



2022

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 Directors

Lu Yi
Ye Mingjie

Independent Non-executive Directors

Lyu Hong Bing
Lam Ching Kam
Fung Tze Wa

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Lam Yee Mei, Katherine

Auditor

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Registered Office

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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
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Cayman Islands

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

Investor and Media Relations

Investor Relations Department
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FIVE YEARS FINANCIAL SUMMARY

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	63,040,148	107,797,269	135,352,755	111,516,981	85,512,704
Cost of sales	(57,758,774)	(105,179,409)	(95,685,488)	(77,386,427)	(58,563,625)
Gross profit	5,281,374	2,617,860	39,667,267	34,130,554	26,949,079
Fair value (losses)/gains on investment properties	(631,445)	(601,614)	397,539	2,335,257	1,910,251
Other income/other gains – net	3,561,859	132,360	1,029,335	351,639	297,280
Selling and marketing costs	(2,813,377)	(5,376,840)	(4,416,344)	(2,824,871)	(2,023,438)
Administrative expenses	(5,718,667)	(6,002,605)	(5,498,682)	(4,381,122)	(3,429,512)
(Provision for)/reversal of impairment losses on financial assets	(318,703)	(4,360,195)	(482,918)	(70,375)	25,529
Impairment losses on intangible assets	–	(2,533,022)	–	–	–
Other operating expenses	(1,661,053)	(2,391,803)	(503,530)	(337,635)	(520,488)
Operating (loss)/profit	(2,300,012)	(18,515,859)	30,192,667	29,203,447	23,208,701
Finance (costs)/income – net	(15,118,417)	(2,768,337)	3,315,459	(284,920)	(337,027)
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	(131,724)	(432,927)	159,320	96,825	(233,469)
(Loss)/profit before income tax	(17,550,096)	(21,572,377)	33,591,586	29,015,352	22,638,205
Income tax expenses	(3,109,210)	(6,804,501)	(14,129,120)	(12,635,387)	(10,327,273)
(Loss)/profit for the year	(20,659,306)	(28,376,878)	19,462,466	16,379,965	12,310,932
(Loss)/profit for the year attributable to equity holders of the Company	(21,492,478)	(27,092,790)	12,627,679	10,897,600	8,834,790
Non-current assets	131,010,397	138,221,256	134,194,728	117,528,198	88,748,017
Current assets	485,200,542	489,882,813	455,558,422	353,925,869	288,848,834
Total assets	616,210,939	628,104,069	589,753,150	471,454,067	377,596,851
Non-current liabilities	91,177,398	132,671,890	117,162,151	97,399,453	84,421,747
Current liabilities	445,528,456	381,432,496	320,096,247	257,350,428	187,894,927
Total liabilities	536,705,854	514,104,386	437,258,398	354,749,881	272,316,674
Net assets	79,505,085	113,999,683	152,494,752	116,704,186	105,280,177
Equity attributable to equity holders of the Company	36,525,481	57,817,957	88,002,060	66,254,881	59,234,206
Non-controlling interests	42,979,604	56,181,726	64,492,692	50,449,305	46,045,971
Total equity	79,505,085	113,999,683	152,494,752	116,704,186	105,280,177

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 2022.

Market and Outlook

The year 2022 was an eventful year for the real estate industry. During the year, China's real estate industry experienced unprecedented challenges and was in a stage of deep adjustment. Multiple unexpected factors gave rise to a tough time for real estate enterprises to sell, sluggish investment in land acquisition, frequent occurrence of credit risks, strong conservative market sentiment and severe lack of confidence in the industry, all of which have posed enormous challenges to the Group's stable development and normal operations.

With respect to the real estate market, both demand-side and supply-side policies have been working in tandem. The demand-side policies, on the one hand, were under continuous optimization throughout the year as the central government repeatedly emphasized support for rigid and improved housing demand. While the supply-side policies, on the other hand, enjoyed comprehensive support with the loosening up of property market regulation across the nation in the first half of the year, and the establishment of a relief fund to guarantee property delivery in the second half of the year. Nevertheless, the real estate market sentiment was still in habitual decline in 2022, and the overall situation was not optimistic.

Looking forward to 2023, the trend of loosened industry policies is expected to continue, with a moderate recovery in the real estate industry. In the short term, however, residents will still be uncertain about the recovery of purchasing power and income expectation, and financial institutions will still be cautious about credit placement. It will take time for the policies to take effect and for confidence to be restored, and currently the industry is still under tremendous pressure.

Operational Strategy

Faced with such market pressures and challenges, Shimao constantly reviews and consolidates insights, strives ahead with perseverance, and adopts multi-pronged approach in response to industry changes. Shimao considers quality and efficiency improvement and value chain reshape as its core objectives to position itself for strategic transformation. The Group adheres to its "Giant Aircraft" development strategy with sustainable development as its direction, fully leverages the Group's diversified synergies across its service, commercial operations and hotel sectors, and ensures sound asset management and operational services to build the Company's long-term resilience.

In 2022, the Group took the initiative to adjust its operational strategies, suspended the acquisition of land for replenishment, and strengthened the refined control of existing projects. The Group achieved contracted sales of RMB86.52 billion in 2022, with an aggregate contracted sales area of 5.374 million sq.m..

With regard to production operation, the Group spared no efforts in realizing stable and guaranteed delivery, which was a key focus of work. It set up a designated delivery team and has been working hard in refining project management throughout the whole cycle, so as to ensure that the delivery tasks were achieved with quality. In 2022, Shimao made continuous efforts to overcome tremendous pressure and difficulties, and achieved delivery of 193 project batches in 73 cities in aggregate throughout the year. In the future, the Group will, as always, adhere to the corporate philosophy of "products as the core and customers as the priority" while making progress, and continue to fulfill its delivery responsibilities.

PRESIDENT'S STATEMENT

With regard to financial management, the Group actively responded to liquidity difficulties and took various measures to safeguard the normal operation of various production and business activities. In its daily operations, the Group determined its expenditures on the basis of revenue and substantially reduced its expenses to enhance its operational capabilities and improve its resilience in the face of financial risks. In addition to project funding, the Group also actively applied for borrowings specialized for guaranteed delivery for its projects to ensure their smooth completion and delivery. In terms of resolving debt crisis, the Company put a key focus on securing a smooth onshore and offshore corporate saving and financing, and actively pushed forward the restructuring of the Group's onshore and offshore debts. The Company continued to maintain constructive dialogues with various groups of creditors with a view to stabilizing the situation, easing the current liquidity issues, and seeking to implement a restructuring plan that strives to treat its creditors fairly and protect the interests of its stakeholders. With the support of various parties, the Group completed the restructuring of the onshore public debts in the first half of 2023 and the offshore restructuring is under steady progress.

With regard to resource planning, the Group made adaptive adjustments in the midst of changes, focused on re-exploiting its stock of assets, sorted out and analyzed all assets, formulated the most optimal measures to revitalize resources and promote the disposal of bulk assets. In 2022, the Group successfully disposed of assets, including a plot of land located at Huangpu Road, Shanghai, the Guangzhou Asian Games City project, Hyatt on the Bund Shanghai, the Beijing Fenzhongsi project, through equity transfers to effectively alleviate financial difficulties.

Collaborative Development of Diversified Businesses

In 2022, the Group firmly adhered to the "Giant Aircraft" development strategy. It formed a "New Model of Development" with synergies resulting from a focused development on properties, commercial operations and hotel businesses.

With respect to property management business, Shimao Services Holdings Limited ("Shimao Services") leveraged on its own strengths and realized independent development of businesses with unwavering confidence and courageous efforts, and achieved remarkable results. In 2022, Shimao Services achieved revenue of RMB8,636.8 million for the year, representing a year-on-year increase of 3.5%. Gross floor area ("GFA") under management amounted to 261.6 million sq.m., representing a year-on-year increase of 8.8%; and contracted GFA reached 341.3 million sq.m., representing a year-on-year increase of 10.8%. Gross profit reached RMB1,943.0 million and gross profit margin was 22.5%, maintaining at the industry-leading level. In 2023, Shimao Services will focus on cash flow management, profitability improvement, market development, business capability refinement, operational system and capability upgrading, digital capability breakthrough and organizational optimization. It will achieve overall high-quality development through comprehensive business coverage, post-acquisition integration and full life-cycle management as well as engagement of all organizational levels.

With respect to commercial and entertainment business, in 2022, all of the office projects under management were in a non-normal operating condition. Impacted by a greatly restricted offline consumer market and the suspension of normal day-to-day operations, the commercial projects under management of Shanghai Shimao Co., Ltd. ("Shanghai Shimao") during the reporting period experienced a year-on-year decline of 24% in foot traffic, and a year-on-year decline of approximately four percentage points in occupancy rate. Secondly, a general lack of confidence of market participants also led to suspension of shop expansion by branded tenants, difficulty in new leasing and adjustment of leasing terms in line with the market conditions, which affected the stable growth of the scale of revenue of projects in the medium to long term. In addition, with respect to offices, as of the end of 2022, Shanghai Shimao saw a decline of five percentage points in the occupancy rate of office projects under management as compared to the same period of 2021. Faced with relatively severe market situation, Shanghai Shimao has been actively carrying out various alleviation measures. In the future, Shanghai Shimao 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. At the same time, Shanghai Shimao will further increase investment in the asset-light field and accelerate its pace of transformation to and upgrading in the asset-light model.

PRESIDENT'S STATEMENT

With respect to hotel business, Shimao Hotel broke through the shackles of the pandemic, steadily established its presence in first-tier cities and ventured into the markets in lower tier cities. Following the opening of the Yu Hotel Xixian in the first half of the year, the second half of the year saw the successful unveiling of Yuluxe Hotel Lanzhou, MiniMax Hotel Shaoxing Keqiao, and Yu Hotel Qingdao Pier. The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai was also selected as the "Only Designated Hotel in Shanghai for Foreign Envoys of the 2022 China International Import Expo", and set an example of oriental hospitality and manners of a great nation. In the coming year, Shimao Hotel will continue to spread their asset-light footprint, create comfortable and memorable travel accommodation for travelers in various fascinating destinations across China, and offer unique experiences that incorporate the local features of the destinations.

Social Responsibility

In 2022, Shimao stayed true to its original value and actively participated in energy conservation and environmental protection, pandemic prevention and rural revitalization, and contributed to the development of charitable and public welfare undertakings. In 2022, Shimao's shopping malls, offices, parks and hotels established a management system and regulations for plastic reduction in their daily operations. They joined hands with stakeholders such as property owners, users and suppliers to jointly promote environmental protection actions such as energy conservation, emission reduction, pollution prevention and control, plastic and carbon reduction. Secondly, when the epidemic spread across China in 2022, 16 hotels of Shimao were fully committed to the prevention and control of the epidemic to firmly defense for the health of their customers. In addition, Shimao Services contributed to the revitalization of villages. As of the end of the reporting period, Shimao Services directly purchased and helped to sell products from poverty-stricken areas for more than RMB3 million.

Shimao is actively practicing green development, and as at the end of 2022, the total area of green buildings built by Shimao reached 82.16 million sq.m. in aggregate, representing a year-on-year growth of 4.03%, and among which, seven buildings won the international LEED Gold certification. Shimao will continue to uphold the spirit of sustainable development and promote the development of green buildings to contribute to future advancement.

Appreciation

On behalf of the Board, I would like to thank our shareholders, customers, partners and governments at all levels for their tremendous support. I would also like to extend my heartfelt gratitude and deepest respect to our directors, management and staff for all their valuable contributions. I sincerely apologize for any undesirable situation every party might have experienced. In face of the challenges in the coming year, we will focus on the core objective of "returning to the essence, and making stable progress", uphold the spirit of hard work to overcome obstacles and scale new heights, ignite the light of conviction with passion, focus on achieving targets with action, make breakthroughs with perseverance, and seize opportunities to rise to the top.

Hui Sai Tan, Jason

Vice Chairman and President

Hong Kong, 28 July 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Development

1) *Recognized Sales Revenue*

Shimao Group Holdings Limited (“Shimao Group”, “Shimao” or the “Company”, together with its subsidiaries, the “Group”) generates its revenue primarily from sales of properties, commercial properties operation, hotel operation and property management businesses. For the year ended 31 December 2022, revenue of the Group reached RMB63.04 billion. During the year, revenue from property sales amounted to RMB50.26 billion, accounting for 79.7% of the total revenue. The recognized sales area was 4.564 million sq.m..

2) *Contracted Sales Performance*

With respect to contracted sales, the Group’s contracted sales amounted to RMB86.52 billion in 2022. The aggregate contracted sales area was 5.374 million sq.m..

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

Taking into account 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. As of the end of 2022, the Group’s floor area under construction was approximately 38.14 million sq.m.. The floor area completed for the year was approximately 5.85 million sq.m.. Looking forward to 2023, the Group’s floor area under construction and floor area completed are planned to be approximately 34.50 million sq.m. and approximately 6.00 million sq.m., respectively.

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

In 2022, the Group took the initiative to adjust its operational strategies, suspended the acquisition of land for replenishment, and strengthened the refined control of existing projects. As at 31 December 2022, the Group had over 300 projects and a total area of approximately 60.50 million sq.m. (before interests) land bank which provided necessary support for the Group’s future sales and development.

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

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

Commercial Properties Operation

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

In 2022, the domestic macro environment faced triple pressure from shrinking demand, supply shock and weakening expectation, and was affected by unexpected factors. The industry’s fundamentals were therefore posed with multi-dimensional challenges. The market experienced fluctuations against the backdrop of weakened supply and demand, and the industry as a whole entered into a cycle of deep adjustment. Commercial project operation was highly correlated with offline consumer market vitality, and office market demand hinged closely on the local economic vigour. As such, while the offline consumer market was materially restricted in 2022, daily operations could not be carried out normally, resulting in a decline of 24% in foot traffic and a decline of approximate four percentage points in occupancy rate of commercial projects under management of the Company during the reporting period as compared to the same period of last year. Secondly, a general lack of confidence of market participants also led to suspension of shop expansion by branded tenants, difficulty in new leasing and adjustment of leasing terms in line with the market conditions, which affected the stable growth of the scale of revenue of projects in the medium to long term.

MANAGEMENT DISCUSSION AND ANALYSIS

With respect to offices, the triple pressure collectively added to stress on the economic growth, and a large number of enterprises chose to streamline their business lines and optimize their organizational structures in order to reduce operating costs, thus causing a further decline in demand for offices in the market. As of the end of 2022, the Company saw a decline of five percentage points in the occupancy rate of office projects under management as compared to the same period of 2021. From a year-round perspective, the percentage of area vacated due to poor business operations in office projects under management reached 56%, representing an increase of 14 percentage points as compared to 2021; the percentage of area vacated due to strategic relocation (mainly to buildings with policy support or subsidy incentives) reached 19%; and the percentage of area vacated due to the rents of renewed tenancies exceeded tenants' expectation reached 9%.

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

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 2022, the property services industry faced various challenges and was impacted by multiple unexpected factors. The overall downturn of the real estate industry had a certain impact on the development of the property services industry, and the overall growth rate of the industry slowed down significantly. The national economy was under downward pressure and the performance of the capital market was also volatile to a certain extent. Amid a constantly changing market, however, the industry's long-term development trend remained positive and there are still ample opportunities on the market. Challenges bring in possibilities of transformation and enhancement, and constant review on corporate development heightens the awareness on own capacity building. The Group will equip itself for long-term and steady development.

With unwavering confidence and courageous efforts, Shimao Services leveraged on its own strengths and realized independent development of businesses, with remarkable results achieved in 2022. It recorded revenue of RMB8,636.8 million for the year, representing a year-on-year increase of 3.5%. Gross floor area ("GFA") under management amounted to 261.6 million sq.m., representing a year-on-year increase of 8.8%; and contracted GFA reached 341.3 million sq.m., with a year-on-year uptick of 10.8%. Gross profit reached RMB1,943.0 million and gross profit margin was 22.5%, maintaining at the industry-leading level.

In 2023, Shimao Services will focus on cash flow management, profitability improvement, market development, business capability refinement, operational system and capability upgrading, digital capability breakthrough and organizational optimization. It will achieve overall high-quality development through comprehensive business coverage, post-acquisition integration and full life-cycle management as well as engagement of all organizational levels.

