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 2023

RESULTS HIGHLIGHTS

1. Contracted sales in 2023 was RMB42.822 billion. Contracted gross floor area amounted to 2.947 million sq.m..

2. Revenue of the Group was approximately RMB59.464 billion, representing a decline of approximately 5.7% as compared to last year.

3. Revenue generated from hotel operation, commercial properties operation, property management and others was approximately RMB12.478 billion, representing a year-on-year decrease of 2.4%.

4. Gross profit of the Group was approximately RMB5.848 billion, representing a year-on-year increase of approximately 10.7%. Gross profit margin was 9.8%.

5. Loss from core business attributable to shareholders was approximately RMB14.508 billion.

6. As at 31 December 2023, the Group's land bank was approximately 51.05 million sq.m. (before interests).

7. The Board did not recommend the payment of any final dividend for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Property Development

1) *Recognized Sales Revenue*

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

2) *Contracted Sales Performance*

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

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

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

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

4) *Ensuring delivery with equal emphasis on quality and quantity, and coordinating resources to overcome difficulties*

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

Commercial Properties Operation

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

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

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

Property Management

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

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

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

Hotel Operation

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

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

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

Outlook

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

FINANCIAL ANALYSIS

Key consolidated income statement figures are set out below:

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

Revenue

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

The components of the revenue are set out as follows:

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

* The income does not include revenue from the Group.

(i) Sales of Properties

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

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

(ii) Hotel Income

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

Hotel operation income is set out as follows:

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

(iii) Commercial Properties Operation Income

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

Commercial properties operation income is analysed as follows:

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

(iv) *Property Management Income, and Others*

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

Cost of Sales

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

Gross Profit Margin

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

Fair Value Losses on Investment Properties – Net

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

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

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

Selling and Marketing Costs and Administrative Expenses

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

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

Provision for Impairment Losses on Financial Assets

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

Impairment losses on intangible assets

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

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

Finance Costs – Net

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

Share of Results of Associated Companies and Joint Ventures

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

Taxation

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

Loss Attributable to Equity Holders

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

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

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

Amounts due from Associated Companies and Joint Ventures

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

Liquidity and Financial Resources

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

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

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

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

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

Foreign Exchange Risks

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

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

Pledge of Assets

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

Capital and Property Development Expenditure Commitments

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

Employees and Remuneration Policy

As of 31 December 2023, the Group employed a total of 53,836 employees, among whom 1,178 were engaged in property development. Total remuneration for the year amounted to approximately RMB5.559 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of Directors of the Company (the "Board") adopted two share award schemes (the "Share Award Schemes") of the Company on 30 December 2011 and 3 May 2021 respectively. The board of directors of Shimao Services also adopted a share award scheme (the "Shimao Services Share Award Scheme") of Shimao Services on 28 June 2021. The purpose of the Share Award Schemes and the Shimao Services Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

ANNUAL RESULTS

The Board presents the audited consolidated results of the Group for the year ended 31 December 2023, together with comparative figures for 2022. 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 2023

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**59,463,712**	63,040,148
Cost of sales	*7*	**(53,615,805)**	(57,758,774)
Gross profit		**5,847,907**	5,281,374
Fair value losses on investment properties – net		**(5,878,296)**	(631,445)
Other (losses)/other income and gains – net		**(3,848,781)**	3,561,859
Selling and marketing costs	*7*	**(1,419,774)**	(2,813,377)
Administrative expenses	*7*	**(4,703,318)**	(5,718,667)
Provision for impairment on financial assets	*7*	**(2,031,610)**	(318,703)
Impairment losses on property and equipment	*7*	**(6,457)**	–
Impairment losses on intangible assets	*7*	**(121,316)**	–
Other operating expenses	*7*	**(1,088,070)**	(1,661,053)
Operating loss		**(13,249,715)**	(2,300,012)
Finance income		**284,155**	391,550
Finance costs		**(8,256,328)**	(15,509,967)
Finance costs – net	*8*	**(7,972,173)**	(15,118,417)
Fair value changes of convertible bonds		**–**	57
Share of results of associated companies and joint ventures accounted for using the equity method		**(1,022,291)**	(131,724)
Loss before income tax		**(22,244,179)**	(17,550,096)
Income tax expenses	*10*	**(1,355,238)**	(3,109,210)
Loss for the year		**(23,599,417)**	(20,659,306)

