assets at FVOCI				2,184,336
Derivative financial instruments				11,412
Other assets				<u>1,322,592</u>
Total assets				<u>628,104,069</u>
Borrowings	37,629,736	119,870,649	3,206,370	160,706,755
Other segment liabilities	<u>51,194,503</u>	<u>216,245,368</u>	<u>4,712,655</u>	<u>272,152,526</u>
Total segment liabilities	<u>88,824,239</u>	<u>336,116,017</u>	<u>7,919,025</u>	<u>432,859,281</u>
Corporate borrowings				71,051,868
Deferred income tax liabilities				8,704,284
Derivative financial instruments				57
Other liabilities				<u>1,488,896</u>
Total liabilities				<u>514,104,386</u>

The segment assets and liabilities at 31 December 2020 are as follows:

	Property development and investment		Shimao Services RMB'000	Total RMB'000
	Shanghai Shimao RMB'000	Others RMB'000		
Investments accounted for using the equity method	1,651,650	29,251,032	34,074	30,936,756
Intangible assets	1,709,730	243,785	1,873,297	3,826,812
Other segment assets	144,354,358	394,589,664	8,930,119	547,874,141
Total segment assets	147,715,738	424,084,481	10,837,490	582,637,709
Deferred income tax assets				3,231,065
Financial assets at FVOCI				1,974,946
Financial assets at FVPL				168,016
Derivative financial instruments				2,337
Other assets				1,739,077
Total assets				589,753,150
Borrowings	23,512,691	59,193,544	30,000	82,736,235
Other segment liabilities	70,638,183	208,020,833	4,012,016	282,671,032
Total segment liabilities	94,150,874	267,214,377	4,042,016	365,407,267
Corporate borrowings				62,406,829
Deferred income tax liabilities				8,520,394
Derivative financial instruments				33,114
Other liabilities				890,794
Total liabilities				437,258,398

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

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

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Related to development and sales of properties contracts		
Contract liabilities (<i>Note</i>)	124,124,133	106,126,631

Note: Contract liabilities have been disclosed with the value-added tax of approximately RMB5.7 billion deducted in 2021 (2020: approximately RMB5.3 billion).

Revenue from sales of properties totalled approximately RMB64 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 RMB42 billion as of 31 December 2021 will be recognised as revenue from sales of properties during the next reporting year.

4 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)	9,267,337	6,649,065
Bidding deposits for land use rights (<i>Note (b)</i>)	1,758,960	3,028,253
Prepayments for construction costs	4,832,637	4,849,498
Loan receivables (<i>Note (c)</i>)	968,226	1,528,513
Prepaid tax and surcharges on pre-sale proceeds	1,138,363	1,464,396
Deposits paid	3,115,810	1,526,839
Payments on behalf of customers	928,852	380,998
Other receivables	3,146,057	2,726,682
	<u>25,156,242</u>	<u>22,154,244</u>
Provision for impairment	(1,428,314)	(766,690)
	<u>23,727,928</u>	<u>21,387,554</u>

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:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 180 days	7,141,473	5,902,275
Over 180 days and within 365 days	1,537,346	299,532
Over 365 days	588,518	447,258
	<u>9,267,337</u>	<u>6,649,065</u>

As at 31 December 2021, receivables arising from sales of properties were approximately RMB5,380,594,000 (2020: RMB4,849,999,000).

- (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 2021, loan receivables of RMB968,226,000 (31 December 2020: RMB1,528,513,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2021, 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.