MANAGEMENT DISCUSSION AND ANALYSIS

Hotel Operation

As of 31 December 2022, the Group had a total of 25 hotels in operation, including InterContinental Shanghai Wonderland, Conrad Shanghai, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang, Sheraton Hong Kong Tung Chung Hotel, Hilton Changsha Riverside and MiniMax Hotel Chengdu Longquanyi. Currently, the Group has more than 8,300 hotel guest rooms. In addition, the Group has six directly managed leased hotels, including MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Hotel Xiamen Central, MiniMax Premier Hotel Chengdu City Center, ETHOS Hotel Xiamen and ETHOS Hotel Wuhan Riverside, offering over 1,100 hotel guest rooms.

In 2022, frequent outbreaks of pandemic in a number of regions across the PRC led to the escalation of prevention and control policies, which limited consumers' travels and had a material impact on the operation and recovery of the tourism market. The total domestic visitor arrivals were 2.53 billion, representing a year-on-year decline of 22%; and the domestic tourism revenue amounted to RMB2.04 trillion, representing a year-on-year decrease of 30%. As a result, the hotels of Shimao achieved revenue of RMB1.75 billion for the year, representing a year-on-year decrease of 17.5% as compared to 2021.

In respect of the development of self-owned brands, Shimao Hotel broke through the shackles of the pandemic, steadily established its presence in first-tier cities and ventured into the markets in lower tier cities. Following the opening of the Yu Hotel Xixian in the first half of the year, the second half of the year saw the successful unveiling of Yuluxe Hotel Lanzhou, MiniMax Hotel Shaoxing Keqiao and Yu Hotel Qingdao Pier. The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai was also selected as the "Only Designated Hotel in Shanghai for Foreign Envoys of the 2022 China International Import Expo", and set an example of oriental hospitality and manners of a great nation.

In the coming year, Shimao Hotel will continue to spread their asset-light footprint, create comfortable and memorable travel accommodation for travelers in various fascinating destinations across China, and offer unique experiences that incorporate the local features of the destinations. It is expected to usher in the grand opening of hotel projects under management services such as Yuluxe Hotel Baoji (寶雞如意茵香茂御酒店), Yu Hotel Chongqing (重慶永川世御酒店), MiniMax Hotel Chengdu Shuangliu Airport (成都睿選酒店(雙流空港店)), MiniMax Hotel Qingdao Dengzhou Road (青島登州路睿選酒店), etc.

Outlook

China's real estate industry experienced unprecedented challenges and was under deep adjustment in 2022. Both demand-side and supply-side policies were put into full play in the real estate market. While demand-side policies were optimized throughout the year, a number of comprehensive supportive supply-side policies were introduced. However, the real estate market sentiment set a prolonged downturn trend in 2022 and its overall situation remained difficult.

Looking ahead to 2023, the trend of loosened industry policies is expected to continue, with a moderate recovery prospect in the real estate industry. However, it will take time for the policies to take effect and for confidence to be restored, and currently the industry is still under tremendous pressure. Faced with such market pressures and challenges, the Group constantly reviews and consolidates insights, strives ahead with perseverance, and adopts multi-pronged approach in response to industry changes. The Company considers quality and efficiency improvement and value chain reshape as its core objectives to position itself for strategic transformation. The Group adheres to its "Giant Aircraft" development strategy with sustainable development as its core, fully leverages Shimao's diversified synergy across service, commercial and hotel sectors under the Group, and ensures sound asset management and operational services to build the Company's long-term resilience.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

Key consolidated income statement figures are set out below:

	2022 RMB million	2021 RMB million
Revenue	63,040	107,797
Gross profit	5,281	2,618
Loss attributable to shareholders	(21,492)	(27,093)
Losses per share – Basic (RMB cents)	(567.4)	(762.7)

Revenue

For the year ended 31 December 2022, the revenue of the Group was approximately RMB63,040 million (2021: RMB107,797 million), representing a decrease of 41.5% over 2021, which was mainly due to the slower completion progress than expected. 79.7% (2021: 87.7%) of the revenue was generated from the sales of properties and 20.3% (2021: 12.3%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	2022 RMB million	2021 RMB million
Sales of properties	50,260	94,488
Hotel operation income	1,746	2,116
Commercial properties operation income	1,889	2,033
Property management income and others	9,145	9,160
Total	63,040	107,797

* The income does not include revenue from the Group.

(i) Sales of Properties

Sales of properties for the years ended 31 December 2022 and 2021 are set out below:

	2022		2021	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
Straits Development District	1,821,386	19,185	2,410,654	38,015
Jiangsu and Shanghai District	736,015	10,077	874,322	11,481
Zhejiang District	578,762	7,788	711,386	16,221
Western District	689,183	5,326	723,937	6,464
Central China District	423,647	4,571	306,282	3,794
Shandong District	263,237	2,362	636,198	5,756
Northern China District	51,610	951	738,144	12,757
Total	4,563,840	50,260	6,400,923	94,488

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Hotel Income

Hotel operation income is set out as follows:

	Date of Commencement	2022 RMB million	2021 RMB million
Four Points by Sheraton Hong Kong Tung Chung	January 2021	215	192
InterContinental Shanghai Wonderland	November 2018	162	272
Sheraton Hong Kong Tung Chung Hotel	December 2020	143	103
Conrad Shanghai	September 2006	134	217
The Yuluxe Sheshan, A Tribute Portfolio Hotel, Shanghai	November 2005	134	141
Conrad Xiamen	August 2016	98	116
Hilton Wuhan Riverside	July 2016	84	111
Crowne Plaza Shaoxing	March 2014	77	73
Hilton Changsha Riverside	July 2021	77	27
Hilton Nanjing Riverside	December 2011	73	78
InterContinental Fuzhou	January 2014	66	74
DoubleTree by Hilton Ningbo Beilun	December 2016	59	52
Hilton Shenyang	January 2018	58	71
Hilton Yantai	August 2017	55	69
Le Méridien Hangzhou Binjiang	September 2018	50	56
Hilton Tianjin Eco-City	April 2015	34	45
DoubleTree by Hilton Ningbo Chunxiao	December 2015	28	27
Yuluxe Hotel Taizhou	August 2014	27	28
Holiday Inn Mudanjiang	December 2010	17	18
Hyatt on the Bund Shanghai	June 2007	17	197
Yutopia Wuyi Mountain Retreat	September 2020	4	40
Others		134	109
Total		1,746	2,116

Hotel operation income decreased by approximately 17.5% to RMB1,746 million in 2022 from RMB2,116 million in 2021. The decrease mainly due to the continuous resurgence of COVID-19 pandemic, and the continuous tightening of control policies in various places, meanwhile Hyatt on the Bund Shanghai and Yutopia Wuyi Mountain Retreat were sold in early 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Commercial Properties Operation Income

Commercial properties operation income decreased by approximately 7.1% to RMB1,889 million in 2022 from RMB2,033 million in 2021. It was mainly due to the downturn in consumer market, and market participants generally lack confidence.

Commercial properties operation income is analysed as follows:

	Date of Commencement	2022 RMB million	2021 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	183	221
Beijing Shimao Tower	July 2009	145	138
Jinan Shimao Festival City	May 2014	142	161
Shenzhen Shimao Qianhai Center	July 2020	113	95
Chengdu Shimao Festival City	April 2021	97	48
Shanghai Shimao Tower	December 2018	91	58
Shaoxing Shimao Dear Town (Commercial)	May 2010	63	61
Nanjing Straits City (Commercial)	December 2014	61	59
Kunshan Shimao Plaza	April 2012	61	54
Nanjing Yuhua Shimao (Commercial)	December 2018	52	63
Xiamen Shimao Straits Mansion	January 2017	44	51
Suzhou Shimao Canal Scene (Commercial)	June 2010	40	28
Changsha Shimao Global Financial Center	September 2020	28	35
Shanghai Shimao Shangdu	November 2010	26	23
Qingdao Shimao 52+	August 2020	20	13
Xiamen Jimei Shimao Festival City	April 2021	13	16
Wuhu Shimao Riviera Garden (Commercial)	September 2009	10	10
Xuzhou Shimao Dongdu (Commercial)	January 2012	9	11
Quanzhou Shishi Shimao Skyscraper City	January 2017	5	20
Miscellaneous rental income		158	218
Rental income sub-total		1,361	1,383
Commercial properties operation related service income		528	650
Total		1,889	2,033

(iv) Property Management Income and Others

For the year ended 31 December 2022, property management income and others was approximately RMB9,145 million, which mainly comprised income from property management services of approximately RMB5,042 million and from community value-added services of approximately RMB1,688 million. Revenue from property management income and others had no significant fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales decreased by 45.1% to approximately RMB57,759 million in 2022 from RMB105,179 million in 2021, which was in line with the decline in revenue.

Gross Profit Margin

For the year ended 31 December 2022, the Group's gross profit margin was approximately 8.4% (2021: 2.4%). The low gross profit margin was due to the following reasons: the Group continually provided discounts on properties to fast promote cash collection; low margin revenue with high land cost entered settlement; the increasing materials and labor costs also led to low gross profit margin.

Fair Value Losses on Investment Properties – Net

During the year, the Group recorded aggregate fair value losses of approximately RMB631 million (2021: RMB602 million), mainly caused by the decrease in fair value of investment property under development Hangzhou Jianqiao Project. Aggregate net fair value losses after deferred income tax of approximately RMB158 million (2021: RMB150 million) recognized was RMB473 million (2021: RMB452 million).

Other Income/Other Gains – Net

Net other income/other gains was approximately RMB3,562 million (2021: RMB132 million), which mainly comprised the gain from the disposal of subsidiaries and joint ventures of approximately RMB3,389 million, including Hyatt on the Bund Shanghai and the project of Guangzhou Asian Games City.

Selling and Marketing Costs and Administrative Expenses

For the year ended 31 December 2022, the Group's selling and marketing costs decreased by 47.7% to approximately RMB2,813 million from approximately RMB5,377 million for the year ended 31 December 2021. This decrease was in line with the decline in the Group's contracted sales during the period.

For the year ended 31 December 2022, the Group's administrative expenses decreased by 4.7% to approximately RMB5,719 million from approximately RMB6,003 million for the year ended 31 December 2021. 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 RMB319 million during the year ended 31 December 2022.

Finance Costs – Net

Net finance costs was approximately RMB15,118 million (2021: RMB2,768 million), mainly due to the change in trend of foreign exchange rates fluctuations and interest on borrowings increased in 2022.

Share of Results of Associated Companies and Joint Ventures

For the year ended 31 December 2022, share of results of associated companies and joint ventures was losses of approximately RMB132 million, representing a decline in loss of approximately RMB301 million compared with the year ended 31 December 2021, mainly due to the decrease in the provision for impairment of properties made by associates and joint ventures of the Group as compared with the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

The Group's tax provisions amounted to approximately RMB3,109 million for the year, in which PRC land appreciation tax ("LAT") was RMB983 million (2021: RMB6,805 million, in which LAT was RMB3,634 million). The decrease in LAT was in line with the decline in revenue.

Loss Attributable to Shareholders

Loss attributable to shareholders for the year ended 31 December 2022 decreased to approximately RMB21.492 billion from approximately RMB27.093 billion for the year ended 31 December 2021. The decrease was mainly due to the increase in gross profit and other gains from disposal of subsidiaries and joint ventures.

The core loss attributable to shareholders represents loss after tax attributable to shareholders excluding major non-recurring or non-cash items, i.e. after-tax impact of fair value losses 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, loss from core business attributable to shareholders for the year ended 31 December 2022 decreased by RMB10.426 billion to approximately RMB12.825 billion (2021: RMB23.251 billion). Loss margin from core business attributable to shareholders was 32.3% in 2022.

Amounts due from Associated Companies and Joint Ventures

Amounts due from associated companies and joint ventures, represent proportional funding to the associated companies and joint ventures for the underlying projects by the Group, have increased to approximately RMB66.691 billion as at 31 December 2022 from approximately RMB59.976 billion as at 31 December 2021 due to funding to these companies for normal operation and other fund demand. Meanwhile, less cash support comes from these associated companies and joint ventures as less cash collection from sales due to the downturn of market. These balances are expected to be recovered within one year to three years.

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 2022, the Group's net gearing ratio was approximately 302.2% (31 December 2021: 156.0%).

The liabilities to assets ratio after excluding receipts in advance is calculated by dividing total liabilities minus receipts in advance (including contract liabilities and relevant value-added tax amounted approximately RMB125.24 billion as at 31 December 2022) by total assets minus receipts in advance. As at 31 December 2022, the Group's liabilities to assets ratio after excluding receipts in advance was approximately 83.8% (31 December 2021: 77.4%).

The cash to current borrowings ratio is calculated by dividing cash and cash equivalents minus guarantee deposits for construction of pre-sale properties (31 December 2022: approximately RMB17.19 billion) by current borrowings. As at 31 December 2022, the Group's cash to current borrowings ratio was 0.03 (31 December 2021: 0.21).

MANAGEMENT DISCUSSION AND ANALYSIS

The maturity of the borrowings of the Group as at 31 December 2022 is set out as follows:

	RMB million
Bank borrowings, borrowings from other financial institutions and bonds	
Within 1 year	174,844
Between 1 and 2 years	23,047
Between 2 and 5 years	22,941
Over 5 years	5,996
Senior notes	
Within 1 year	16,528
Between 1 and 2 years	6,951
Between 2 and 5 years	15,578
Over 5 years	8,122
Total	274,007

The total amount of borrowings increased by 18.2% from approximately RMB231.759 billion as at 31 December 2021 to approximately RMB274.007 billion as at 31 December 2022, which was mainly due to the continued downturn in the real estate industry and the spread of COVID-19 pandemic across China, some of the partners of associated companies and joint ventures early withdrew their investment equities to avoid liquidity risk. And these associated companies and joint ventures with borrowings became subsidiaries of the Group, thus increasing the total amount of the borrowings of the Group.

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 2022, the Group's total secured borrowings of approximately RMB216.085 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 RMB203.885 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 2022, the Group had contracted capital and property development expenditure but not provided for amounted to RMB45.636 billion.

Employees and Remuneration Policy

As of 31 December 2022, the Group employed a total of 54,401 employees, among whom 1,990 were engaged in property development. Total remuneration for the year amounted to approximately RMB6.820 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.

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 2022.

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 2022 are set out on pages 49 to 154 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 2022 (2021: Nil).

Business Review

A business review of the Group for the year ended 31 December 2022, 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 15 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 note 42 to the consolidated financial statements on page 152 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 issued shares of the Company) 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 2022 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 RMB12,073,000 (2021: RMB68,837,000).

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 2022 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 shares of the Company 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. Lu Yi
 (redesignated from Executive Director to Non-executive Director on 2 August 2023)
 Mr. Ye Mingjie

Independent Non-executive Directors

Mr. Lyu Hong Bing
 Mr. Lam Ching Kam
 Mr. Fung Tze Wa (appointed on 24 August 2022)
 Ms. Kan Lai Kuen, Alice (resigned on 24 August 2022)

In accordance with Article 86(3) of the Articles of Association, Mr. Xie Kun and Mr. Fung Tze Wa who were appointed as Directors after the last annual general meeting of the Company (the "AGM"), will hold office until the forthcoming AGM and, being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

In accordance with Article 87 of the Articles of Association, three Directors, namely, Mr. Hui Wing Mau, Ms. Tang Fei and Mr. Lu Yi shall retire from office by rotation respectively at the forthcoming 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/her 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") during their tenure of service. The Company considers that all the Independent Non-executive Directors are independent.

REPORT OF THE DIRECTORS

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

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

REPORT OF THE DIRECTORS

During the year ended 31 December 2022, no Shimao Group Share was granted, vested or lapsed under the 2011 Shimao Group Share Award Scheme. Details of the movement of Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme during the year ended 31 December 2022 are set out below:

Name of grantees	Date of grant	Number of Shimao Group Shares				
		Outstanding as at 1 January 2022	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Outstanding as at 31 December 2022
Directors ^(Note 1)						
Hui Sai Tan, Jason	15 April 2020 ^(Note 2)	64,168	–	–	–	64,168
	15 April 2021 ^(Note 3)	55,325	–	–	–	55,325
		119,493	–	–	–	119,493
Tang Fei	15 April 2020 ^(Note 2)	72,272	–	–	–	72,272
	15 April 2021 ^(Note 3)	51,731	–	–	–	51,731
		124,003	–	–	–	124,003
Xie Kun	15 April 2020 ^(Note 2)	48,445	–	–	–	48,445
	15 April 2021 ^(Note 3)	208,059	–	–	–	208,059
		256,504	–	–	–	256,504
Lu Yi	15 April 2020 ^(Note 2)	49,424	–	–	–	49,424
	15 April 2021 ^(Note 3)	41,809	–	–	–	41,809
		91,233	–	–	–	91,233
Ye Mingjie	15 April 2020 ^(Note 2)	41,518	–	–	–	41,518
Sub-total		632,751	–	–	–	632,751
Other Employees of the Group	15 April 2019 ^(Note 4)	1,413,213	–	–	–	1,413,213
	15 April 2020 ^(Note 2)	1,625,959	–	–	–	1,625,959
	15 April 2021 ^(Note 3)	5,037,430	–	–	–	5,037,430
Sub-total		8,076,602	–	–	–	8,076,602
Total		8,709,353	–	–	–	8,709,353

Notes:

1. 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.