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Other comprehensive (loss)/income for the year:			
Items that will not be reclassified to profit or loss			
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net of tax		**(1,187,571)**	28,215
Share of other comprehensive (loss) of joint ventures accounted for using the equity method		**(17,994)**	(47,211)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**4,278**	(63,005)
Total comprehensive loss for the year		**(24,800,704)**	(20,741,307)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(21,030,181)**	(21,492,478)
Non-controlling interests		**(2,569,236)**	833,172
		(23,599,417)	(20,659,306)
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(22,225,043)**	(21,557,451)
Non-controlling interests		**(2,575,661)**	816,144
		(24,800,704)	(20,741,307)
Losses per share for loss attributable to the equity holders of the Company			
– Basic (RMB)	*12*	**(5.55)**	(5.67)
– Diluted (RMB)	*12*	**(5.55)**	(5.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**17,039,656**	18,185,394
Right-of-use assets		**7,081,816**	7,262,721
Investment properties		**60,847,476**	67,786,279
Intangible assets		**2,729,081**	3,019,413
Investments accounted for using the equity method		**17,671,636**	20,649,896
Amounts due from related parties		**5,945,686**	5,884,531
Financial assets at fair value through other comprehensive income		**384,244**	1,793,316
Deferred income tax assets		**1,579,054**	3,140,695
Other non-current assets		**2,239,654**	3,288,152
		115,518,303	131,010,397
Current assets			
Inventories		**276,518,212**	323,168,336
Trade and other receivables and prepayments	*4*	**40,292,835**	41,759,741
Prepayment for acquisition of land use rights		**4,067,851**	4,066,993
Prepaid income taxes		**2,539,869**	3,919,971
Amounts due from related parties		**70,578,540**	78,475,799
Derivative financial instruments		**–**	37,705
Restricted cash		**6,245,890**	11,737,480
Cash and cash equivalents		**15,186,591**	22,034,517
		415,429,788	485,200,542
Assets of a disposal group classified as held for sale	*6*	**12,302,304**	–
		427,732,092	485,200,542
Total assets		**543,250,395**	616,210,939

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**384,165**	384,165
Reserves		**14,331,786**	36,141,316
		14,715,951	36,525,481
Non-controlling interests			
Perpetual capital instruments		**1,541,000**	1,693,620
Other non-controlling interests		**34,994,079**	41,285,984
		36,535,079	42,979,604
Total equity		**51,251,030**	79,505,085
LIABILITIES			
Non-current liabilities			
Borrowings		**64,555,626**	82,635,252
Lease liabilities		**41,481**	72,318
Deferred income tax liabilities		**7,535,816**	8,469,828
		72,132,923	91,177,398
Current liabilities			
Trade and other payables	*5*	**86,807,924**	82,500,086
Contract liabilities		**85,834,358**	118,102,262
Dividend payable		**873,188**	860,759
Income tax payable		**20,367,316**	24,653,407
Borrowings		**199,407,588**	191,371,662
Lease liabilities		**56,239**	56,216
Amounts due to related parties		**19,547,025**	27,984,064
		412,893,638	445,528,456
Liabilities of a disposal group classified as held for sale	*6*	**6,972,804**	–
		419,866,442	445,528,456
Total liabilities		**491,999,365**	536,705,854
Total equity and liabilities		**543,250,395**	616,210,939

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 2023, the Group incurred a loss attributable to equity holders of the Company of approximately RMB21.0 billion. As at 31 December 2023, the Group had borrowings in a total of approximately RMB264.0 billion, out of which approximately RMB199.4 billion will be due for repayment within the next twelve months, while its total cash (including cash and cash equivalents and restricted cash) amounted to approximately RMB21.4 billion. As at 31 December 2023, the Group had not repaid borrowings of RMB169.4 billion in aggregate according to their scheduled repayment dates. Up to the date of approval of these consolidated financial statements, the Group had not repaid borrowings with the outstanding amount of RMB174.1 billion in aggregate according to their scheduled repayment dates. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the Directors have devised a number of plans and measures to mitigate the liquidity pressure and to improve its financial position. Certain plans and measures have been or will be taken by the Directors include, but are not limited to, the following:

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

(ii) The Group has also been actively negotiating with other onshore lenders and creditors on the extension of borrowings and has completed the extension of long-term bonds with total amount of approximately RMB18.9 billion. Due to the diverse lender base and changing market conditions, time is still required to determine the extension plans on a case-by-case basis. Taking into account the successful extension cases and the Group's credit history and longstanding relationships with the relevant lenders and creditors, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the existing borrowings step by step;

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

(iv) The Group will actively seek other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;

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

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

The Directors are of the opinion that, assuming the above plans and measures can be successfully implemented as scheduled, the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due within the following twelve months from 31 December 2023. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets and non-current liabilities as current liabilities. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

(b) Adoption of new or amended HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA, that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise HKFRS, Hong Kong Accounting Standards ("HKAS"), and Interpretations. The adoption of these new and revised HKFRSs did not result 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	
	2023	2022
	RMB'000	*RMB'000*
Sales of properties	**46,985,856**	50,260,189
Hotel operation income	**2,295,484**	1,746,286
Commercial properties operation income	**1,740,254**	1,889,052
Property management income, and others	**8,442,118**	9,144,621
	59,463,712	63,040,148

(b) Segment information

The segment results for 31 December 2023 are as follows:

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

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

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

*** Unallocated mainly represent corporate level activities.

The segment results for 31 December 2022 are as follows:

	Property development and investment				
	Shanghai Shimao*	Others	Shimao Services**	Unallocated***	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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 assets and liabilities at 31 December 2023 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	**850,096**	**16,760,521**	**61,019**	**17,671,636**
Intangible assets	**–**	**71,363**	**2,657,718**	**2,729,081**
Other segment assets	**119,891,946**	**377,968,167**	**9,538,936**	**507,399,049**
Total segment assets	**120,742,042**	**394,800,051**	**12,257,673**	**527,799,766**
Deferred income tax assets				**1,579,054**
Financial assets at FVOCI				**384,244**
Assets of a disposal group classified as held for sale				**12,302,304**
Other assets				**1,185,027**
Total assets				**543,250,395**
Borrowings	**27,713,758**	**157,543,524**	**299,942**	**185,557,224**
Other segment liabilities	**62,237,095**	**139,479,946**	**3,373,979**	**205,091,020**
Total segment liabilities	**89,950,853**	**297,023,470**	**3,673,921**	**390,648,244**
Corporate borrowings				**78,405,990**
Deferred income tax liabilities				**7,535,816**
Liabilities of a disposal group classified as held for sale				**6,972,804**
Other liabilities				**8,436,511**
Total liabilities				**491,999,365**

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	32,719,779	163,709,380	526,871	196,956,030
Other segment liabilities	53,160,009	194,153,932	3,472,323	250,786,264
Total segment liabilities	85,879,788	357,863,312	3,999,194	447,742,294
Corporate borrowings				77,050,884
Deferred income tax liabilities				8,469,828
Other liabilities				3,442,848
Total liabilities				536,705,854

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

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

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Related to development and sales of properties contracts		
Contract liabilities *(Note)*	**85,834,358**	118,102,262

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

Revenue from sales of properties totally approximately RMB38 billion was recognised in the current reporting year that was included in the contract liability balance at the beginning of the year. Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totally approximately RMB28 billion as of 31 December 2023 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	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**8,273,284**	8,801,099
Bidding deposits for land use rights *(Note (b))*	**4,110,738**	4,251,995
Prepayments for construction costs	**9,078,401**	8,993,816
Loan receivables *(Note (c))*	**407,932**	461,970
Prepaid tax and surcharges on pre-sale proceeds	**861,282**	1,194,204
Deposits paid	**9,438,937**	10,451,338
Receivables from disposals of equity interests	**236,386**	396,275
Payments on behalf of customers	**382,546**	467,470
Other receivables	**9,401,615**	8,251,760
	42,191,121	43,269,927
Provision for impairment	**(1,898,286)**	(1,510,186)
	40,292,835	41,759,741

Notes:

(a) Trade receivables mainly arise from sales of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sales and purchase agreements. The ageing analysis of trade receivables at the respective year-ended dates is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 180 days	**6,375,448**	6,782,186
Over 180 days and within 365 days	**1,372,444**	1,460,003
Over 365 days	**525,392**	558,910
	8,273,284	8,801,099

As at 31 December 2023, receivables arising from sales of properties were approximately RMB3,630,905,000 (2022: RMB3,892,308,000).