5 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note (a)</i>)	73,492,869	82,025,056
Other payables (<i>Note (b)</i>)	7,018,775	7,458,732
Other taxes payable	7,992,594	10,206,828
Accrued expenses	2,658,921	2,815,826
	<u>91,163,159</u>	<u>102,506,442</u>

Notes:

- (a) As at 31 December 2021, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	72,405,175	81,639,538
Over 90 days and within 1 year	1,087,694	385,518
	<u>73,492,869</u>	<u>82,025,056</u>

- (b) Other payables comprise:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits received from customers	2,448,375	3,364,400
Deposits from constructors	655,402	890,346
Rental deposits from tenants and hotel customers	1,030,977	1,167,148
Payables for equity interest	763,850	776,329
Fees collected from customers on behalf of government agencies	455,386	335,830
Others	1,664,785	924,679
	<u>7,018,775</u>	<u>7,458,732</u>

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of properties sold and others	78,975,322	93,738,359
Including: interests capitalised	5,337,361	6,297,797
land and construction	68,656,041	84,793,854
Taxes and surcharges on sales of properties	672,879	705,606
Staff costs – including directors' emoluments	5,309,861	3,862,629
Advertising, promotion and commission costs	4,022,037	3,154,303
Direct expenses arising from hotel operation	894,217	923,886
Corporate and office expenses	1,324,024	1,454,224
Consulting fee	634,055	774,942
Depreciation and amortisation	854,853	753,067
Amortisation of right-of-use assets	172,964	231,605
Charitable donations	68,837	134,759
Auditor's remuneration		
– Audit services	23,000	13,000
– Non-audit services	4,780	10,990
Provision for impairment losses on financial assets	4,360,195	482,918
Provision for impairment losses on properties under development and completed properties held for sale	23,564,730	2,653
Impairment loss on investment properties under construction measured at cost	836,456	–
Impairment losses on property and equipment	1,186,354	–
Impairment loss on intangible assets	2,533,022	–
Other expenses	406,288	344,021
	125,843,874	106,586,962

7 FINANCE COSTS/(INCOME) – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance income		
– interest income on short-term bank deposits	(889,247)	(1,229,203)
– net foreign exchange gain (<i>Note</i>)	(2,281,458)	(4,399,999)
	<u>(3,170,705)</u>	<u>(5,629,202)</u>
Finance income	(3,170,705)	(5,629,202)
Interest on bank and other borrowings		
– wholly repayable within five years	12,036,893	7,200,786
– not wholly repayable within five years	240,237	226,598
Interest on senior notes		
– wholly repayable within five years	1,901,070	1,494,727
– not wholly repayable within five years	357,291	437,841
Interest on convertible bonds		
– wholly repayable within five years	31,340	–
Interest charges paid/payable for lease liabilities		
– wholly repayable within five years	9,195	11,763
	<u>14,576,026</u>	<u>9,371,715</u>
Less: interest and foreign exchange losses capitalised	(8,636,984)	(7,057,972)
Finance costs	<u>5,939,042</u>	<u>2,313,743</u>
Net finance costs/(income)	<u>2,768,337</u>	<u>(3,315,459)</u>

Note: Net foreign exchange gain mainly represents gain on translation of foreign currency borrowings.

8 COMMITMENTS

Commitments for capital and property development expenditure

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contracted but not provided for		
– Property and equipment	581,629	1,573,524
– Land use rights (including those related to associated companies and joint ventures)	6,581,476	10,545,643
– Properties being developed by the Group for sale	33,740,776	46,323,531
	<u>40,903,881</u>	<u>58,442,698</u>

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– PRC enterprise and withholding income tax	2,475,220	6,760,624
– PRC land appreciation tax	3,633,680	6,630,929
	<u>6,108,900</u>	<u>13,391,553</u>
Deferred income tax		
– PRC enterprise and withholding income tax	695,601	737,567
	<u>6,804,501</u>	<u>14,129,120</u>