REPORT OF THE DIRECTORS

Since the Adoption Date I and up to the date of this report, a total of 48,751,338 Shimao Group Shares have been granted under the 2011 Shimao Group Share Award Scheme. The total number of Shimao Group Shares available for future grant under the 2011 Shimao Group Share Award Scheme is 20,567,678 Shimao Group Shares, representing approximately 0.54% of the total number of issued Shimao Group Shares as at the date of this report.

2. 2021 Shimao Group Share Award Scheme

Another share award scheme of the Company (the “2021 Shimao Group Share Award Scheme”) was adopted by the Board on 3 May 2021 (the “Adoption Date II”). Unless terminated earlier by the Board, the 2021 Shimao Group Share Award Scheme is valid and effective for a term of ten years commencing on the Adoption Date II. The participants of the 2021 Shimao Group Share Award Scheme include an employee (including directors, supervisors or senior management) of any member of the Group and Shimao Services Group.

The maximum number of shares which can be awarded under the 2021 Shimao Group Share Award Scheme is 0.3% of the shares of Shimao Services (the “Shimao Services Shares”) in issue as at the Adoption Date II (i.e. 7,091,919 Shimao Services Shares). The maximum number of Shimao Services Shares which may be subject to an award or awards to a selected employee under the 2021 Shimao Group Share Award Scheme must not exceed 0.3% of the total number of issued shares of Shimao Services as at the Adoption Date II (i.e. 7,091,919 Shimao Services Shares).

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

During the year ended 31 December 2022, 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 2022 are set out below:

Name of grantees	Date of grant ^(Note 2)	Number of Shimao Services Shares				Outstanding as at 31 December 2022
		Outstanding as at 1 January 2022	Granted during the year	Vested during the year	Lapsed/cancelled during the year	
Directors ^(Note 1)						
Hui Sai Tan, Jason	10 May 2021	57,129	–	–	–	57,129
Tang Fei	10 May 2021	53,418	–	–	–	53,418
Lu Yi	10 May 2021	43,172	–	–	–	43,172
Ye Mingjie	10 May 2021	1,104,728	–	(662,837)	–	441,891
Sub-total		1,258,447	–	(662,837)	–	595,610
Other Employees of the Group (including the employees of Shimao Services Group)	10 May 2021	5,607,374	–	(2,783,658)	(758,918)	2,064,798
Total		6,865,821	–	(3,446,495) ^(Note 3)	(758,918) ^(Note 4)	2,660,408

Notes:

- 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.
- 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.
- The Shimao Services Shares were vested on 15 November 2022. The weighted average closing price of the Shimao Services Shares immediately before the date on which the awards were vested was HK\$2.13 per Shimao Services Share.
- The Shimao Services Shares were lapsed during the year.

REPORT OF THE DIRECTORS

Since the Adoption Date II and up to the date of this report, a total of 6,865,821 Shimao Services Shares have been granted under the 2021 Shimao Group Share Award Scheme. The total number of Shimao Services Shares available for future grant under the 2021 Shimao Group Share Award Scheme is 226,098 Shimao Services Shares, representing approximately 0.009% of the total number of issued Shimao Services Shares as at the date of this report.

3. Shimao Services Shares Award Scheme

A share award scheme of Shimao Services (the “Shimao Services Share Award Scheme”) was adopted by the Board of Shimao Services on 28 June 2021 (the “Adoption Date III”). The Shimao Services Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date III. The participants of the Shimao Services Share Award Scheme include an employee of any member of the Shimao Services Group.

The maximum number of Shimao Services Shares which can be awarded under the Shimao Services Share Award Scheme is 3% of the Shimao Services Shares in issue as at the Adoption Date III (i.e. 70,919,190 Shimao Services Shares). The maximum number of Shimao Services Shares which may be subject to an award or awards to a selected employee under the Shimao Services Share Award Scheme must not exceed 3% of the total number of issued shares of Shimao Services as at the Adoption Date III (i.e. 70,919,190 Shimao Services Shares).

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

During the year ended 31 December 2022, 4,017,105 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 2022 are set out below:

Name of grantees	Date of grant ^(Note 2)	Number of Shimao Services Shares				
		Outstanding as at 1 January 2022	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	Outstanding as at 31 December 2022
Directors of Shimao Services						
Cao Shiyang	16 November 2022	–	242,362	–	–	242,362
Cai Wenwei	16 November 2022	–	144,424	–	–	144,424
Sub-total		–	386,786	–	–	386,786
Highest paid individuals ^(Note 1) (excluding Directors of Shimao Services as disclosed above)	16 November 2022	–	272,555	–	–	272,555
Other Employees of Shimao Services Group	16 November 2022	–	3,357,764	–	–	3,357,764
Sub-total		–	3,630,319	–	–	3,630,319
Total		–	4,017,105	–	–	4,017,105

REPORT OF THE DIRECTORS

Notes:

1. The five highest paid individuals of Shimao Services Group for the year include three directors of Shimao Services. One of them does not hold any awarded Shimao Services Shares during the year.
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.

Since the Adoption Date III and up to the date of this report, a total of 4,017,105 Shimao Services Shares have been granted under the Shimao Services Share Award Scheme. The total number of Shimao Services Shares available for future grant under the Shimao Services Share Award Scheme is 66,902,085 Shimao Services Shares, representing approximately 2.71% of the total number of issued Shimao Services Shares as at the date of this report.

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 2022, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 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%
Lu Yi	Beneficial owner	546,897 ^(Note 5)	0.014%
Ye Mingjie	Beneficial owner	265,086 ^(Note 6)	0.007%

REPORT OF THE DIRECTORS

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 Shiyong Finance Limited ("Shiyong Finance"). Both Gemfair and Shiyong Finance are directly wholly-owned by Mr. Hui Wing Mau. By virtue of the SFO, Mr. Hui Wing Mau is deemed to be interested in Shimao Group Shares held by Gemfair and Shiyong Finance.
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 91,233 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.
6. 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	3,419,326 ^(Note 2)	0.139%
Hui Sai Tan, Jason	Beneficial owner	57,129 ^(Note 3)	0.002%
Tang Fei	Beneficial owner	53,418 ^(Note 3)	0.002%
Xie Kun	Beneficial owner	23,600	0.001%
Lu Yi	Beneficial owner	43,172 ^(Note 3)	0.002%
Ye Mingjie	Beneficial owner	1,904,728 ^(Note 4)	0.077%

Notes:

1. The interests disclosed represent 31,934,159 Shimao Services Shares held by Gemfair, 10,856,342 Shimao Services Shares held by Shiyong Finance and 1,550,486,179 Shimao Services Shares held by Best Cosmos Limited ("Best Cosmos"), a wholly-owned subsidiary of the Company. The Company is owned as to 53.866% by Gemfair and 9.929% by Shiyong Finance. Both Gemfair and Shiyong Finance are directly wholly-owned by Mr. Hui Wing Mau. By virtue of the SFO, Mr. Hui Wing Mau is deemed to be interested in Shimao Services Shares held by Gemfair, Shiyong Finance and Best Cosmos.
2. The interests disclosed represent deemed interests in 3,419,326 Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme of which Best Cosmos as the trustee to hold the awarded shares upon a trust established for the 2021 Shimao Group Share Award Scheme until the awarded shares are vested.
3. The interests disclosed include deemed interests in Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme.
4. The interests disclosed include deemed interests in 441,891 Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme.

REPORT OF THE DIRECTORS

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 2022, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

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

Notes:

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

Save as disclosed above, no other 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 2022, the following Director was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

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

The Directors, including those interested in the businesses of the Private Group, will, as and when required under the Articles of Association, 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. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of the relevant legal actions against the Directors.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2022,

1. Crystal Idea Group Limited, being a wholly-owned subsidiary of Shimao Services, redeemed all the outstanding senior unsecured guaranteed convertible bonds due on 31 October 2022;
2. Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 63.92%-owned subsidiary of the Company, redeemed on the Shanghai Stock Exchange an aggregate principal amount of RMB1,900,139,000 of long-term bonds at a fixed interest rate of 4.65% due on 17 January 2022, an aggregate principal amount of RMB950,044,000 of long-term bonds at a fixed interest rate of 4.64% due on 21 March 2022; and
3. Shanghai Shimao, redeemed RMB20,000,000 of medium-term notes at a fixed interest rate of 4.24%, RMB500,000,000 of private placement notes at a fixed interest rate of 4.50% and RMB200,000,000 of private placement notes at a fixed interest rate of 3.70% on Interbank Market Clearing House Co., Ltd..

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31 December 2022.

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, 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.

REPORT OF THE DIRECTORS

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 2022, 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, a term loan in the amount of US\$1,315,000,000 or its equivalent has been made available to the Company for a term of 48 months from the date of the facility agreement.

As provided in each of the above agreements, if (a) Mr. Hui Wing Mau and his family together cease: (i) to be the single largest shareholder of the Company; (ii) to maintain (directly or indirectly) at least 51% beneficial shareholding interest in the issued share capital of the Company; 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 2022 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company’s issued shares as required under the Listing Rules.

REPORT OF THE DIRECTORS

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 to hold office until the conclusion of the next AGM. 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 2022 have been audited by ZHONGHUI ANDA. A resolution for the re-appointment of ZHONGHUI ANDA as the Company’s auditor will be proposed at the forthcoming AGM.

On behalf of the Board

Hui Wing Mau

Chairman

Hong Kong, 28 July 2023

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 all the code provisions set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 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 2022.

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 10 to the Listing Rules 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 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, 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 references 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.

CORPORATE GOVERNANCE REPORT

Currently, the Board consisted of nine Directors, comprising four Executive Directors, two Non-executive Directors together with three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

The Board has four scheduled meetings a year at approximately quarterly interval and meets as and when required. During the financial year ended 31 December 2022, four Board meetings were held, all of which were attended by all Directors. All 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 33. 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.

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board is committed to the Company's objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the management.

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 responsibility 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 2022 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. Lu Yi
 (redesignated from Executive Director to
 Non-executive Director on 2 August 2023)
 Mr. Ye Mingjie

Independent Non-executive Directors

Mr. Lyu Hong Bing
 Mr. Lam Ching Kam
 Mr. Fung Tze Wa (appointed on 24 August 2022)
 Ms. Kan Lai Kuen, Alice (resigned on 24 August 2022)

CORPORATE GOVERNANCE REPORT

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 Independent Non-executive Directors, who represent one-third of the Board, bring independent advice, judgment and scrutiny of executives and review of performance and risks.

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 during their tenure of services. Confirmation has been received from all Independent Non-executive Directors that they are independent as set out in Rule 3.13 of the Listing Rules during their tenure of services. In addition, Mr. Fung Tze Wa has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) 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 2022, other than Mr. Lu Yi, Mr. Ye Mingjie and Mr. Xie Kun, 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 and Directors holding offices as chairman and managing director are also subject to retirement by rotation. 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 nine Directors, and is committed to improving gender diversity as and when suitable candidates are identified.

CORPORATE GOVERNANCE REPORT

The current board diversity mix is shown below:

	Number of Directors
Designation	
Executive Directors	4
Non-executive Directors	2
Independent Non-executive Directors	3
Gender	
Male	8
Female	1
Age	
31–40 years old	1
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 (<i>Chairman</i>)	✓	✓	✓		
Mr. Hui Sai Tan, Jason (<i>Vice Chairman and President</i>)	✓	✓	✓		
Ms. Tang Fei	✓	✓	✓	✓	
Mr. Xie Kun	✓	✓	✓		
Non-executive Directors					
Mr. Lu Yi (redesignated from Executive Director to Non-executive Director on 2 August 2023)	✓	✓	✓		
Mr. Ye Mingjie	✓	✓	✓		
Independent Non-executive Directors					
Mr. Lyu Hong Bing	✓		✓		✓
Mr. Lam Ching Kam	✓	✓	✓		
Mr. Fung Tze Wa (appointed on 24 August 2022)	✓		✓	✓	✓
Coverage (% of entire Board)	100%	78%	100%	22%	22%

CORPORATE GOVERNANCE REPORT

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.

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 2022, we maintained a 59:41 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 apprised 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. Lu Yi	✓
Mr. Ye Mingjie	✓
Mr. Lyu Hong Bing	✓
Mr. Lam Ching Kam	✓
Mr. Fung Tze Wa (appointed on 24 August 2022)	✓
Ms. Kan Lai Kuen, Alice (resigned on 24 August 2022)	✓

CORPORATE GOVERNANCE REPORT

C.7 Board and Committee Meetings

Individual attendance records of the Directors at board meetings and board committees' meetings during the financial year ended 31 December 2022, are set out below:

Directors	Attendance/Number of Meeting(s)			
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting
Mr. Hui Wing Mau	4/4	N/A	N/A	N/A
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A
Ms. Tang Fei	4/4	N/A	N/A	N/A
Mr. Xie Kun	4/4	N/A	N/A	N/A
Mr. Lu Yi	4/4	N/A	N/A	N/A
Mr. Ye Mingjie	4/4	N/A	N/A	N/A
Mr. Lyu Hong Bing	4/4	3/3	1/1	1/1
Mr. Lam Ching Kam	4/4	3/3	1/1	1/1
Mr. Fung Tze Wa (appointed on 24 August 2022)	3/3	1/1	1/1	1/1
Ms. Kan Lai Kuen, Alice (resigned on 24 August 2022)	1/1	2/2	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 2022. Details of attendance of the Nomination Committee members are set out in the table on page 33.

CORPORATE GOVERNANCE REPORT

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 2022 is the review of the structure, size and composition (including the mix of skills, knowledge and experience) of the Board and recommendation to the Board for approval the appointment of Mr. Lu Yi as the Executive President of the Company and Mr. Fung Tze Wa as the Independent Non-executive Director of the Company.

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 candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- (d) independence of the candidate;
- (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 Director, re-appointment of Directors and nomination by shareholders of the Company 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 June and August 2022, the Nomination Committee reviewed the qualification, experience, expertise and other factors of candidates for appointment as Executive President and Independent 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 2022. Details of attendance of the Remuneration Committee members are set out in the table on page 33.

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.

CORPORATE GOVERNANCE REPORT

The work performed by the Remuneration Committee for the financial year ended 31 December 2022 is summarized below:

- (a) review of the Company's policy and structure for all remunerations of Directors and senior management of the Company; and
- (b) consideration and recommendation to the Board on the remunerations for all Directors and senior management of the Company.

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, being Mr. Fung Tze Wa (as the chairman of the Audit Committee), Mr. Lyu Hong Bing and Mr. Lam Ching Kam.

There were three Audit Committee meetings held during the financial year ended 31 December 2022. Details of attendance of the Audit Committee members are set out in the table on page 33.

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 2022 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; and
- (d) review of the annual results of the Group before submission to the Board.

The Audit Committee is provided with sufficient resources, including the advice of external auditor to discharge its duties.

The consolidated annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

The Audit Committee meets the external auditor at least twice a year. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report set out on pages 47 to 48 of this annual report.

CORPORATE GOVERNANCE REPORT

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2022 is set out as follows:

Services rendered	RMB'000
Audit services	15,800
Other services	–
Total	15,800

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 Directors are responsible for overseeing the preparation of the financial statements for each financial period which gives a true and fair view of the Group's state of affairs, results and cash flows for relevant period.

The Company recognizes that high quality corporate reporting is important in reinforcing the long term and trustworthy relationship with the Company's 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 2022 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.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 47 to 48 of this 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 47 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 2022.

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, 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.

CORPORATE GOVERNANCE 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 2022. 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.

