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SHIMAO GROUP

世茂集團

SHIMAO GROUP HOLDINGS LIMITED

世 茂 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 813)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS HIGHLIGHTS

1. Contracted sales in 2022 was RMB86.52 billion. Contracted gross floor area amounted to 5.374 million sq.m..

2. Revenue of the Group was approximately RMB63.040 billion, representing a decline of approximately 41.5% as compared to last year.

3. Revenue generated from hotel operation, commercial properties operation, property management and others was RMB12.780 billion, representing a year-on-year decrease of 4.0%.

4. Gross profit of the Group was approximately RMB5.281 billion, representing a year-on-year increase of approximately 101.7%. Gross profit margin was 8.4%.

5. Loss from core business attributable to shareholders was approximately RMB12.825 billion, representing a decline in loss of approximately RMB10.426 billion (approximately 44.8%) as compared to last year.

6. As at 31 December 2022, the Group's land bank was approximately 60.50 million sq.m. (before interests).

7. The Board did not recommend the payment of any final dividend for the year ended 31 December 2022.

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 21% in sales (exclusive of the impact from new energy vehicles), 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.

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.

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.

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

(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 polices in various places, meanwhile Hyatt on the Bund Shanghai and Yutopia Wuyi Mountain Retreat were sold in early 2022.

(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 International Plaza	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.

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.

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).

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 purpose of the Share Award Schemes is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

ANNUAL RESULTS

The Board presents the audited consolidated results of the Group for the year ended 31 December 2022, together with comparative figures for 2021. These annual results have been reviewed by the Company's Audit Committee and audited and agreed by the Company's auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**63,040,148**	107,797,269
Cost of sales	*6*	**(57,758,774)**	(105,179,409)
Gross profit		**5,281,374**	2,617,860
Fair value losses on investment properties – net		**(631,445)**	(601,614)
Other income/other gains or losses – net		**3,561,859**	132,360
Selling and marketing costs	*6*	**(2,813,377)**	(5,376,840)
Administrative expenses	*6*	**(5,718,667)**	(6,002,605)
Provision for impairment losses on financial assets	*6*	**(318,703)**	(4,360,195)
Impairment losses on intangible assets	*6*	**–**	(2,533,022)
Other operating expenses	*6*	**(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	*7*	**(15,118,417)**	(2,768,337)
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)
Loss before income tax		**(17,550,096)**	(21,572,377)
Income tax expenses	*9*	**(3,109,210)**	(6,804,501)
Loss for the year		**(20,659,306)**	(28,376,878)

	Notes	Year ended 31 December **2022** *RMB'000*	2021 *RMB'000*
Other comprehensive (loss)/income for the year:			
Items that will not be reclassified to profit or loss			
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
Items that may be reclassified to profit or loss			
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)	*11*	**(567.4)**	(762.7)
– Diluted (RMB cents)	*11*	**(567.4)**	(762.7)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**18,185,394**	17,614,321
Right-of-use assets		**7,262,721**	8,286,458
Investment properties		**67,786,279**	66,319,235
Intangible assets		**3,019,413**	2,727,473
Investments accounted for using the equity method		**20,649,896**	27,720,624
Amounts due from related parties		**5,884,531**	6,460,176
Financial assets at fair value through other comprehensive income		**1,793,316**	2,184,336
Deferred income tax assets		**3,140,695**	3,352,443
Other non-current assets		**3,288,152**	3,556,190
		131,010,397	138,221,256
Current assets			
Inventories		**323,168,336**	332,890,055
Trade and other receivables and prepayments	*4*	**41,759,741**	23,727,928
Prepayment for acquisition of land use rights		**4,066,993**	4,838,963
Prepaid income taxes		**3,919,971**	4,473,623
Amounts due from related parties		**78,475,799**	66,056,509
Derivative financial instruments		**37,705**	11,412
Restricted cash		**11,737,480**	10,069,923
Cash and cash equivalents		**22,034,517**	47,814,400
		485,200,542	489,882,813
Total assets		**616,210,939**	628,104,069

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**384,165**	384,165
Reserves		**36,141,316**	57,433,792
		36,525,481	57,817,957
Non-controlling interests			
Perpetual capital instruments		**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
LIABILITIES			
Non-current liabilities			
Borrowings		**82,635,252**	123,921,866
Lease liabilities		**72,318**	45,740
Deferred income tax liabilities		**8,469,828**	8,704,284
		91,177,398	132,671,890
Current liabilities			
Trade and other payables	5	**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		**191,371,662**	107,836,757
Derivative financial instruments		**–**	57
Lease liabilities		**56,216**	50,601
Amounts due to related parties		**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

NOTES

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

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

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

(a) Going concern basis

For the year ended 31 December 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;

(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 a solution to the litigations which have not yet reached a definite outcome at the current stage;

(v) The Group has prepared a business strategy plan mainly focusing on the acceleration of the sales of properties; and

(vi) The Group will continue to seek suitable opportunities to dispose of its equity interests in certain project development companies in order to generate additional cash inflows.