The income tax on the Group's (loss)/profit 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	
	2021	2020
	RMB'000	RMB'000
(Loss)/profit before income tax	(21,572,377)	33,591,586
Less: Share of results of associated companies and joint ventures	432,927	(159,320)
Less: Land appreciation tax	(3,633,680)	(6,630,929)
	<u>(24,773,130)</u>	<u>26,801,337</u>
Calculated at PRC enterprise income tax rate of 25% (2020: 25%)	(6,193,283)	6,700,334
Tax effects of:		
– Different tax rates in other countries or regions	(361,304)	(515,908)
– Expenses and losses not deductible for income tax purposes	791,643	456,719
– Income not taxable for tax purpose	(463,827)	(903,945)
– Tax losses and temporary differences not recognised	8,992,971	111,128
– PRC withholding income tax and others	404,621	1,649,863
	<u>3,170,821</u>	<u>7,498,191</u>
PRC enterprise and withholding income tax charge	3,170,821	7,498,191
PRC land appreciation tax charge	3,633,680	6,630,929
	<u>6,804,501</u>	<u>14,129,120</u>

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2021 (2020: nil).

(b) PRC enterprise income tax

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

(c) PRC land appreciation tax

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

(d) PRC withholding income tax

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

10 DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interim dividends of HK70 cents (2020: HK70 cents)		
per ordinary share (<i>Note (a)</i>)		
– paid in cash	664,775	2,192,099
– paid by issuing of scrip shares	1,395,971	–
Proposed final dividends of HK0 cent (2020: HK110 cents)		
per ordinary share (<i>Note (b)</i>)	–	3,192,560
	<u>2,060,746</u>	<u>5,384,659</u>

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2021 of HK70 cents per ordinary share, amounting to HK\$2,473,588,000 (equivalent to approximately RMB2,060,746,000) was declared by the Company in August 2021. The 2021 interim dividends were either paid in cash or, in the form of new fully paid scrip shares of the Company in lieu of cash at the scrip option of the shareholders, or partly in cash and partly in the scrip shares. The number of ordinary shares settled and issued as scrip dividends was 120,134,424 and the total amount of dividend paid as scrip dividends was approximately HK\$1,675,635,000 (equivalent to approximately RMB1,395,971,000) while cash dividend amounted to HK\$797,953,000 (equivalent to approximately RMB664,775,000).

- (b) A final dividend in respect of the year ended 31 December 2020 of HK90 cents per ordinary share and a special dividend of HK20 cents per ordinary share, amounting to HK\$3,891,467,000 (equivalent to approximately RMB3,192,560,000) was declared by the Company in March 2021. A part of the final dividend of approximately RMB2,404,743,000 relating to the year ended 31 December 2020 was paid in July 2021.

11 EARNINGS PER SHARE

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

	Year ended 31 December	
	2021	2020
(Loss)/profit attributable to the equity holders of the Company (<i>RMB'000</i>)	(27,092,790)	12,627,679
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,552,342	3,492,773
Basic (losses)/earnings per share (<i>RMB cents</i>)	(762.7)	361.5

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Award Scheme assuming they were exercised. No diluted loss per share for the year ended 31 December 2021 is presented as the effect caused by the shares granted under the Share Award Scheme and the conversion of the subsidiary's outstanding convertible bonds are anti-dilutive.

For the year ended 31 December 2020, the conversion of the convertible redeemable shares of subsidiary would result in an anti-dilutive effect on the diluted earnings per share.

	Year ended 31 December 2020
Profit attributable to the equity holders of the Company (<i>RMB'000</i>)	12,627,679
Weighted average number of ordinary shares in issue (<i>thousands</i>)	3,492,773
Adjustment for shares granted under Share Award Scheme (<i>thousands</i>)	4,075
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	3,496,848
Diluted earnings per share (<i>RMB cents</i>)	361.1

12 EVENTS AFTER THE REPORTING PERIOD

On 21 January 2022, 上海世盈投資管理有限公司 (Shanghai Shiyong Investment Management Co., Ltd.*), a wholly-owned subsidiary of the Company, entered into a disposal agreement with 上海久事北外灘建設發展有限公司 (Shanghai Jiushi North Bund Construction and Development Co., Ltd.*), to sell 100% interest of its subsidiary, 上海世茂置業發展有限公司 (Shanghai Shimao Real Estate Development Co., Ltd.*), for an aggregate consideration of RMB1.06 billion. The transaction was completed in January 2022.