Major Judgmental Areas

With reference to the accounting treatment on a financing arrangement entered into between a subsidiary of the Group and a third-party trust company described in the Independent Auditor's Report on page 48 of this annual report, the management judged the transaction with a third-party trust company as a long-term equity cooperation to jointly develop and manage the project before March 2022 and changed to interest-bearing debt afterwards. The basis was as follows:

- (i) The project was a large-size complex project and would take more than 10 years to complete. Long-term and sustainable shareholder structure and funding were more favorable to the project. The trust company and the Group reached the cooperation with this common understanding.
- (ii) The trust company held 30% equity interest of a subsidiary of the Group and appointed a director to participate in the management and operation of the subsidiary.
- (iii) Unfavorable change of business and economic environment happened in 2022, when the trust needed to repay its investor funds again, and the Group was caught by its liquidity issue and failed to pay the trust on schedule. Subsequently, the Group received an enforcement notice from the trust, which implied that the trust no longer claims to exercise its shareholder's right, but require the Group to repay as a fixed-term debt.

Based on the above reasonable commercial grounds, the Group treated the amount related to the trust as non-controlling interest and amount due to related parties by the end of 2021, and changed to treat the balance as borrowings since 2022 and accrued the interests.

The auditor shared the same view with the management that the remaining balance of the trust was a fixed-term debt by the end of 2022. Since the auditor was unable to i) obtain direct evidence from the trust whether the balance by the end of 2020 and 2021 should be treated as non-controlling interest or a fixed-term debt; and ii) get evidence to verify if the accumulated accrued interest expenses should be recognized in 2022 or before 2022; the related accounting treatment was qualified accordingly.

The Board and the Audit Committee confirmed that they have reviewed and agreed with the management's position and the basis of assessment on the major judgmental area.

Further details on the above accounting treatment are set out in note 40(c)(ii) to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE 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 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, 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;

CORPORATE GOVERNANCE REPORT

- (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;

CORPORATE GOVERNANCE REPORT

(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 implement 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. 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. Communication with Shareholders

F.1 Shareholders Communication Policy

A Shareholders Communication Policy has been adopted by the Company to ensure that the Company’s shareholders, both individual and institutional (collectively, the “Shareholders”), 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 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 2022 and is effective.

CORPORATE GOVERNANCE REPORT

F.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.

G. 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.

H. Shareholders' Rights

H.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.

H.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.

CORPORATE GOVERNANCE REPORT

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

Pursuant to Article 88 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 Company's 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.

H.4 Procedures for sending enquiries to the Board

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, 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.

I. Significant Amendments to Constitutional Documents

During the financial year ended 31 December 2022, there is no significant change in the constitutional documents of the Company.

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 33 years’ experience in property development, property investment and hotel operation, he is primarily responsible for the Group’s overall strategic planning and business management. Mr. Hui is currently the president of China Federation of Overseas Chinese Entrepreneurs, Life Honourary Chairman of New Home Association, Hong Kong and chairman of Hong Kong Federation of Overseas Chinese Associations etc.. 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 Shiyang 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 46, 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 24 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 52, 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 29 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Xie Kun

Mr. Xie Kun, aged 54, 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 22 years of experience in senior corporate management and project development and operation management in the real estate industry.

Non-Executive Directors

Lu Yi

Mr. Lu Yi, aged 39, was redesignated as a Non-executive Director of the Company on 2 August 2023. He joined the Group since 2008 and was appointed an Executive Director and Executive President of the Company since 2 January 2020 and 23 June 2022 respectively. Mr. Lu is currently the largest regional development controller of the Group, responsible for overseeing the overall operation, development and management of the Group in the Straits district (mainly including Fujian, Guangdong and Hainan). Mr. Lu holds a Master's Degree from Zhejiang University (浙江大學) and has over 14 years' experience in real estate operation and management.

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 17 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 56, 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 30 years' experience in corporate and securities laws in China. Mr. Lyu currently serves as an independent director of Shandong Airlines Co., Ltd. (a company publicly listed on the main board of the Shenzhen Stock Exchange), Shanghai New Huang Pu Industrial Group Co., Ltd. (a company publicly listed on the main board of the Shanghai Stock Exchange) and Cambricon Technologies Corporation Limited (a company publicly 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 publicly listed on the Shanghai Stock Exchange, from 2014 to 2020, and an independent non-executive director of Virtual Mind Holding Company Limited (formerly known as "CEFC Hong Kong Financial Investment Company Limited"), a company publicly 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Lam Ching Kam

Mr. Lam Ching Kam (Alias: Jacob Lam), aged 62, 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 21 years. Mr. Lam has been in the property development and construction industry for 39 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 66, 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 Freeman FinTech Corporation Limited (currently known as "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

There was no change in the information of the Directors since the publication of the interim report of the Company for the six months ended 30 June 2022 which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 shimao-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.

INDEPENDENT AUDITOR'S REPORT

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 49 to 154, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

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 mentions that the Group incurred a loss attributable to equity holders of the Company of approximately RMB21.5 billion. As at 31 December 2022, the Group had borrowings in total of approximately RMB274.0 billion, out of which approximately RMB191.4 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 RMB33.8 billion. As at 31 December 2022, the Group had not repaid borrowings of RMB87.2 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 RMB121.1 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

With reference to note 40(c)(ii) to the consolidated financial statements, 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. 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 up to the date of this report to justify whether the Contributed Capital still met the applicable criteria of equity instruments under Hong Kong Accounting Standard 32 "Financial Instruments: Presentation" as at 31 December 2021. Accordingly, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the classification as equity of non-controlling interest balances attributable to the Subsidiary of approximately RMB5.9 billion as at 31 December 2021. In addition, 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 current 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 2022 and 2021 and the financial position of the Group as at 31 December 2021, 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 July 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6	63,040,148	107,797,269
Cost of sales	29	(57,758,774)	(105,179,409)
Gross profit		5,281,374	2,617,860
Fair value losses on investment properties – net	9	(631,445)	(601,614)
Other income/other gains or losses – net	28	3,561,859	132,360
Selling and marketing costs	29	(2,813,377)	(5,376,840)
Administrative expenses	29	(5,718,667)	(6,002,605)
Provision for impairment losses on financial assets	29	(318,703)	(4,360,195)
Impairment losses on intangible assets	29	–	(2,533,022)
Other operating expenses	29	(1,661,053)	(2,391,803)
Operating loss		(2,300,012)	(18,515,859)
Finance income		391,550	3,170,705
Finance costs		(15,509,967)	(5,939,042)
Finance costs – net	30	(15,118,417)	(2,768,337)
Fair value changes of convertible bonds	25	57	144,746
Share of results of associated companies and joint ventures accounted for using the equity method		(131,724)	(432,927)
Loss before income tax		(17,550,096)	(21,572,377)
Income tax expenses	33	(3,109,210)	(6,804,501)
Loss for the year		(20,659,306)	(28,376,878)
Other comprehensive (loss)/income for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net of tax		28,215	(488,334)
Share of other comprehensive (loss)/income of joint ventures accounted for using the equity method		(47,211)	35,730
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(63,005)	(80,841)
Total comprehensive loss for the year		(20,741,307)	(28,910,323)
(Loss)/profit for the year attributable to:			
– Equity holders of the Company		(21,492,478)	(27,092,790)
– Non-controlling interests		833,172	(1,284,088)
		(20,659,306)	(28,376,878)
Total comprehensive (loss)/income for the year attributable to:			
– Equity holders of the Company		(21,557,451)	(27,544,968)
– Non-controlling interests		816,144	(1,365,355)
		(20,741,307)	(28,910,323)
Losses per share for loss attributable to the equity holders of the Company			
– Basic (RMB cents)	34	(567.4)	(762.7)
– Diluted (RMB cents)	34	(567.4)	(762.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	18,185,394	17,614,321
Right-of-use assets	8	7,262,721	8,286,458
Investment properties	9	67,786,279	66,319,235
Intangible assets	10	3,019,413	2,727,473
Investments accounted for using the equity method	12	20,649,896	27,720,624
Amounts due from related parties	13	5,884,531	6,460,176
Financial assets at fair value through other comprehensive income	14	1,793,316	2,184,336
Deferred income tax assets	15	3,140,695	3,352,443
Other non-current assets	16	3,288,152	3,556,190
		131,010,397	138,221,256
Current assets			
Inventories	17	323,168,336	332,890,055
Trade and other receivables and prepayments	18	41,759,741	23,727,928
Prepayment for acquisition of land use rights	19	4,066,993	4,838,963
Prepaid income taxes		3,919,971	4,473,623
Amounts due from related parties	13	78,475,799	66,056,509
Derivative financial instruments	20	37,705	11,412
Restricted cash	21	11,737,480	10,069,923
Cash and cash equivalents	21	22,034,517	47,814,400
		485,200,542	489,882,813
Total assets		616,210,939	628,104,069
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	22	384,165	384,165
Reserves	23	36,141,316	57,433,792
		36,525,481	57,817,957
Non-controlling interests			
Perpetual capital instruments	24	1,693,620	5,091,000
Other non-controlling interests		41,285,984	51,090,726
		42,979,604	56,181,726
Total equity		79,505,085	113,999,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	82,635,252	123,921,866
Lease liabilities	8	72,318	45,740
Deferred income tax liabilities	15	8,469,828	8,704,284
		91,177,398	132,671,890
Current liabilities			
Trade and other payables	26	82,500,086	91,163,159
Contract liabilities		118,102,262	124,124,133
Dividend payable		860,759	787,817
Income tax payable		24,653,407	27,133,799
Borrowings	25	191,371,662	107,836,757
Derivative financial instruments	20	–	57
Lease liabilities	8	56,216	50,601
Amounts due to related parties	27	27,984,064	30,336,173
		445,528,456	381,432,496
Total liabilities		536,705,854	514,104,386
Total equity and liabilities		616,210,939	628,104,069

Approved and authorised for issue by the Board of Directors on 28 July 2023.

Hui Wing Mau
Director

Hui Sai Tan, Jason
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Attributable to the equity holders of the Company				Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Other non-controlling interests 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 income/(loss) for the year <i>Items that will not be reclassified to profit or loss</i>						
Fair value gains on financial assets at fair value through other comprehensive income, net of tax		-	28,215	-	-	28,215
Share of other comprehensive loss of joint ventures accounted for using the equity method		-	(30,183)	-	(17,028)	(47,211)
<i>Items that may be reclassified to profit or loss</i>						
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	40(a)	-	-	-	2,045,759	2,045,759
Acquisition of subsidiaries	40(a)	-	-	-	51,234	51,234
Capital contribution from non-controlling interests of subsidiaries	40(c)(i)	-	-	-	2,171,149	2,171,149
Changes in ownership interests in subsidiaries without change of control	40(c)(ii)	-	209,428	-	(9,262,231)	(9,052,803)
Disposal of subsidiaries	40(b)	-	-	-	(4,743,153)	(4,743,153)
Equity-settled share-based payment						
– Value of employee services	22(b)	-	54,823	-	-	54,823
– Dividend received	22(b)	-	724	-	-	724
Perpetual capital instruments redeemed/reclassified	24	-	-	(3,550,000)	-	(3,550,000)
Perpetual capital instruments dividends		-	-	(31,891)	-	(31,891)
Dividends paid to non-controlling interests		-	-	-	(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 CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022

	Attributable to the equity holders of the Company		Perpetual capital instruments RMB'000	Other non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Reserves RMB'000			
Balance as at 1 January 2021	362,850	87,639,210	5,141,000	59,351,692	152,494,752
Comprehensive (loss)/income					
(Loss)/profit for the year	–	(27,092,790)	310,216	(1,594,304)	(28,376,878)
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	–	(394,180)	–	(94,154)	(488,334)
Share of other comprehensive income of joint ventures accounted for using the equity method	–	22,843	–	12,887	35,730
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations	–	(80,841)	–	–	(80,841)
Total comprehensive (loss)/income for the year	–	(27,544,968)	310,216	(1,675,571)	(28,910,323)
Transfer from joint ventures to subsidiaries	–	–	–	2,264,695	2,264,695
Acquisition of subsidiaries	–	–	–	1,126,585	1,126,585
Capital contribution from non-controlling interests of subsidiaries	–	–	–	2,495,459	2,495,459
Changes in ownership interests in subsidiaries without change of control	–	(883,323)	–	(10,769,517)	(11,652,840)
Placing of shares of Shimao Services Holdings Limited ("Shimao Services")	–	1,337,371	–	90,347	1,427,718
Disposal of subsidiaries	–	–	–	(440,785)	(440,785)
Equity-settled share-based payment					
– Value of employee services	–	138,434	–	–	138,434
– Purchase of shares	–	(196,339)	–	–	(196,339)
– Dividend received	–	6,190	–	–	6,190
Shares repurchased and cancelled	(415)	(62,273)	–	–	(62,688)
Repurchase of shares of Shimao Services	–	(66,414)	–	–	(66,414)
Placing and subscription of shares	11,860	952,312	–	–	964,172
Issue of scrip shares	9,870	1,366,898	–	–	1,376,768
Perpetual capital instruments redeemed	–	–	(50,000)	–	(50,000)
Perpetual capital instruments dividends	–	–	(310,216)	–	(310,216)
Dividends and distributions	–	(5,253,306)	–	(1,352,179)	(6,605,485)
Total transactions with owners	21,315	(2,660,450)	(360,216)	(6,585,395)	(9,584,746)
Balance at 31 December 2021	384,165	57,433,792	5,091,000	51,090,726	113,999,683

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Net cash generated from operations	36	3,587,188	13,361,088
Interest received		391,550	889,247
Interest paid		(5,686,757)	(14,535,491)
PRC income tax paid		(2,617,522)	(9,306,647)
Net cash used in operating activities		(4,325,541)	(9,591,803)
Cash flows from investing activities			
Additions of property and equipment and investment properties		(810,693)	(1,477,635)
Disposal of property and equipment		185,658	204,233
Additions of land use rights		–	(29,582)
Purchase of intangible assets		(23,713)	(72,707)
Disposal of intangible assets		548	352
Settlement of derivative financial instruments		40,926	(3,696)
Decrease in prepayments for acquisition of equity interests		–	450,221
Increase in prepayments for acquisition of equity interests		–	(245,206)
Net cash inflow/(outflow) on acquisition of subsidiaries		2,644,987	(2,372,975)
Net cash inflow on disposal of subsidiaries		6,758,509	514,336
Capital injections to associated companies		(2,450)	(1,857,663)
Capital injections to joint ventures		–	(672,161)
Disposal of shares of joint ventures		1,886,500	2,406,865
Disposal of shares of associated companies		546,676	208,028
Capital distribution from a joint venture		–	264,700
Dividends received from associated companies and joint ventures		22,500	1,431,328
Advances to joint ventures and associated companies		(6,123,354)	(35,891,831)
Disposal of investment properties		310,901	203,000
Decrease of financial assets at fair value through other comprehensive income		836,363	810,516
Increase of financial assets at fair value through other comprehensive income		(594,259)	(217)
Disposal of financial assets at fair value through profit or loss		–	302,844
Net cash generated from/(used in) investing activities		5,679,099	(35,827,250)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Cash flows from financing activities		
Proceeds from borrowings	23,566,277	127,253,612
Repayments of borrowings	(40,801,385)	(68,965,555)
Repurchases of shares	–	(62,688)
Repurchase of shares of Shimao Services	–	(66,414)
Purchases of shares under the Share Award Scheme	–	(196,339)
Capital contribution from non-controlling interests of subsidiaries	7,692	2,495,459
Acquisition of additional interests in subsidiaries	(88,250)	(11,535,349)
Proceeds from placing the shares of a subsidiary	–	1,427,718
Redemption of convertible bonds of a subsidiary	(2,724,768)	–
Proceeds from the issue of convertible bonds of a subsidiary – net of transaction costs	–	2,517,722
Redemption of perpetual capital instruments	(1,550,000)	(50,000)
Interest for the holders of perpetual capital instruments	(31,891)	(310,216)
Dividends paid to the equity holders of the Company	–	(3,069,518)
Dividends paid to non-controlling interests	(13,185)	(1,352,179)
Decrease in amounts due to non-controlling interests	(2,152,352)	(11,471,661)
Decrease in amounts due to joint ventures and associated companies	(4,164,956)	(8,904,940)
Advances from entities controlled by the controlling shareholder	1,424,258	4,631,762
Dividends received	724	6,190
Lease payment	(65,772)	(66,566)
Increase in restricted cash pledged for borrowings	(722,937)	(1,316,942)
Placing and subscription of shares	–	964,172
Net cash (used in)/generated from financing activities	(27,316,545)	31,928,268
Net decrease in cash and cash equivalents	(25,962,987)	(13,490,785)
Cash and cash equivalents at the beginning of the year	47,814,400	61,038,027
Effect of foreign exchange rate changes	183,104	267,158
Cash and cash equivalents at the end of the year	22,034,517	47,814,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. General information

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

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

These 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 2022, the Group incurred a loss attributable to equity holders of the Company of approximately RMB21.5 billion. As at 31 December 2022, the Group had borrowings in a total of approximately RMB274.0 billion, out of which approximately RMB191.4 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 RMB33.8 billion. As at 31 December 2022, the Group had not repaid borrowings of RMB87.2 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 RMB121.1 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) subsequent to 31 December 2022, 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

- (ii) the Group has also been actively negotiating with other onshore lenders and creditors on the extension of borrowings and has agreed to the extension of long-term bonds and medium-term notes of approximately RMB12.1 billion and RMB5.4 billion which were originally due in 2023 and 2024, respectively. Due to the diverse lender base and changing market conditions, time is still required to determine the extension plans on a case-by-case basis. Taking into account the successful extension cases and the Group's credit history and longstanding relationships with the relevant lenders and creditors, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the existing borrowings step by step;
- (iii) the Group will actively seek other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (iv) the Group will actively face the current situation and seek various ways to resolve the pending litigations of the Group. The Group is positive that it will be able to reach an solution to the litigations which have not yet reached a definite outcome at the current stage;
- (v) the Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties; and
- (vi) the Group will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows.