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

3 SEGMENT INFORMATION

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

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

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

(a) Revenue

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

	Year ended 31 December	
	2022	2021
	RMB'000	*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

(b) Segment information

The segment results for 31 December 2022 are as follows:

	Property development and investment				
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")* *RMB'000*	**Others** *RMB'000*	**Shimao Services**** *RMB'000*	**Unallocated***** *RMB'000*	**Total** *RMB'000*
Revenue					
– Sales of properties	3,948,033	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.

The segment results for 31 December 2021 are as follows:

	Property development and investment				
	Shanghai Shimao* *RMB'000*	Others *RMB'000*	Shimao Services** *RMB'000*	Unallocated*** *RMB'000*	Total *RMB'000*
Revenue					
– Sales of properties	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.

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

	Property development and investment			
	Shanghai Shimao	**Others**	**Shimao Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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**

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

	Property development and investment			
	Shanghai Shimao *RMB'000*	Others *RMB'000*	Shimao Services *RMB'000*	Total *RMB'000*
Investments accounted for using the equity method	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.

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

	As at 31 December	
	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.

4 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	*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:

	As at 31 December	
	2022	2021
	RMB'000	*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.

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.

5 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*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:

	As at 31 December	
	2022	2021
	RMB'000	*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:

	As at 31 December	
	2022	2021
	RMB'000	*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

6 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	*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	**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	**1,098,647**	854,853
Amortisation of right-of-use assets	**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	**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 loss on intangible assets	**–**	2,533,022
Other expenses	**964,801**	244,171
	68,270,574	125,843,874

7 FINANCE COSTS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	*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		
– wholly repayable within five years	**6,832**	9,195
	22,917,451	14,576,026
Net foreign exchange loss	**8,923,021**	–
Less: interest and foreign exchange losses capitalized	**(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.

8 COMMITMENTS

Commitments for capital and property development expenditure

	As at 31 December	
	2022	2021
	RMB'000	*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

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	*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	**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	2021
	RMB'000	*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

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2022 (2021: Nil).

(b) PRC enterprise income tax

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

(c) PRC land appreciation tax

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

(d) PRC withholding income tax

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

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

10 DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
2021 Interim dividends of HK70 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 HK70 cents per ordinary share, amounting to HK$2,473,588,000 (equivalent to approximately RMB2,060,746,000) was declared by the Company in August 2021. The 2021 interim dividends were either paid in cash or, in the form of new fully paid scrip shares of the Company in lieu of cash at the scrip option of the shareholders, or partly in cash and partly in the scrip shares. The number of ordinary shares settled and issued as scrip dividends was 120,134,424 and the total amount of dividend paid as scrip dividends was approximately HK$1,675,635,000 (equivalent to approximately RMB1,395,971,000) while cash dividend amounted to HK$797,953,000 (equivalent to approximately RMB664,775,000).

(b) The Board does not recommend the payment of the final dividend for the year ended 31 December 2022 (2021: Nil).

11 LOSS PER SHARE

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

	Year ended 31 December	
	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 Award Scheme assuming they were exercised. No diluted loss per share for the year ended 31 December 2022 is presented as the effect caused by the shares granted under the Share Award 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 effect caused by the shares granted under the Share Award Scheme and the conversion of the subsidiary's outstanding convertible bonds are anti-dilutive.

12 EVENTS AFTER THE REPORTING PERIOD

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

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

Subsequent to the year ended 31 December 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 finalize a non-legally binding letter of support with certain members of the CoCom and its advisors to express their general support to progress and implement the Proposed Restructuring which shall form a good basis for further negotiation of the detailed restructuring terms.

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

REVIEW OF RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2022 as set out in this results announcement have been agreed by the Company's independent auditor, Zhonghui ANDA CPA Limited, to the amounts set out in the Group's consolidated financial statements. The work performed by Zhonghui ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Zhonghui ANDA CPA Limited on this results announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the independent auditor's report by Zhonghui ANDA CPA Limited, the external auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2022:

DISCLAIMER OF OPINION

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 cash flow.

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

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

OTHER MATTERS

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

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

As at 31 December 2021, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

Compliance with the Corporate Governance Code

The Company had complied with all the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022.

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, 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.

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.shimaogroup.hk). The Company's 2022 annual report will be despatched to the Shareholders along with the forthcoming annual general meeting (the "AGM") circular, the notice of AGM, the proxy form for use at the AGM and relevant documents and such documents will be published on the aforementioned websites in due course.

CONTINUED SUSPENSION OF TRADING

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

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

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

Hong Kong, 28 July 2023

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