On 24 January 2022, 上海穆蕾企業管理有限公司 (Shanghai Mulei Business Management Co., Ltd.*), a wholly-owned subsidiary of the Company, entered into a disposal agreement with 廣東中海地產有限公司 (Guangdong Zhonghai Property Co., Ltd.*), to sell 26.67% interest in its joint venture, 廣州利合房地產開發有限公司 (Guangzhou Lihe Property Development Co., Ltd.*) and its subsidiaries, for an aggregate consideration of approximately RMB1.84 billion (subject to adjustment). The transaction was completed in January 2022.

On 28 January 2022, the Group had agreed to sell 100% interest of 上海世茂北外灘開發建設有限公司 (Shanghai Shimao North Bund Development and Construction Co., Ltd.*), which owned Hyatt on the Bund Shanghai, to 上海地產(集團)有限公司 (Shanghai Land (Group) Co., Ltd.) for an aggregate consideration of RMB4.50 billion. The transaction was completed in February 2022.

On 31 August 2022, the Group had agreed to sell stakes of four companies, which owned lands known as L-39 & L-41, located at Fenzhongsi Village, Nanyuan Township, Fengtai District, Beijing* (北京市豐台區南苑鄉分鐘寺村 L-39 & L-41地塊), to 北京潤置商業運營管理有限公司 (Beijing Runzhi Commercial Operation Management Co., Ltd.*), for a net consideration of approximately RMB3.32 billion. The transaction was completed in September 2022.

On 12 October 2022, the Group had agreed to sell 45% interest of 南京萬智源置業有限公司 (Nanjing Wanzhiyuan Real Estate Co., Ltd.*), to 蕪湖信思達投資合夥企業(有限合夥) (Wuhu Xinsida Investment Partnership Enterprise (Limited Partnership)*), for an aggregate consideration of RMB1.75 billion. The transaction was completed in October 2022.

In March 2023, Shanghai Shimao, a subsidiary of the Group, finished the extension of its domestic long-term bonds with a total outstanding amount of RMB4.55 billion. As a result, the maturity date of last batch of these long-term bonds was extended to year 2026.

In June 2023, Shimao Jianshe, a subsidiary of the Group, and its lenders had agreed on the extension of its domestic long-term bonds with a total outstanding amount of RMB14.35 billion. As a result, the maturity date of last batch of these long-term bonds was extended to year 2028.

Subsequent to the year ended 31 December 2021, the Company has been actively pushing forward the proposed restructuring of the offshore indebtedness of the Group (the “Proposed Restructuring”) and continues to maintain constructive dialogues with various groups of creditors, including but not limited to, an ad hoc group of holders of the US\$ denominated senior notes issued by the Company (the “AHG”) and the Co-ordination Committee comprising various offshore banks which in aggregate hold meaningful portion of the Group’s offshore indebtedness (the “CoCom”) and their respective advisors with a view to stabilize the situation of the Company, ease the current liquidity issue and seek to implement a restructuring plan that strives to treat its creditors fairly and protect the interests of its stakeholders.

The Company has circulated draft restructuring proposals to the advisors of the AHG and CoCom. The parties have been working diligently in narrowing differences on various economic terms currently contemplated under the restructuring proposals. The Company is also working to finalize a non-legally binding letter of support with certain members of the CoCom and its advisors to express their general support to progress and implement the Proposed Restructuring which shall form a good basis for further negotiation of the detailed restructuring terms.

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

With reference to key findings of the independent investigation report in the Company’s announcement dated 23 June 2023, a third-party trust company (the “Trust”), through its controlled entity, contributed a paid-in capital of RMB4.9 billion for a 30% equity interest of a subsidiary of the Group (the “Subsidiary”) under certain financing arrangement in prior years. Subsequent to the year ended 31 December 2021, the Group and the Trust reached a consensus and renegotiated a temporary repayment plan to treat the entire arrangement as a fixed-term debt.