(b) Bidding deposits for land use rights mainly represented deposits placed by the Group to various municipal governments for the participation in land auctions. These deposits will be deducted against the total land costs to be paid if the Group wins the bid at the auction. If the Group does not win the bid, the deposits will be fully refunded.

(c) As at 31 December 2023, loan receivables of RMB407,932,000 (31 December 2022: RMB461,970,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 4.2% to 18.0% per annum and repayable within one year.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2023, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

5 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**42,187,616**	56,710,341
Other payables *(Note (b))*	**12,724,643**	6,969,146
Other taxes payable	**7,606,676**	9,470,539
Accrued expenses	**24,288,989**	9,350,060
	86,807,924	82,500,086

Notes:

(a) As at 31 December 2023, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**39,706,984**	54,509,980
Over 90 days and within 1 year	**2,480,632**	2,200,361
	42,187,616	56,710,341

(b) Other payables comprise:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Deposits received from customers	**3,060,912**	3,221,837
Deposits from constructors	**665,979**	412,955
Rental deposits from tenants and hotel customers	**1,066,990**	1,738,412
Payables for equity interest	**613,688**	763,907
Fees collected from customers on behalf of government agencies	**414,995**	413,424
Amount due to liquidated subsidiaries or disposed subsidiaries	**6,617,679**	–
Others	**284,400**	418,611
	12,724,643	6,969,146

6 A DISPOSAL GROUP OF ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2023, the Group entered into equity transfer agreement and debt settlement agreements with independent third parties regarding the transfers of the equity interest in a subsidiary and the Group's assets.

On 28 September 2023, the Group entered into an equity transfer agreement with two independent third parties, pursuant to which the Group conditionally agreed to sell and the independent third parties conditionally agreed to purchase 51% equity interest in a project company, an indirectly non-wholly owned subsidiary of the Company, for a consideration of RMB3.91 billion.

On 30 October 2023, the Group entered into certain debt settlement agreements with its creditors, pursuant to which the parties mutually agreed that the Group agreed to transfer its inventories of properties for an aggregate consideration of approximately RMB1.59 billion by way of settling its borrowings of approximately RMB1.53 billion. The transactions are subject to conditions precedent and were yet to be completed as at 31 December 2023.

Subsequent to the year ended 31 December 2023, the conditions precedent under the agreements above were satisfied and the transactions were completed. In this regard, the management of the Group classified the group of relevant assets and liabilities as a disposal group of assets and liabilities held for sale and is presented separately in the consolidated statement of financial position as at 31 December 2023. The major classes of assets and liabilities of a disposal group classified as held for sale are as follows:

	At 31 December 2023 *RMB'000*
Property and equipment	**124**
Investment properties	**438,000**
Deferred income tax assets	**12,522**
Inventories	**7,149,748**
Trade and other receivables and prepayments	**4,644,896**
Cash and cash equivalents	**57,014**
Assets of a disposal group classified as held for sale	**12,302,304**
Trade and other payables	**987,745**
Contract liabilities	**933,574**
Income tax payable	**668,770**
Borrowings	**4,382,715**
Liabilities of a disposal group classified as held for sale	**6,972,804**

7 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of properties sold and others	**45,817,606**	52,029,561
Taxes and surcharges on sales of properties	**627,474**	598,632
Staff costs – including directors' emoluments	**5,207,813**	6,074,802
Advertising, promotion and commission costs	**1,089,092**	2,428,430
Direct expenses arising from hotel operation	**846,740**	687,645
Corporate and office expenses	**985,145**	1,398,396
Consulting fee	**339,836**	620,004
Depreciation and amortisation	**914,442**	1,098,647
Amortisation of right-of-use assets	**179,471**	162,433
Charitable donations	**1,306**	12,073
Penalties	**877,409**	806,239
Auditor's remuneration		
– Audit services	**11,000**	15,800
– Non-audit services	**–**	–
Provision for impairment losses on financial assets	**2,031,610**	318,703
Provision for impairment losses on properties under development and completed properties held for sale	**2,966,024**	1,054,408
Impairment losses on property and equipment	**6,457**	–
Impairment loss on intangible assets	**121,316**	–
Other expenses	**963,609**	964,801
	62,986,350	68,270,574