The Directors are of the opinion that, assuming the above plans and measures can be successfully implemented as scheduled, the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due within the following twelve months from 31 December 2022. 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 2022. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant accounting policies

The significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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	10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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 straightline method over the concession period of 5 to 26 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 straightline 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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;
- Financial assets at fair value through other comprehensive income; and
- Financial assets at fair value through profit or loss.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant accounting policies (CONTINUED)**Financial assets (continued)****(iii) Financial assets at fair value through profit or loss**

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of financial assets at fair value through other comprehensive income unless the Group designates an financial asset that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in consolidated profit or loss. The fair value gains or losses recognised in consolidated profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in consolidated profit or loss.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant accounting policies (CONTINUED)**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.

Convertible bond contains debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bond carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the debt and derivative components in proportion to their relative fair values. Transactions costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bond using the effective interest method.

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by a subsidiary of the Group are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the subsidiary, or when agreed by majority of the holders.

Convertible redeemable preferred shares are initially recognised at fair value and are subsequently re-measured to their fair value at the end of each reporting period. The subsequent changes in fair value is recognised immediately in the consolidated profit or loss.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant accounting policies (CONTINUED)**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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 production 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

3. Significant accounting policies (CONTINUED)**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

4. Critical judgements and key accounting estimates (CONTINUED)**(b) Key sources of estimation uncertainty** (continued)*(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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\$"), United States dollar ("US dollar", or "US\$") and Japanese yen ("JPY yen", or "JPY¥").

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. For the year ended 31 December 2022, the Group manages its foreign exchange risk by using foreign currency option contracts and interest rate swaps contracts. Such contracts have the economic effect of setting a strike rate for agreed amount of foreign currency amount. Under these contracts, the Group agrees with a third party to exchange, at specified intervals, the difference between strike and spot exchange rate amounts calculated by reference to the agreed notional amount.

As at 31 December 2022, 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 RMB4,980,270,000 (2021: RMB4,639,561,000) 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 2022, borrowings with a total carrying amount of RMB64,134,247,000 (2021: RMB60,974,090,000) are denominated in US dollar, borrowings with a total carrying amount of RMB36,162,534,000 (2021: RMB37,513,567,000) are denominated in HK dollar and borrowings with a total carrying amount of RMBNil (2021: RMB482,154,000) are denominated in JPY yen.

(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 2022, 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 RMB179,332,000 (2021: RMB218,434,000) 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 2022, the Group did not converted borrowings from fixed rate to floating rate through interest rate swaps (2021: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 RMB141,290,000 (2021: RMB144,443,000) higher/lower mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2022. 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 RMB533,746,000 (2021: RMB520,850,000) higher/lower mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2022.

(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 2022.

Counterparty	Rating (Note)	2022 RMB'000	2021 RMB'000
Bank A	A	4,505,875	7,157,591
Bank B	BBB+	4,189,801	5,886,635
Bank C	A	2,427,207	3,645,672
Bank D	A	2,216,128	2,734,748
Bank E	BBB	928,057	2,567,307

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 2022 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 and 31 December 2021 was determined as follows for trade receivables and other receivables and amounts due from related parties:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. Financial risk management (CONTINUED)**(b) Credit risk** (continued)*(iii) Other receivables and amounts due from related parties* (continued)

31 December 2021	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	7,141,473	1,537,346	588,518	9,267,337
Expected loss rate	1.00%	7.50%	10.00%	
Loss allowance	71,415	115,301	58,852	245,568
<hr/>				
31 December 2021		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%	968,226	84,087
Other receivables		0.50% – 20.00%	14,920,679	1,098,659
Amounts due from related parties		0.10% – 10.00%	76,300,572	3,783,887
			92,189,477	4,966,633

The closing loss allowances for trade receivables and other receivables and amounts due from related parties as at 31 December 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	233,213	3,023,954	3,257,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 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
At 31 December 2021					
Borrowings and interest payments	118,077,859	59,693,643	57,244,875	18,981,628	253,998,005
Trade and other payables (excluding other taxes payables)	83,170,565	–	–	–	83,170,565
Amounts due to related parties	30,336,173	–	–	–	30,336,173
Lease liabilities	53,589	27,610	36,438	–	117,637
	231,638,186	59,721,253	57,281,313	18,981,628	367,622,380

Note:

The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2022 and 2021 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2022 and 2021 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 and 2021 are as follows:

	2022 RMB'000	2021 RMB'000
Total borrowings	274,006,914	233,308,623
Less: Cash and cash equivalents (note 21)	(22,034,517)	(47,814,400)
Restricted cash (note 21)	(11,737,480)	(10,069,923)
Net debt	240,234,917	175,424,300
Total equity	79,505,085	112,449,683
Net gearing ratio	302.2%	156.0%

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

Description	Fair value measurement using:			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
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
At 31 December 2021				
Financial assets				
Derivative financial instruments	–	11,412	–	11,412
Financial assets at FVOCI				
– investment in listed equity securities	595,053	–	–	595,053
– investment in unlisted entities	–	–	588,313	588,313
– investment in structured products	–	–	1,000,970	1,000,970
Financial liabilities				
Derivative financial instruments	–	57	–	57

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.

Derivative financial instruments included in Level 2 as at 31 December 2021 are one interest rate swaps contract with the Morgan Stanley & Co International PLC and seven interest rate swaps contracts with HSBC, the fair value of which is determined using interest rates that are quoted by financial institutions.

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

Financial assets at FVOCI as at 31 December 2022 and 2021 included in Level 3 are the investment in unlisted entities and structured products entered into with financial institutions, the fair value of which are determined using the valuation model for which not all inputs are market observable, such as discount rates and net assets value of underlying assets. The higher the discount rates/net assets value, the lower/higher the fair value of the financial assets at FVOCI measured at fair value based on level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. Financial risk management (CONTINUED)**(e) Fair values** (continued)**(ii) Reconciliation of the Group's financial assets and liabilities measured at fair value based on level 3: Financial assets at FVOCI at fair value:**

	2022 RMB'000	2021 RMB'000
Opening balances of assets	1,589,283	592,392
Additions	594,259	217
Additions through acquisitions of subsidiaries	–	1,350,970
Disposals	(319,128)	(368,044)
Disposal of subsidiaries	(177,131)	–
Fair value gains recognised in OCI	104,976	13,748
Closing balances of assets	1,792,259	1,589,283

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

	2022 RMB'000	2021 RMB'000
Sales of properties	50,260,189	94,487,931
Hotel operation income	1,746,286	2,116,438
Commercial properties operation income	1,889,052	2,033,243
Property management income, and others	9,144,621	9,159,657
	63,040,148	107,797,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

Year ended 31 December 2022

	Property development and investment				Total RMB'000
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* RMB'000	Others RMB'000	Shimao Services** RMB'000	Unallocated*** 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 properties 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

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

	Property development and investment			Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000	Shimao Services** 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	39,853,342	156,575,817	526,871	196,956,030
Other segment liabilities	53,160,009	194,153,932	3,472,323	250,786,264
Total segment liabilities	93,013,351	350,729,749	3,999,194	447,742,294
Corporate borrowings				77,050,884
Deferred income tax liabilities				8,469,828
Other liabilities				3,442,848
Total liabilities				536,705,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

Year ended 31 December 2021

	Property development and investment		Shimao Services**	Unallocated***	Total
	Shanghai Shimao*	Others			
	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	19,275,309	80,921,300	8,343,432	–	108,540,041
Elimination					(742,772)
Total revenue					107,797,269
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	(3,999,128)	(17,678,669)	770,083	(664,663)	(21,572,377)
Income tax expense					(6,804,501)
Loss for the year					(28,376,878)
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 loss 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

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

	2022 RMB'000	2021 RMB'000
Related to development and sales of properties contracts Contract liabilities (Note)	118,102,262	124,124,133

Note: Contract liabilities have been disclosed with the value-added tax of approximately RMB7.1 billion deducted in 2022 (2021: approximately RMB5.7 billion).

Revenue from sales of properties totalled approximately RMB37 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 RMB35 billion as of 31 December 2022 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021	1,332,456	17,165,091	594,536	1,283,408	1,214,008	21,589,499
Additions	256,987	97,205	90,076	757	739	445,764
Additions through acquisitions of subsidiaries	55,472	–	78,208	149,942	12,883	296,505
Disposal of subsidiaries	–	–	(110)	(38,861)	–	(38,971)
Disposals	–	(145,217)	(13,352)	(321,053)	(1,175)	(480,797)
Transfer upon completion	(127,842)	–	1,583	–	126,259	–
Transfer (to)/from properties under development	(330,337)	2,162,249	–	–	533,226	2,365,138
Cost adjustments	–	(226,265)	–	–	–	(226,265)
At 31 December 2021	1,186,736	19,053,063	750,941	1,074,193	1,885,940	23,950,873
Accumulated depreciation and impairment loss						
At 1 January 2021	–	3,763,261	321,727	319,898	320,301	4,725,187
Charge for the year	–	483,100	51,861	71,466	95,213	701,640
Impairment loss	–	1,186,354	–	–	–	1,186,354
Disposal of subsidiaries	–	–	(65)	–	–	(65)
Disposals	–	(100,902)	(6,005)	(168,881)	(776)	(276,564)
At 31 December 2021	–	5,331,813	367,518	222,483	414,738	6,336,552
Carrying amount						
At 31 December 2021	1,186,736	13,721,250	383,423	851,710	1,471,202	17,614,321

Depreciation charge of approximately RMB891,063,000 for the year ended 31 December 2022 (2021: RMB701,640,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (note 29).

In view of the continuing adverse changes in the local market conditions in which the hotel property of the Group operates, the management of the Group concluded that there were indicators for impairment and conducted an impairment assessment on certain hotel buildings and improvements. The recoverable amount of these assets has been determined based on their fair value less costs of disposal measured by reference to the depreciated replacement cost (level 3 fair value measurements) assessed by an independent professional valuer. As a result, an impairment loss of approximately RMB1,186,354,000 was recognised in consolidated profit or loss for the year ended 31 December 2021.

As at 31 December 2022, assets under construction and buildings of the Group with a total carrying amount of approximately RMB12,372,935,000 (2021: RMB8,370,397,000) were pledged as collateral for certain borrowings of the Group (note 25).

For the year ended 31 December 2022, the Group has capitalised borrowing costs amounting to approximately RMB43,444,000 (2021: RMB22,799,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 8.31% (2021: 5.40%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

8. Leases**(a) Amounts recognised in the consolidated statement of financial position**

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Land use rights and leasehold land	7,117,089	8,174,978
Buildings	143,340	105,579
Vehicles	2,292	5,901
	7,262,721	8,286,458
Lease liabilities		
Current	56,216	50,601
Non-current	72,318	45,740
	128,534	96,341

(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:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Amortisation charge of right-of-use assets		
Land use rights and leasehold land	(97,326)	(109,784)
Buildings	(61,455)	(59,591)
Vehicles	(3,652)	(3,589)
	(162,433)	(172,964)
Interest expense (included in finance cost) (note 30)	(6,832)	(9,195)

The total cash outflow for leases in 2022 was approximately RMB65,772,000 (2021: RMB66,566,000). As at 31 December 2022, land use rights of approximately RMB3,680,223,000 (2021: RMB3,484,318,000) were pledged as collateral for the Group's borrowings (note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

9. Investment properties

	2022 RMB'000	2021 RMB'000
Opening balance at 1 January	66,319,235	63,175,590
Additions – Construction cost and others	453,887	1,031,871
Additions – Acquisitions of subsidiaries	884,526	487,900
Transfer from properties under development	1,070,977	3,264,944
Disposals	(310,901)	(203,000)
Impairment loss on investment properties under construction measured at cost	–	(836,456)
Fair value losses – net	(631,445)	(601,614)
Closing balance at 31 December	67,786,279	66,319,235

As at 31 December 2022, 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 2021: 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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Commercial properties operation income	1,889,052	2,033,243
Direct operating expenses from properties that generated rental income	20,877	23,100
Direct operating expenses from properties that did not generate rental income	7,416	6,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 and 2021.

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

Description	Fair value measurements at 31 December 2021 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	–	–	65,853,872

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

Fair value measurements using significant unobservable inputs (Level 3)

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

9. Investment properties (CONTINUED)**(b) Valuation** (continued)*Fair value measurements using significant unobservable inputs (Level 3) (continued)*

	Year ended 31 December 2021		
	Significant unobservable Inputs – Commercial buildings – China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	35,736,162	26,137,609	61,873,771
Additions – Construction cost and others	–	1,031,871	1,031,871
Additions – Acquisitions of subsidiaries	487,900	–	487,900
Transfer from properties under development	–	3,264,944	3,264,944
Transfer from investment properties under development	6,134,080	(6,134,080)	–
Disposals	(203,000)	–	(203,000)
Net losses from fair value adjustment	(19,271)	(582,343)	(601,614)
Closing balance	42,135,871	23,718,001	65,853,872

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2022 and 2021 by independent and professionally qualified valuers, Vigers Appraisal and Consulting Limited ("Vigers"), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

9. Investment properties (CONTINUED)**(b) Valuation** (continued)*Information about fair value measurements using significant unobservable inputs (Level 3)*

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
<hr/>					
Description	Fair value at 31 Dec 2021 (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	42,135,871	Term and reversionary method	Market prices	RMB3,986-RMB112,142 per square meter (RMB27,790 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB7-RMB317 per square meter (RMB72 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	4.00%-8.50% (5.87%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	23,718,001	Discounted cash flows with estimated costs to complete	Market prices	RMB2,011-RMB33,950 per square meter (RMB15,808 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB4,000-RMB8,500 per square meter (RMB6,484 per square meter)	The higher the estimated costs to be incurred, the lower the fair value
			Yields	4.75%	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

9. Investment properties (CONTINUED)**(c) Pledge**

As at 31 December 2022, 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 RMB52,257,992,000 (2021: RMB48,083,050,000) 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:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Within one year	1,395,107	1,560,354
Between one to two years	991,212	1,270,608
Between two to three years	656,418	891,180
Between three to four years	473,949	576,196
Between four to five years	280,331	412,572
Later than five years	477,579	612,367
	4,274,596	5,323,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021						
Opening net book amount	178,759	3,054,437	593,616	–	–	3,826,812
Additions	72,707	–	–	–	–	72,707
Additions from acquisition of subsidiaries	67,779	915,704	436,000	79,058	16,000	1,514,541
Disposals	(352)	–	–	–	–	(352)
Impairment loss recognised	–	(2,512,483)	(20,539)	–	–	(2,533,022)
Amortisation charge	(47,063)	–	(101,320)	(4,163)	(667)	(153,213)
Closing net book amount	271,830	1,457,658	907,757	74,895	15,333	2,727,473
As at 31 December 2021						
Cost	569,895	4,899,129	1,070,800	79,058	16,000	6,634,882
Accumulated amortisation and impairment	(298,065)	(3,441,471)	(163,043)	(4,163)	(667)	(3,907,409)
Net book amount	271,830	1,457,658	907,757	74,895	15,333	2,727,473
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

Amortisation charge of approximately RMB207,584,000 for the year ended 31 December 2022 (2021: RMB153,213,000) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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. A segment level summary of the goodwill is presented below:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Shimao Services (Note)	1,740,300	1,424,402
Hotel operation	–	33,256
	1,740,300	1,457,658

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

Note:

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 2022 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, no impairment loss (2021: an impairment loss of approximately RMB705,081,000) was recognised for CGU – Shimao Services for the year.