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

REVIEW OF RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group’s results for the year ended 31 December 2021 as set out in this results announcement have been agreed by the Company’s independent auditor, Zhonghui ANDA CPA Limited, to the amounts set out in the Group’s consolidated financial statements. The work performed by Zhonghui ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Zhonghui ANDA CPA Limited on this results announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the independent auditor’s report by Zhonghui ANDA CPA Limited, the external auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2021:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of 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 mentions that the Group incurred a loss attributable to equity holders of the Company of approximately RMB27.1 billion. As at 31 December 2021, the Group had borrowings in total of approximately RMB231.8 billion, out of which approximately RMB107.8 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 RMB57.9 billion. As at 31 December 2021, the Group had not repaid borrowings of RMB1.3 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 RMB82.5 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 39(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.

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 and 2020, 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 and RMB5.7 billion, respectively, 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. Subsequently in 2022, the Group and the Trust reached a consensus and renegotiated a temporary repayment plan to treat the arrangement as a fixed-term debt.

We are not able to obtain direct confirmation or clarification from the Trust to verify the nature of the Contributed Capital and no other sufficient information is available up to the date of this report to justify whether the Contributed Capital still met the applicable criteria of equity instruments under Hong Kong Accounting Standard 32 “Financial Instruments: Presentation” as at 31 December 2021 and 2020. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the classification as equity of non-controlling interest balances attributable to the Subsidiary of approximately RMB5.9 billion and RMB5.7 billion, respectively, as at 31 December 2021 and 2020, and whether the potential profit or loss effect on the provision of accrued interests for the year ended 31 December 2021 and 2020 are properly reflected in the Group’s consolidated financial statements.

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 2021 and 2020 and the financial position of the Group as at 31 December 2021 and 2020, and the related disclosures thereof in the consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Model Code set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as the code of conduct regarding securities transactions by the directors of the Company (the “Directors”). The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

Compliance with the Corporate Governance Code

The Company had complied with the code provisions set out in the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021 except for one deviation as set out below.

The Chairman of the Board was unable to attend the Company’s annual general meeting held on 8 June 2021 as required by the code provision E.1.2 of the Code (which has been renumbered as code provision F.2.2 with effect from 1 January 2022) due to the sudden change of the schedule.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2021,

- (1) the Company had purchased in aggregate 5,000,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$75,548,560 (before expenses). All the purchased shares were subsequently cancelled.

Particulars of the purchases are as follows:

Month of Purchases	Number of Shares Purchased	Purchase Price		Aggregate Purchase Price (before expenses)
		Highest HK\$	Lowest HK\$	HK\$
July 2021	4,000,000	16.60	15.12	62,895,520
September 2021	500,000	15.74	15.54	7,813,040
November 2021	500,000	9.68	9.68	4,840,000
	5,000,000			75,548,560

The above share purchases were made with a view to enhancing the earnings per share of the Company and thus benefit its shareholders as a whole;

- (2) the Company redeemed on the Singapore Exchange Securities Trading Limited (the “SGX”) an aggregate principal of RMB2,150,000,000 of senior notes at a fixed interest rate of 5.75% due on 15 March 2021 and an aggregate principal of US\$820,000,000 of senior notes at a fixed interest rate of 6.375% due on 15 October 2021;
- (3) the Company purchased on the SGX an aggregate of US\$1,500,000 of the principal amount of the 4.75% senior notes due 2022;
- (4) Shanghai Shimao, a 63.92%-owned subsidiary of the Company, redeemed on Interbank Market Clearing House Co., Ltd., an aggregate principal amount of RMB800,000,000 of medium-term notes at a fixed interest rate of 6.43% due on 7 February 2021, an aggregate principal amount of RMB700,000,000 of medium-term notes at a fixed interest rate of 6.33% due on 8 March 2021 and an aggregate principal amount of RMB30,000,000 of medium-term notes at a fixed interest rate of 4.50% due on 17 December 2021;
- (5) from 13 to 15 September 2021, Shanghai Shimao purchased on the Shanghai Stock Exchange parts of certain long-term bonds, comprising (i) the long-term bonds at a fixed interest rate of 4.65% due on 15 January 2022 in aggregate principal amount of RMB99,861,000; (ii) the long-term bonds at a fixed interest rate of 4.64% due on 19 March 2022 in an aggregate principal amount of RMB49,956,000; (iii) the long-term bonds at a fixed interest rate of 4.15% due on 22 May 2022 in the aggregate principal amount of RMB25,000,000; and (iv) the long-term bonds at a fixed interest rate of 3.76% due on 7 July 2022 in the aggregate principal of RMB49,921,000;