For Shimao Services, the key assumptions used in the value-in-use calculation in 2022 and 2021 are as follows:

	Shimao Services
As at 31 December 2022	
Revenue growth rate during the forecast period	–4%-56%
Gross profit margin during the forecast period (Note)	7%-28%
Pre-tax discount rate	16%-22%
As at 31 December 2021	
Revenue growth rate during the forecast period	–4%-56%
Gross profit margin during the forecast period (Note)	7%-28%
Pre-tax discount rate	15%-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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. Financial instruments by category

	At 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables	31,571,721	17,756,928
– Amounts due from related parties	84,360,330	72,516,685
– Restricted cash	11,737,480	10,069,923
– Cash and cash equivalents	22,034,517	47,814,400
Financial assets at FVOCI	1,793,316	2,184,336
Derivative financial instruments	37,705	11,412
Total	151,535,069	150,353,684

	At 31 December	
	2022 RMB'000	2021 RMB'000
Financial liabilities		
Other financial liabilities at amortised cost:		
– Borrowings	274,006,914	231,758,623
– Trade and other payables (excluding other taxes payable)	73,029,547	83,170,565
– Amounts due to related parties	27,984,064	30,336,173
Derivative financial instruments	–	57
Lease liabilities	128,534	96,341
Total	375,149,059	345,361,759

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

12. Investments accounted for using the equity method

	At 31 December	
	2022 RMB'000	2021 RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	4,565,722	5,966,439
Joint ventures (Note (b))	16,084,174	21,754,185
	20,649,896	27,720,624

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	
	2022 RMB'000	2021 RMB'000
Carrying amounts of interests	4,565,722	5,966,439

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit/(loss) for the year	120,536	(121,394)
Other comprehensive income	–	–
Total comprehensive income/(loss)	120,536	(121,394)

Details of the principal associated companies of the Group as at 31 December 2022 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 2022 and 2021.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB1,327,335,000 as at 31 December 2022 (2021: RMB14,889,696,000) (note 38(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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	
	2022 RMB'000	2021 RMB'000
Carrying amounts of interests	16,084,174	21,754,185
	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss for the year	(252,260)	(311,533)
Other comprehensive (loss)/income	(47,211)	35,730
Total comprehensive loss	(299,471)	(275,803)

Details of the principal joint ventures of the Group as at 31 December 2022 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 2022 and 2021.

The Group provided guarantees to joint ventures for their borrowings from banks and other financial institutions amounting to RMB23,635,356,000 as at 31 December 2022 (2021: RMB61,204,131,000) (note 38(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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	
	2022 RMB'000	2021 RMB'000
Included in non-current assets		
– Joint ventures	5,258,396	5,809,510
– Associated companies	715,747	749,044
	5,974,143	6,558,554
Provision for impairment	(89,612)	(98,378)
	5,884,531	6,460,176

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	
	2022 RMB'000	2021 RMB'000
Included in current assets		
– Associated companies	1,296,704	6,335,760
– Joint ventures	60,440,822	50,865,400
– Non-controlling interest	18,395,642	12,540,858
	80,133,168	69,742,018
Provision for impairment	(1,657,369)	(3,685,509)
	78,475,799	66,056,509

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

The loss allowance decreased by approximately RMB2,036,906,000 to approximately RMB1,746,981,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

14. Financial assets at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Non-current assets		
– Listed securities	1,057	595,053
– Unlisted securities	198,000	588,313
– Structured products	1,594,259	1,000,970
	1,793,316	2,184,336

Notes:

- (i) Listed securities represented investments in listed equity securities in HK and 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	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	1,488,636	2,552,949
– to be recovered within 12 months	1,652,059	799,494
	3,140,695	3,352,443
Deferred income tax liabilities		
– to be recovered after more than 12 months	8,355,208	7,231,858
– to be recovered within 12 months	114,620	1,472,426
	8,469,828	8,704,284
Net deferred income tax liabilities	5,329,133	5,351,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

15. Deferred income tax (CONTINUED)

The movement on the net deferred income tax liabilities is as follows:

	2022 RMB'000	2021 RMB'000
Opening balance at 1 January	5,351,841	5,289,329
Disposal of subsidiaries (note 40(b))	170,391	(822)
Acquisition of subsidiaries (note 40(a))	(1,431,822)	(789,320)
Charged to the consolidated income statement (note 33)	1,238,723	695,601
Charged to OCI	–	157,053
Closing balance at 31 December	5,329,133	5,351,841

Movement in deferred income tax assets and liabilities for the year ended 31 December 2022 and 2021, 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 2021	1,546,008	265,080	1,419,977	3,231,065
(Charged)/credited to the consolidated income statement	(216,114)	8,862	(576,244)	(783,496)
Acquisition of subsidiaries	888,675	–	16,199	904,874
At 31 December 2021	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021	5,302,494	1,256,654	1,925,299	35,947	8,520,394
Charged/(credited) to the consolidated income statement	(150,403)	(342,113)	404,621	–	(87,895)
Reclassification	–	156,627	–	(156,627)	–
Charged to OCI	–	–	–	157,053	157,053
Disposal of subsidiaries	–	(822)	–	–	(822)
Acquisition of subsidiaries	–	115,554	–	–	115,554
At 31 December 2021	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

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 RMB1,376,589,000 (2021: RMB398,921,000) in respect of accumulated losses amounting to RMB5,506,356,000 (2021: RMB1,595,685,000) that can be carried forward against future taxable income. All unrecognised tax losses will expire in the years ranging from 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 RMB1,373,111,000 (2021: RMB29,968,274,000). 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. Other non-current assets

Other non-current assets mainly represent artworks.

As at 31 December 2022, the Group has a portfolio of artworks of approximately RMB719,827,000 (2021: RMB1,480,814,000). The amounts represent the aggregate cost of artworks held by the Group. In the opinion of the Directors, the recoverable amounts of the art works is at least their carrying amounts at the end of both reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

17. Inventories

	At 31 December	
	2022 RMB'000	2021 RMB'000
Inventories comprise:		
Properties under development (Note (a))	280,164,804	294,473,295
Completed properties held for sale (Note (b))	43,003,532	38,416,760
	323,168,336	332,890,055

Notes:

(a) Properties under development

	At 31 December	
	2022 RMB'000	2021 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	154,649,020	187,612,063
Construction costs and capitalised expenditures	95,021,467	86,261,021
Interests capitalised	44,573,918	41,379,891
	294,244,405	315,252,975
Provision for impairment loss	(14,079,601)	(20,779,680)
	280,164,804	294,473,295

	At 31 December	
	2022 RMB'000	2021 RMB'000
Land use rights and leasehold land, held on leases of:		
Over 50 years	134,189,396	143,278,629
Between 10 and 50 years	20,459,624	44,333,434
	154,649,020	187,612,063

As at 31 December 2022, leasehold land of approximately RMB8,966,147,000 (2021: 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 2022, properties under development of approximately RMB113,704,247,000 (2021: RMB107,051,429,000) were pledged as collateral for the Group's borrowings (note 25).

For the year ended 31 December 2022, the Group recognised impairment losses of approximately RMB669,869,000 (2021: RMB20,779,680,000) on properties under development (note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

17. Inventories (CONTINUED)

Notes: (continued)

(a) Properties under development (continued)

The capitalisation rate of borrowings was 8.31% for the year ended 31 December 2022 (2021: 5.40%).

	At 31 December	
	2022 RMB'000	2021 RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	237,594,087	240,304,566
Expected to be completed and available for sale within 12 months	42,570,717	54,168,729
	280,164,804	294,473,295

(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	
	2022 RMB'000	2021 RMB'000
Land use rights and leasehold land, held on leases of:		
Over 50 years	14,413,469	13,010,360
Between 10 and 50 years	1,543,697	1,735,984
	15,957,166	14,746,344

As at 31 December 2022, completed properties held for sale of RMB13,990,134,000 (2021: RMB13,750,848,000) were pledged as collateral for the Group's borrowings (note 25).

For the year ended 31 December 2022, the Group recognised impairment losses of approximately RMB384,539,000 (2021: RMB2,785,050,000) on completed properties held for sale (note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

18. Trade and other receivables and prepayments

	At 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables (Note (a))	8,801,099	9,267,337
Bidding deposits for land use rights (Note (b))	4,251,995	1,758,960
Prepayments for construction costs	8,993,816	4,832,637
Loan receivables (Note (c))	461,970	968,226
Prepaid tax and surcharges on pre-sale proceeds	1,194,204	1,138,363
Deposits paid	10,451,338	3,115,810
Receivables from disposals of equity interests	396,275	–
Payments on behalf of customers	467,470	928,852
Other receivables	8,251,760	3,146,057
	43,269,927	25,156,242
Provision for impairment	(1,510,186)	(1,428,314)
	41,759,741	23,727,928

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	
	2022 RMB'000	2021 RMB'000
Within 180 days	6,782,186	7,141,473
Over 180 days and within 365 days	1,460,003	1,537,346
Over 365 days	558,910	588,518
	8,801,099	9,267,337

As at 31 December 2022, receivables arising from sales of properties were approximately RMB3,892,308,000 (2021: RMB5,380,594,000).

- (b) Bidding deposits for land use rights mainly represented deposits placed by the Group to various municipal governments for the participation in land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the deposits will be fully refunded.
- (c) As at 31 December 2022, loan receivables of RMB461,970,000 (31 December 2021: RMB968,226,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

18. 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 2022, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 December 2022, a provision of approximately RMB233,213,000 (31 December 2021: RMB245,568,000) was made against the gross amount of trade receivables.

The Group makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. As at 31 December 2022, a provision of approximately RMB1,276,973,000 (31 December 2021: RMB1,182,746,000) 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 2022 and 31 December 2021, trade and other receivables of the Group were mainly denominated in RMB.

19. 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 2022.

20. Derivative financial instruments

The Group has the following derivative financial instruments:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Current assets		
Interest rate swaps	37,705	11,412
Current liabilities		
Convertible bond – derivative component (note 25)	–	57

Note:

These contracts do not qualify for hedge accounting and are classified as derivative financial instruments held for trading as current assets or current liabilities. Fair value gains of approximately RMB67,219,000 (2021: approximately RMB38,493,000) have been recognised in "Other income/other gains – net" (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

21. Cash and cash equivalents and restricted cash

	At 31 December	
	2022 RMB'000	2021 RMB'000
Bank balances and cash		
– denominated in RMB	33,080,621	54,731,243
– denominated in US dollar	34,309	80,285
– denominated in HK dollar	656,678	3,072,411
– denominated in other foreign currencies	389	384
Less: restricted cash	(11,737,480)	(10,069,923)
	22,034,517	47,814,400

As at 31 December 2022, the Group's restricted cash comprised approximately RMB3,858,478,000 (2021: RMB2,913,858,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (note 38(a)) and approximately RMB7,879,002,000 (2021: RMB7,156,065,000) 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 2022 was 0.34% (2021: 0.34%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

22. Share capital**(a) Details of share capital of the Company are as follows:**

	Par value	Number of shares	Nominal value of ordinary shares	
	HK\$	'000	HK\$'000	Equivalent to RMB'000
Authorised:				
At 31 December 2022 and 2021	0.1	5,000,000	500,000	
Issued and fully paid:				
At 1 January 2021		3,537,697	353,769	362,850
Shares repurchased and cancelled (Note (i))		(5,000)	(500)	(415)
2021 interim dividend paid by issuance of scrip shares (Note (ii))		120,134	12,014	9,870
Placing and subscription of shares (Note (iii))		145,000	14,500	11,860
At 31 December 2021, 1 January 2022 and 31 December 2022		3,797,831	379,783	384,165

Notes:

- (i) For the year ended 31 December 2021, the Company repurchased a total of 5,000,000 existing ordinary shares from the market, all the repurchased shares were cancelled as of 31 December 2021. The relevant shares were repurchased at a price ranging from HK\$9.68 per share to HK\$16.6 per share, with an average price of approximately HK\$15.11 per share. The total consideration paid for the repurchased shares amounted to approximately HK\$75,548,000 (equivalent to approximately RMB62,688,000).
- (ii) On 30 August 2021, the Company's board of directors (the "Board") has resolved to declare an interim dividend of HK70 cents per ordinary share for the six months ended 30 June 2021. The 2021 interim dividends will be either payable in cash or, in the form of new fully paid scrip shares of the Company in lieu of cash at the scrip option of the shareholders, or partly in cash and partly in the scrip shares. The Company settled the interim dividends by way of issuing a total of 120,134,424 shares at HK\$13.95 per share, a share premium of approximately RMB1,366,898,000 was recorded.
- (iii) On 14 December 2021, the Company issued a total of 145,000,000 shares at HK\$8.14 per share in accordance with the placing and subscription agreement dated 6 December 2021. The total consideration, net of the transaction costs, received from the placing and subscription amounted to approximately HK\$1,172,773,000 (equivalent to approximately RMB964,172,000).

The issued shares rank pari passu to the then existing shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

22. Share capital (CONTINUED)**(b) Share Award Scheme**

- (1) The Board approved and adopted the Share Award Scheme on 30 December 2011 (the "Share Scheme"). Unless terminated earlier by the Board, the Share Scheme is valid and effective for a term of 8 years commencing on 30 December 2011. The maximum number of shares to be awarded must not exceed 34,659,508 shares (i.e. 1% of issued shares of the Company as at 30 December 2011). On 13 April 2018, the Board approved the maximum number of shares to be awarded change to 69,319,016 shares (i.e. 2% of issued shares of the Company as at 30 December 2011). On 26 March 2019, the Board approved the Share Scheme to be valid and effective until 30 December 2027.

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Share Scheme and determine the number of awarded shares.

A Trust was constituted to manage the Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as a Trustee. Up to 31 December 2022, the Trust purchased a total of 47,006,000 ordinary shares from market, totaling HK\$756,630,000 (equivalent to RMB665,074,000). Up to 31 December 2022, a total of 48,751,338 shares were granted to eligible employees according to the Share Scheme, among the shares granted, 36,764,063 shares were vested, and 3,277,922 shares were lapsed.

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

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

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

No shares were granted or vested during the year ended 31 December 2022. The weighted average fair value of the unvested shares granted at 31 December 2022 is approximately HK\$200,875,000, equivalent to approximately RMB172,542,000 (2021: approximately HK\$200,875,000, equivalent to approximately RMB167,144,000).

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

22. Share capital (CONTINUED)**(b) Share Award Scheme (continued)**

(2) (continued)

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.

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 2022, a total of 4,017,105 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 6 months from the grant date, and 40% of the reward shares will be vested 18 months from the grant date.

Movements in the number of unvested shares granted under the Shimao Services Share Award Scheme and the Shimao Services Share Award Scheme II during the year are as follows:

	2022	2021
Unvested shares, beginning	6,865,821	–
Granted	4,017,105	6,865,821
Lapsed	(758,918)	–
Vested	(3,446,495)	–
Unvested shares, ending	6,677,513	6,865,821

The weighted average fair value of the unvested shares granted under the Shimao Services Share Award Scheme and the Shimao Services Share Award Scheme II at 31 December 2022 is HK\$59,198,000, equivalent to RMB52,355,000 (2021: HK\$109,773,000, equivalent to RMB91,340,000).

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

	2022 '000	2021 '000
Shares issued	3,797,831	3,797,831
Treasury shares for Share Scheme	(10,242)	(10,242)
Shares outstanding	3,787,589	3,787,589

(d) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 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 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	-	-	-	54,823	-	-	-	-	54,823
– 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021	(185,787)	5,710,158	8,545,196	676,123	3,693,347	4,949	(561,357)	69,756,581	87,639,210
Loss for the year	-	-	-	-	-	-	-	(27,092,790)	(27,092,790)
Fair value losses on financial assets at FVOCI, net of tax	-	-	-	-	-	-	(394,180)	-	(394,180)
Release upon disposal of financial assets at FVOCI	-	-	-	-	-	-	426,599	(426,599)	-
Share of other comprehensive income of joint ventures accounted for using the equity method	-	-	22,843	-	-	-	-	-	22,843
Exchange differences on translation of foreign operations	-	-	(80,841)	-	-	-	-	-	(80,841)
Changes in ownership interests in subsidiaries without change of control	-	(883,323)	-	-	-	-	-	-	(883,323)
Placing of shares of Shimao Services	-	-	1,337,371	-	-	-	-	-	1,337,371
Equity-settled share-based payment	-	-	-	138,434	-	-	-	-	138,434
- Value of employee services	-	-	-	138,434	-	-	-	-	138,434
- Purchase of shares	-	(196,339)	-	-	-	-	-	-	(196,339)
- Dividend received	-	6,190	-	-	-	-	-	-	6,190
Shares repurchased and cancelled	-	(62,273)	-	-	-	-	-	-	(62,273)
Repurchase of shares of Shimao Services	-	(66,414)	-	-	-	-	-	-	(66,414)
Placing and subscription of shares	-	952,312	-	-	-	-	-	-	952,312
Issue of scrip shares	-	1,366,898	-	-	-	-	-	-	1,366,898
Profit appropriations	-	-	-	-	425,370	-	-	(425,370)	-
2020 final dividends recognised	-	-	-	-	-	-	-	(3,192,560)	(3,192,560)
2021 interim dividends recognised	-	(2,060,746)	-	-	-	-	-	-	(2,060,746)
Balance at 31 December 2021	(185,787)	4,766,463	9,824,569	814,557	4,118,717	4,949	(528,938)	38,619,262	57,433,792

24. Perpetual capital instruments

For the year ended 31 December 2022, the Group redeemed certain subordinated unlisted perpetual capital instruments amounted to RMB1,550,000,000 (2021: RMB50,000,000).

In June 2022 and December 2022, the Group renegotiated with the holders of certain subordinated unlisted perpetual capital instruments, and the parties agreed that the Group would redeem the subordinated unlisted perpetual capital instruments with the total principal amount of RMB2,000,000,000 in August 2023. Accordingly, the relevant subordinated unlisted perpetual capital instruments were reclassified to borrowings as at 31 December 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. Borrowings

	At 31 December	
	2022 RMB'000	2021 RMB'000
Borrowings included in non-current liabilities		
Long-term borrowings		
– secured by assets (Note (i))	73,204,647	51,604,972
– secured by assets and shares of subsidiaries (Note (i))	15,128,023	15,564,948
– secured by shares of subsidiaries (Note (i))	19,678,048	14,134,401
– secured by shares of subsidiary guarantors (Note (ii))	22,971,168	21,288,343
– unsecured	17,250,084	18,060,554
Senior notes – secured (Note (iii))	44,575,079	40,747,769
Medium-term notes – unsecured (Note (iv))	3,090,000	3,110,000
Long-term bonds (Note (v))	18,139,648	20,976,385
	214,036,697	185,487,372
Less: Portion of long-term borrowings due within one year	(104,413,100)	(42,022,624)
Portion of senior notes due within one year	(13,923,345)	(10,833,421)
Portion of medium-term notes due within one year	(3,090,000)	(1,000,000)
Portion of long-term bonds due within one year	(9,975,000)	(7,709,461)
Amounts due within one year	(131,401,445)	(61,565,506)
	82,635,252	123,921,866
Borrowings included in current liabilities		
Short-term borrowings		
– secured by assets (Note (i))	28,259,044	14,548,129
– secured by assets and shares of subsidiaries (Note (i))	5,108,080	5,697,647
– secured by shares of subsidiaries (Note (i))	4,556,601	4,645,232
– unsecured	19,142,115	15,607,053
Senior notes – secured (Note (iii))	2,604,377	2,384,161
Private placement notes (Note (vi))	300,000	1,000,000
Convertible bond (Note (vii))	–	2,389,029
Current portion of non-current borrowings	131,401,445	61,565,506
	191,371,662	107,836,757

Notes:

- (i) As at 31 December 2022, the Group's total secured bank borrowings and borrowings from other financial institutions of approximately RMB145,934,443,000 (2021: RMB106,195,329,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash, and/or secured by the pledge of the shares of certain subsidiaries of the Group, of which approximately RMBNil (2021: RMB97,855,000) were further guaranteed by Mr. Hui Wing Mau.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. Borrowings (CONTINUED)

Notes: (continued)

(i) (continued)

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Properties under development (note 17(a))	113,704,247	107,051,429
Investment properties (note 9)	52,257,992	48,083,050
Restricted cash (note 21)	7,879,002	7,156,065
Completed properties held for sale (note 17(b))	13,990,134	13,750,848
Land use rights (note 8)	3,680,223	3,484,318
Property and equipment (note 7)	12,372,935	8,370,397
	203,884,533	187,896,107

(ii) On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$540,000,000 facility and a HK\$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US\$570,000,000 facility and a HK\$3,551,500,000 facility at a floating rate of interest. As at 31 December 2022, US\$399,000,000 and HK\$2,486,050,000 of the principal remained outstanding (31 December 2021: US\$399,000,000 and HK\$2,486,050,000) and the entire of which 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 2022, US\$795,958,000 and HK\$3,794,300,000 of the principal remained outstanding (31 December 2021: US\$795,958,000 and HK\$3,794,300,000), of which US\$293,248,000 and HK\$1,397,900,000, respectively, was defaulted.

On 22 April 2021, the Company entered into a multi-currency loan facility agreement with a syndicate of 19 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US\$657,500,000 facility and a HK\$5,128,500,000 facility at a floating rate of interest, 15% out of the loan principal will mature in 2023, 35% will mature in 2024 and 50% will mature in 2025. As at 31 December 2022, US\$657,500,000 and HK\$5,128,500,000 of the principal remained outstanding (31 December 2021: US\$657,500,000 and HK\$5,128,500,000).

(iii) On 3 July 2017, the Company issued senior notes with total principal of US\$450,000,000 and US\$150,000,000 at a fixed interest rate of 4.75% due on 3 July 2022. On 11 December 2017, the Company issued senior notes with total principal of US\$400,000,000 at a fixed interest rate of 4.75% due on 3 July 2022. As at 31 December 2022, the senior notes with a total principal amount of US\$1,000,000,000 was defaulted.

On 30 January 2018, the Company issued senior notes with total principal of US\$500,000,000 at a fixed interest rate of 5.20% due on 30 January 2025.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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% due on 15 July 2026.

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

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

On 30 April 2021, the Company issued senior notes with total principal of US\$700,000,000 at a fixed interest rate of 4.50% due on 28 April 2022, which was defaulted as at 31 December 2022.

On 25 June 2021, the Company issued senior notes with a total principal of US\$400,000,000 at a fixed interest rate of 3.75% due on 25 June 2022. As at 31 December 2022, the principal amount of US\$373,945,000 remained outstanding and was defaulted.

On 16 September 2021, the Company issued senior notes with total principal of US\$300,000,000 at a fixed interest rate of 3.975% due on 16 September 2023.

On 16 September 2021, the Company issued senior notes with total principal of US\$748,000,000 at a fixed interest rate of 5.20% due on 16 January 2027.

The Company may at its option redeem these notes, in whole or in part, by certain dates based on the terms of these notes. The notes are senior obligations guaranteed by certain restricted offshore subsidiaries and secured by a pledge of the shares of these offshore restricted subsidiaries.

(iv) On 21 October 2019, Shanghai Shimao issued medium-term notes with a total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 21 October 2022. During the year ended 31 December 2022, the Group redeemed the medium-term notes with the principal of RMB20,000,000, whereas the maturity of the remaining medium-term notes was extended to 21 October 2023.

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

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

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

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. Borrowings (CONTINUED)

Notes: (continued)

(v) (continued)

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.

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 2022, each of the due dates of the second phase of long-term bonds, the third phase of long-term bonds and the fourth phase of long-term bonds was extended to 8 July 2024, 1 September 2024 and 24 September 2024, respectively.

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

(vi) On 17 January 2020, Shanghai Shimao issued the first phase of private placement notes with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.50% due on 19 January 2022. On 18 January 2022, the amount was fully redeemed. On 24 April 2020, Shanghai Shimao issued the second phase of private placement notes with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.70% due on 26 April 2022. During the 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. Borrowings (CONTINUED)

Notes: (continued)

(vii) (continued)

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

The movement of the debt and derivative components of the convertible bonds for the year ended 31 December 2022 and 2021 is set out as below:

	Debt component RMB'000	Derivative component (note 20) RMB'000
Issuance on 2 November 2021	2,392,055	144,803
Transaction cost on issuance	(19,136)	–
Effective interest expenses	31,340	–
Interest payable	(9,219)	–
Fair value change	–	(144,746)
Foreign exchange adjustment	(6,011)	–
At 31 December 2021 and as at 1 January 2022	2,389,029	57
Effective interest expenses	161,019	–
Interest paid	(52,813)	–
Repurchased	(270,452)	–
Gain on repurchase	(17,725)	–
Redemption	(2,454,316)	–
Fair value change	–	(57)
Foreign exchange adjustment	245,258	–
At 31 December 2022	–	–

The convertible bonds were guaranteed by Shimao Services. No conversion of the convertible bond has occurred up to 31 December 2022 (31 December 2021: Nil).

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

Extraordinary resolution of Shimao Services was passed at the meeting held on 1 August 2022 to approve and implement the waiver of the redemption obligation triggered under the convertible bonds and the amendments of the Shimao Services's redemption option, whereby Shimao Services has made payment as consent fee to bond holders for approximately HK\$7,625,000 on 4 August 2022 and redeemed HK\$1,399,500,000 (equivalent to RMB1,202,310,000), or 45% of the aggregate outstanding principal amount of the outstanding convertible bonds on a pro rata basis at their principal amount together with the interest accrued but unpaid up to but excluding the redemption date (i.e. 18 August 2022) and the redeemed convertible bonds have been cancelled. Upon completion of the redemption on maturity date, the outstanding principal amount of HK\$1,117,500,000 (equivalent to RMB1,021,741,000) of the convertible bonds was redeemed and all the principal amount of the convertible bonds was cancelled and no convertible bond was outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. Borrowings (CONTINUED)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity, 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 2022	879,146	4,384,278	63,335,508	14,036,320	82,635,252
At 31 December 2021	2,800,755	9,743,284	70,618,617	40,759,210	123,921,866
Borrowings included in current liabilities:					
At 31 December 2022	160,871,659	30,500,003	–	–	191,371,662
At 31 December 2021	48,074,942	59,761,815	–	–	107,836,757

The maturity of the borrowings included in non-current liabilities is as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Bank and other borrowings:		
Between 1 and 2 years	17,681,721	40,187,601
Between 2 and 5 years	20,140,968	33,564,372
Over 5 years	5,996,181	4,878,621
Senior notes:		
Between 1 and 2 years	6,951,278	1,891,950
Between 2 and 5 years	15,578,229	15,869,934
Over 5 years	8,122,227	12,152,464
Medium-term notes:		
Between 1 and 2 years	–	2,110,000
Long-term bonds:		
Between 1 and 2 years	5,364,648	9,500,000
Between 2 and 5 years	2,800,000	3,766,924
	82,635,252	123,921,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. Borrowings (CONTINUED)

The weighted average effective interest rates at the year-ended date were as follows:

	At 31 December	
	2022	2021
Bank and other borrowings	6.7%	5.7%
Senior notes	4.9%	4.9%
Medium-term notes	4.8%	4.8%
Convertible bond	N/A	8.3%

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
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
Fixed rate portion – senior notes	29,914,348	17,316,459
Fixed rate portion – others	60,232,780	60,242,492
Floating rate portion	33,774,738	33,609,575
At 31 December 2021	123,921,866	111,168,526

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 (2021: RMB17,316,459,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

26. Trade and other payables

	At 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables (Note (a))	56,710,341	73,492,869
Other payables (Note (b))	9,911,770	7,018,775
Other taxes payable	9,470,539	7,992,594
Accrued expenses	6,407,436	2,658,921
	82,500,086	91,163,159

Notes:

(a) As at 31 December 2022, the aging analysis of the trade payables based on invoice date is as follows:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Within 90 days	54,509,980	72,405,175
Over 90 days and within 1 year	2,200,361	1,087,694
	56,710,341	73,492,869

(b) Other payables comprise:

	At 31 December	
	2022 RMB'000	2021 RMB'000
Deposits received from customers	3,221,837	2,448,375
Deposits from constructors	412,955	655,402
Rental deposits from tenants and hotel customers	1,738,412	1,030,977
Payables for equity interest	763,907	763,850
Fees collected from customers on behalf of government agencies	413,424	455,386
Others	3,361,235	1,664,785
	9,911,770	7,018,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

27. Amounts due to related parties

	At 31 December	
	2022 RMB'000	2021 RMB'000
– Associated companies	5,233,417	9,361,710
– Joint ventures	15,775,218	12,584,992
– Non-controlling interests	919,409	3,757,709
– entities controlled by the controlling shareholder	6,056,020	4,631,762
	27,984,064	30,336,173

Amounts due to associated companies and joint ventures mainly represent advanced proceeds received for purchasing construction materials and other operating and financing activities. Amounts due to non-controlling interests mainly represent funds injected by the non-controlling shareholders for the development of properties. Amounts due to entities controlled by the controlling shareholder mainly represent funds injected by the entities which are beneficially owned by Mr. Hui Wing Mau for the general working capital of the Group.

The balances due to related parties are unsecured, interest-free and have no fixed repayment terms.

28. Other income/other gains or losses – net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Other income		
Government grants received	283,133	303,137
Other gains/(losses) – net		
Net gains/(losses) on disposal of subsidiaries with loss of control (note 40(b))	2,581,603	(23,733)
Gains on derivative financial instruments (note 20)	67,219	38,493
Net (losses)/gains on deemed disposal of joint ventures and associated companies	(280,764)	62,488
Net gains/(losses) on disposal of joint ventures	807,819	(600,304)
Net (losses)/gains on disposal of associate companies	(230,065)	3,924
Penalty income (Note)	74,978	78,983
Net gain on disposal of financial assets at fair value through profit or loss (“FVPL”)	–	134,828
Others	257,936	134,544
	3,278,726	(170,777)
	3,561,859	132,360

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

29. Expenses by nature

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of properties sold and others	52,029,561	78,975,322
Taxes and surcharges on sales of properties	598,632	672,879
Staff costs – including directors' emoluments (note 31)	6,074,802	5,309,861
Advertising, promotion and commission costs	2,428,430	4,022,037
Direct expenses arising from hotel operation	687,645	894,217
Corporate and office expenses	1,398,396	1,324,024
Consulting fee	620,004	634,055
Depreciation and amortisation (note 7) (note 10)	1,098,647	854,853
Amortisation of right-of-use assets (note 8)	162,433	172,964
Charitable donations	12,073	68,837
Penalties	806,239	162,117
Auditor's remuneration		
– Audit services	15,800	23,000
– Non-audit services	–	4,780
Provision for impairment losses on financial assets	318,703	4,360,195
Provision for impairment losses on properties under development and completed properties held for sale (note 17)	1,054,408	23,564,730
Provision for impairment loss on investment properties under construction measured at cost (note 9)	–	836,456
Provision for impairment losses on property and equipment (note 7)	–	1,186,354
Impairment loss on intangible assets (note 10)	–	2,533,022
Other expenses	964,801	244,171
Total	68,270,574	125,843,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

30. Finance costs – net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Finance income		
– interest income on short-term bank deposits	(391,550)	(889,247)
– net foreign exchange gain (Note)	–	(2,281,458)
Finance income	(391,550)	(3,170,705)
Interest on bank and other borrowings		
– wholly repayable within five years	20,047,164	12,036,893
– not wholly repayable within five years	397,307	240,237
Interest on senior notes		
– wholly repayable within five years	1,999,494	1,901,070
– not wholly repayable within five years	305,635	357,291
Interest on convertible bonds		
– wholly repayable within five years	161,019	31,340
Interest charges paid/payable for lease liabilities (note 8)		
– wholly repayable within five years	6,832	9,195
	22,917,451	14,576,026
Net foreign exchange loss (Note)	8,923,021	–
Less: interest and foreign exchange losses capitalised	(16,330,505)	(8,636,984)
Finance costs	15,509,967	5,939,042
Net finance costs	15,118,417	2,768,337

Note:

Net foreign exchange gain and loss mainly represents gain on translation of foreign currency borrowings.

31. Employee benefit expense**(a) Staff costs (including directors' emoluments) comprise:**

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Wages and salaries	5,105,621	4,291,875
Pension costs – statutory pension (Note (b))	454,513	502,591
Other allowances and benefits	514,668	515,395
	6,074,802	5,309,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 (2021: 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 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	Employee share award schemes	Total RMB'000
					RMB'000	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

32. Benefits and interests of directors (CONTINUED)**(a) Directors' emoluments (continued)**

The remuneration of each of the Directors for the year ended 31 December 2021 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	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	-	4,906	-	-	-	-	4,906
Mr. Hui Sai Tan, Jason	-	6,704	-	-	15	1,983	8,702
Ms. Tang Fei	-	3,226	-	-	139	2,092	5,457
Mr. Lu Yi	-	2,607	718	120	139	1,516	5,100
Mr. Xie Kun (Note i)	-	2,379	1,256	120	139	3,712	7,606
Non-executive director							
Mr. Ye Mingjie (Note ii)	-	-	-	-	-	-	-
Independent non-executive directors							
Ms. Kan Lai Kuen, Alice	294	-	-	-	-	-	294
Mr. Lyu Hong Bing	294	-	-	-	-	-	294
Mr. Lam Ching Kam	294	-	-	-	-	-	294
	882	19,822	1,974	240	432	9,303	32,653

Notes:

(i) Mr. Xie Kun was appointed as an executive director with effect from 13 December 2021.