- (6) the Company allotted and issued 145,000,000 shares of the Company on 14 December 2021 at an issue price of HK\$8.14 per share on completion of the placing and subscription agreement dated 6 December 2021;
- (7) Shimao Services purchased a total of 10,800,000 Shimao Services' shares on the Stock Exchange at an aggregate consideration of HK\$72,302,910 (before expenses) for the period from September to December 2021. All the purchased Shimao Services' shares were subsequently cancelled;
- (8) Shimao Services allotted and issued 115,000,000 Shimao Services' shares on 2 November 2021 at an issue price of HK\$15.18 per Shimao Services' share on completion of a placing and subscription agreement dated 19 October 2021;
- (9) Crystal Idea Group Limited, being a wholly-owned subsidiary of Shimao Services, issued on 2 November 2021 the HK\$3,110,000,000 2.25% guaranteed convertible bonds due on 31 October 2022, which are listed on the SGX. Shimao Services has unconditionally and irrevocably guaranteed the due payment of all sums to be payable by Crystal Idea Group Limited. The convertible bonds are convertible into 170,691,547 Shimao Services' shares at an initial conversion price of HK\$18.22 per Shimao Services' share. As of 31 December 2021, no Shimao Services' share has been issued pursuant to the conversion of the convertible bonds;
- (10) the trustee of the Company's Share Award Scheme, pursuant to the terms of the rules and trust deed of the Company's Share Award Scheme, purchased from the market a total of 11,000,000 shares of the Company at a total consideration of approximately HK\$233,372,230 (before expenses); and
- (11) the trustee of the Share Award Scheme of Shimao Services, pursuant to the terms of the rules and trust deed of the Share Award Scheme of Shimao Services, purchased from the market a total of 500,000 Shimao Services' shares at a total consideration of approximately HK\$8,327,380 (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 2021.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: final dividend of HK90 cents per share and a special dividend of HK20 cents per share).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.shimaogroup.hk). The Company's 2021 annual report will be despatched to the Shareholders along with the forthcoming annual general meeting (the "AGM") circular, the notice of AGM, the proxy form for use at the AGM and relevant documents and such documents will be published on the aforementioned websites in due course.

SUPPLEMENTAL INFORMATION ON DISCLOSEABLE TRANSACTION REGARDING THE DISPOSAL OF A SUBSIDIARY

Reference is made to the announcement of the Company dated 21 January 2022 in relation to the Disposal (the "Disposal Announcement"). Capitalised terms used herein shall have the same meanings as those defined in the Disposal Announcement unless the context requires otherwise.

The Company would like to supplement that the valuation of the entire equity interest in the Target Company as at 30 November 2021 as conducted by an independent professional valuer was RMB1,007,248,900. The valuation was determined by adopting the asset-based approach which refers to the method of assessing the value of the assets and liabilities on the valuation date (i.e. 30 November 2021).

CONTINUED SUSPENSION OF TRADING

At the request of the Company, the trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 1 April 2022. Trading in the shares of the Company will remain suspended until further notice.

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

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

Hong Kong, 28 July 2023

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

* For identification purpose only