(ii) Mr. Ye Mingjie was appointed as a non-executive director with effect from 1 January 2021.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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	
	2022 RMB'000	2021 RMB'000
Current income tax		
– PRC enterprise and withholding income tax	887,956	2,475,220
– PRC land appreciation tax	982,531	3,633,680
	1,870,487	6,108,900
Deferred income tax		
– PRC enterprise and withholding income tax (note 15)	1,238,723	695,601
	3,109,210	6,804,501

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	
	2022 RMB'000	2021 RMB'000
Loss before income tax	(17,550,096)	(21,572,377)
Add: Share of results of associated companies and joint ventures	131,724	432,927
Less: Land appreciation tax	(982,531)	(3,633,680)
	(18,400,903)	(24,773,130)
Calculated at PRC enterprise income tax rate of 25% (2021: 25%)	(4,600,226)	(6,193,283)
Tax effects of:		
– Different tax rates in other countries or regions	1,223,306	(361,304)
– Expenses and losses not deductible for income tax purposes	2,052,010	791,643
– Income not taxable for tax purpose	(436,862)	(463,827)
– Tax losses and temporary differences not recognised	3,888,451	8,992,971
– PRC withholding income tax and others	–	404,621
PRC enterprise and withholding income tax charge	2,126,679	3,170,821
PRC land appreciation tax charge	982,531	3,633,680
	3,109,210	6,804,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 (2021: nil).

PRC enterprise income tax

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

PRC land appreciation tax

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

PRC withholding income tax

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

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

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	
	2022	2021
Loss attributable to the equity holders of the Company (RMB'000)	(21,492,478)	(27,092,790)
Weighted average number of ordinary shares (thousands)	3,787,589	3,552,342
Basic losses per share (RMB cents)	(567.4)	(762.7)

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 2022 is presented as the effects caused by the shares granted under the Share Scheme and the conversion of the subsidiary's convertible bonds are anti-dilutive.

No diluted loss per share for the year ended 31 December 2021 is presented as the effects caused by the shares granted under the Share Scheme and the conversion of the subsidiary's outstanding convertible bonds are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

35.Dividends

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
2021: Interim dividends of HK\$70 cents per ordinary share (Note (a))		
– paid in cash	–	664,775
– paid by issuing of scrip shares	–	1,395,971
	–	2,060,746

Notes:

- (a) An interim dividend in respect of the six months ended 30 June 2021 of HK\$70 cents per ordinary share, amounting to HK\$2,473,588,000 (equivalent to approximately RMB2,060,746,000) was declared by the Company in August 2021. The 2021 interim dividends will be either 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) The board of Directors does not recommend the payment of the final dividend for the year ended 31 December 2022 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. Notes to the consolidated statement of cash flows**(a) Net cash generated from operations:**

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss before income tax	(17,550,096)	(21,572,377)
Adjustments for:		
Interest income	(391,550)	(889,247)
Interest expense	6,586,946	5,939,042
Provision of impairment losses on financial assets	318,703	4,360,195
Provision for impairment losses on properties under development and completed properties held for sale	1,054,408	23,564,730
Provision for impairment loss on investment properties under construction measured at cost	–	836,456
Provision for impairment losses on property and equipment	–	1,186,354
Impairment losses on intangible assets	–	2,533,022
Depreciation and amortisation	1,098,647	854,853
Share of results of associated companies and joint ventures accounted for using the equity method	131,724	432,927
Net (gains)/losses on disposal of subsidiaries with loss of control	(2,581,603)	23,733
Net losses/(gains) on deemed disposal of joint ventures and associated companies	280,764	(62,488)
(Gains)/Losses from disposal of shares of joint ventures	(807,819)	600,304
Gains from disposal of associated companies	230,065	(3,924)
Amortisation of right-of-use assets	162,433	172,964
Fair value gains on derivative financial instruments	(67,219)	(38,493)
Net gain on disposal of financial assets at FVPL	–	(134,828)
Fair value losses on investment properties	631,445	601,614
Fair value changes of convertible bonds	(57)	(144,746)
Value of employee services arising from equity-settled share based payment scheme	54,823	138,434
Net exchange loss/(gains)	8,923,021	(2,281,458)
	(1,925,365)	16,117,067
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	32,472,991	18,566,034
Land use rights	42,676	–
Other non-current assets	319,902	(413,731)
Restricted cash	(944,620)	(1,323,999)
Trade and other receivables and prepayments	2,059,986	(343,578)
Trade and other payables	(9,108,078)	(19,201,960)
Contract liabilities	(19,252,751)	2,421,798
Amounts due to related companies	(77,553)	(2,460,543)
Net cash generated from operations	3,587,188	13,361,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021	44,371,171	36,540,759	108,602,305	76,947	189,591,182
Financing cash flows	(15,744,839)	(7,184,187)	67,989,966	(66,566)	44,994,374
Foreign exchange adjustments	-	(283,612)	(1,630,645)	-	(1,914,257)
Reclassification	-	61,565,506	(61,565,506)	-	-
Working capital changes from operations	(2,460,543)	-	-	-	(2,460,543)
Other non-cash movements	4,170,384	17,198,291	10,525,746	85,960	31,980,381
At 31 December 2021	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2022	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	63.92%	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	81.96%	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	63.92%	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 RMB328,000,000	81.96%	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	63.92%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	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 US\$108,900,000	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	63.92%	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	63.92%	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	63.92%	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	63.92%	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 Shiyong Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100.00%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	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	63.92%	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	81.60%	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	63.92%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	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	63.92%	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	63.92%	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	63.92%	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 2022

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 2022	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	63.92%	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	63.92%	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	63.92%	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
山東領邦華皓置業有限公司 (Shandong Lingbang Huahao Property Co., Ltd.)	15 August 2017	Domestic enterprise	Registered capital RMB450,000,000	63.92%	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
平陽世盈房地產開發有限公司 (Pingyang Shiyong Real Estate Development Co., Ltd.)	4 June 2018	Domestic enterprise	Registered capital RMB410,000,000	100.00%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	Principal activities
Principal subsidiaries – established and operation conducted in the PRC (continued)					
青島世茂世悅置業有限公司 (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	41.62%	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
肇慶四會悅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
茂名世茂悅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
濰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	81.60%	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 (Huabei 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	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
肇慶世茂悅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	63.92%	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
茂名世茂悅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	81.60%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	Principal activities
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
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
福州融寧置業有限公司 (Fuzhou Rongning Property Co., Ltd.)	30 April 2020	Domestic enterprise	Registered capital RMB900,000,000	33.00%	Property development
Associated companies – established and operation conducted in the British Virgin Islands					
Eagle Rights Limited	31 March 2010	Limited liability company	45,000,000 shares with no par value	33.33%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022	Principal activities
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
舟山世茂房地產開發有限公司 (Zhoushan Shimao Real Estate Development Co., Ltd.)	18 June 2019	Domestic enterprise	Registered capital RMB20,000,000	50.00%	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	35,739,362	29,373,762

Note:

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the Group obtained the "property title certificate" for the mortgagees, or when the Group obtained the "master property title certificate" upon completion of construction. As in the case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty, no provision has been made in the consolidated financial statements for the guarantees.

- (b)** At 31 December 2022, 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 RMB24,962,691,000 (2021: approximately RMB76,093,827,000) with maturity between 2022 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 2022. As the Group was actively negotiating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Contracted but not provided for		
– Property and equipment	476,257	581,629
– Land use rights (including those related to associated companies and joint ventures)	5,745,419	6,581,476
– Properties being developed by the Group for sale	39,414,335	33,740,776
	45,636,011	40,903,881

40. Significant acquisition or disposal of subsidiaries and transactions with NCI

During the year ended 31 December 2022, 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 2022, the Group acquired additional equity interests in several joint ventures and associated companies of the Group, at an aggregate consideration of approximately RMB5,750,816,000. 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 and associated companies was approximately RMB4,288,040,000 before the acquisitions. The purchases resulted in a total net cash inflow of approximately RMB2,927,392,000.

For the year ended 31 December 2022, the Group acquired the equity interests in several companies in the PRC, at a total consideration of approximately RMB455,815,000. The Group gained control over these companies pursuant to the acquisition agreements and amended articles of association. The purchase resulted in a total net cash outflow of approximately RMB282,405,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

40. Significant acquisition or disposal of subsidiaries and transactions with NCI*(CONTINUED)***(a) Acquisition of subsidiaries (continued)**

	Joint ventures and associated companies transferred to subsidiaries RMB'000	Acquisition of subsidiaries RMB'000	Total RMB'000
Total purchase consideration			
Cash consideration paid	318,376	338,704	657,080
Consideration payables	1,436,250	117,111	1,553,361
Settled by other receivables	3,996,190	–	3,996,190
	5,750,816	455,815	6,206,631
Carrying amount of investments in joint ventures and associated companies held before acquisitions	4,288,040	–	4,288,040
	10,038,856	455,815	10,494,671
Total recognised amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	3,245,768	56,299	3,302,067
Inventories	36,766,367	–	36,766,367
Trade and other receivables and prepayments	7,061,039	218,026	7,279,065
Amounts due from related parties	48,358,012	–	48,358,012
Amounts due from the Group	16,376,471	–	16,376,471
Prepaid income taxes	856,907	–	856,907
Property and equipment	2,122,278	11,639	2,133,917
Right-of-use assets	214,339	–	214,339
Investment properties	884,526	–	884,526
Intangible assets other than goodwill	429	194,200	194,629
Interests in joint ventures and associated companies	3,000	2,403	5,403
Other non-current assets	255,789	736	256,525
Deferred income tax assets	1,485,598	–	1,485,598
Borrowings	(44,509,030)	–	(44,509,030)
Contract liabilities	(22,127,548)	–	(22,127,548)
Amounts due to related parties	(30,891,763)	–	(30,891,763)
Deferred income tax liabilities	(4,558)	(49,218)	(53,776)
Trade and other payables	(8,293,773)	(242,934)	(8,536,707)
	11,803,851	191,151	11,995,002
Total identifiable net assets	(2,045,759)	(51,234)	(2,096,993)
Non-controlling interests	–	315,898	315,898
Goodwill	–	–	–
Net losses on deemed disposal of joint ventures and associated companies (note 28)	280,764	–	280,764
	10,038,856	455,815	10,494,671
Outflow of cash to acquire business, net of cash acquired:			
Cash consideration paid	(318,376)	(338,704)	(657,080)
Cash and cash equivalents in the entities acquired	3,245,768	56,299	3,302,067
	2,927,392	(282,405)	2,644,987

If the business combinations had occurred on 1 January 2022, the Group's consolidated pro-forma revenue and net loss for the year ended 31 December 2022 would have been increased by approximately RMB130,945,000 and increased by approximately RMB131,987,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022, the Group lost control of certain subsidiaries. The disposal resulted in a total net cash inflow of approximately RMB6,758,509,000 and net gains of approximately RMB2,581,603,000.

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

	RMB'000
Cash and cash equivalents	2,803,901
Inventories	17,810,361
Property and equipment	1,074,692
Right-of-use assets	1,041,871
Financial assets at fair value through other comprehensive income	177,131
Intangible assets other than goodwill	912
Goodwill	33,256
Other non-current assets	204,661
Deferred income tax assets	170,391
Trade and other receivables and prepayments	3,609,415
Prepaid income taxes	190,344
Trade and other payables	(5,550,750)
Contract liabilities	(6,268,715)
Amounts due to related parties	(900,741)
Amounts due to the Group	(969,211)
Income tax payable	(458,558)
Borrowings	(1,165,000)
Total identifiable net assets	11,803,960
Non-controlling interests	(4,743,153)
Net assets attributable to the equity holders of the Company	7,060,807
Total consideration	9,562,410
Fair value of the investment in a joint venture retained	80,000
Net assets disposed	(7,060,807)
Net gains on disposal of subsidiaries (note 28)	2,581,603
Total consideration	9,562,410
Less: cash and cash equivalents in the entities disposed	(2,803,901)
Net cash inflow from the disposals	6,758,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

40. Significant acquisition or disposal of subsidiaries and transactions with NCI*(CONTINUED)***(c) Transaction with non-controlling interests****(i) Capital contribution from non-controlling interests**

For the year ended 31 December 2022, non-controlling interests made several capital injections into the Group with a total amount of RMB2,171,149,000, of which approximately RMB2,163,457,000 was injected by way of capitalising the amounts due to non-controlling interests.

(ii) Changes in ownership interests in subsidiaries without change of control

Sets forth below summarised the effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year:

	The date of acquisitions RMB'000
Carrying amount of non-controlling interests acquired	9,262,231
Consideration settled by amounts due from non-controlling interests	(3,848,153)
Consideration paid/payables to non-controlling interests in the current period	(5,204,650)
Increase in equity due to the gain on acquisition of non-controlling interests	209,428

Notes:

During the year ended 31 December 2022, the Group acquired additional interests in subsidiaries for a total consideration of approximately RMB9,052,803,000. The Group recognised a decrease in non-controlling interests of approximately RMB9,262,231,000 and an increase in the equity attributable to the equity holders of the Company of approximately RMB209,428,000.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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	
	2022 RMB'000	2021 RMB'000
Brand management fee income	75,327	642,755
Construction material sold to related companies	396,583	331,992
	471,910	974,747

- (b) Key management compensation

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	16,244	22,036
– Employee share award schemes	–	9,303
– Retirement scheme contributions	453	432
	16,697	31,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

42. Events after the reporting period

- (a) 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.
- (b) In June 2023, Shimao Jianshe, a subsidiary of the Group, and its lenders had agreed to extend 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.
- (c) Subsequent to the year ended 31 December 2022, 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 finalise a non-legally binding letter of support with certain members of the CoCom and its advisors to express their general support to progress and implement the Proposed Restructuring which shall form a good basis for further negotiation of the detailed restructuring terms.

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

43. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 28 July 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

44. Statement of financial position and reserve movement of the Company**Statement of financial position of the Company**

	At 31 December	
	2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	50,367,384	47,580,819
Current assets		
Other receivables	3,514	24,967
Derivative financial instruments	37,705	11,412
Dividends receivable from subsidiaries	43,789,834	43,789,834
Cash and cash equivalents	7,192	128,946
	43,838,245	43,955,159
Total assets	94,205,629	91,535,978
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	384,165	384,165
Reserves	9,559,746	17,857,198
Total equity	9,943,911	18,241,363
LIABILITIES		
Non-current liabilities		
Borrowings	39,377,539	44,832,271
Current liabilities		
Borrowings	37,673,345	26,219,597
Other payables and accrued expenses	3,255,694	1,111,233
Amounts due to subsidiaries	33,960	33,960
Amounts due to controlling entities	3,060,421	309,737
Dividend payable	860,759	787,817
	44,884,179	28,462,344
Total liabilities	84,261,718	73,294,615
Total equity and liabilities	94,205,629	91,535,978
Net current (liabilities)/assets	(1,045,934)	15,492,815
Total assets less current liabilities	49,321,450	63,073,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 at 1 January 2021	6,766,936	648,854	4,949	11,462,483	18,883,222
Profit for the year	–	–	–	2,055,967	2,055,967
Shares repurchased and cancelled	(62,273)	–	–	–	(62,273)
Placing and subscription of shares	952,312	–	–	–	952,312
Issue of scrip shares	1,366,898	–	–	–	1,366,898
Equity-settled share-based payment					
– Value of employee services	–	104,527	–	–	104,527
– Purchase of shares	(196,339)	–	–	–	(196,339)
– Dividend received	6,190	–	–	–	6,190
2020 final dividend recognised	–	–	–	(3,192,560)	(3,192,560)
2021 interim dividend recognised	(2,060,746)	–	–	–	(2,060,746)
Balance at 31 December 2021	6,772,978	753,381	4,949	10,325,890	17,857,198
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

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 HOLDINGS LIMITED
世茂集團控股有限公司