8 FINANCE COSTS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
– interest income on short-term bank deposits	**(284,155)**	(391,550)
Interest on bank and other borrowings		
– wholly repayable within five years	**13,577,028**	20,047,164
– not wholly repayable within five years	**593,466**	397,307
Interest on senior notes		
– wholly repayable within five years	**2,283,660**	1,999,494
– not wholly repayable within five years	**–**	305,635
Interest on convertible bonds		
– wholly repayable within five years	**–**	161,019
Interest charges paid/payable for lease liabilities		
– wholly repayable within five years	**6,573**	6,832
	16,460,727	22,917,451
Net foreign exchange loss	**1,840,216**	8,923,021
Less: interest and foreign exchange losses capitalized	**(10,044,615)**	(16,330,505)
Finance costs	**8,256,328**	15,509,967
Net finance costs	**7,972,173**	15,118,417

Note: Net foreign exchange loss is mainly derived from the translation of foreign currency borrowings.

9 COMMITMENTS

Commitments for capital and property development expenditure

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property and equipment	**517,780**	476,257
– Land use rights (including those related to associated companies and joint ventures)	**5,939,529**	5,745,419
– Properties being developed by the Group for sale	**24,465,634**	39,414,335
	30,922,943	45,636,011

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise and withholding income tax	**296,519**	887,956
– PRC land appreciation tax	**664,647**	982,531
	961,166	1,870,487
Deferred income tax		
– PRC enterprise and withholding income tax	**394,072**	1,238,723
	1,355,238	3,109,210

(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 2023 (2022: 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%.

11 DIVIDENDS

The board of Directors does not recommend the payment of the final dividend for the year ended 31 December 2023 (2022: Nil).

12 LOSS PER SHARE

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

	Year ended 31 December	
	2023	2022
Loss attributable to the equity holders of the Company *(RMB'000)*	**(21,030,181)**	(21,492,478)
Weighted average number of ordinary shares *(thousands)*	**3,787,589**	3,787,589
Basic losses per share *(RMB)*	**(5.55)**	(5.67)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue for the potential dilutive effect caused by the shares granted under the Share Award Scheme assuming they were exercised. No diluted loss per share for the year ended 31 December 2023 is presented as the effect caused by the shares granted under the Share Award Scheme is anti-dilutive.

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

13 EVENTS AFTER THE REPORTING PERIOD

(a) On 14 March 2024, the Group entered into agreements with an independent third party under which the Group agreed to sell the entire equity interest of a non-wholly owned subsidiary and the creditor's right of the Group against the subsidiary to the independent third party for an aggregate consideration of RMB245.7 million.

(b) Subsequent to the year ended 31 December 2023, the Company and its advisors have been actively engaged in dialogue with various groups of creditors on the restructuring of its offshore debt (the "Offshore Debt"), in an effort to reach a solution under which all of its stakeholders will be treated fairly.

On 25 March 2024, the Company announced that it had prepared a creditor support agreement to be signed by, among others, the persons holding beneficial interests as principal in Offshore Debt that are in support of a restructuring proposal (the "Proposal") and the Company. The key terms of the Proposal were summarized in the Company's announcement dated 25 March 2024.

REVIEW OF RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2023 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 2023:

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 mention that the Group incurred a loss attributable to equity holders of the Company of approximately RMB21.0 billion. As at 31 December 2023, the Group had borrowings in total of approximately RMB264.0 billion, out of which approximately RMB199.4 billion will be due for repayment within the next twelve months, while its total cash (including cash and cash equivalents and restricted cash) amounted to approximately RMB21.4 billion. As at 31 December 2023, the Group had not repaid borrowings of RMB169.4 billion in aggregate according to their scheduled repayment dates. Up to the date of this report, the Group had not repaid borrowings with the outstanding amount of RMB174.1 billion in aggregate according to their scheduled repayment dates. In addition, the Group was involved in various litigation and arbitration cases for various reasons, as disclosed in note 38(c) to the consolidated financial statements. The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

OTHER MATTERS

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

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

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

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

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

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

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

Upon the consensus reached by the Group and the Trust in March 2022, the Group regarded it as a deemed acquisition of 30% equity interest in the Subsidiary for a deemed consideration of RMB4.9 billion and classified the amount as borrowings in the consolidated financial statements. In addition, the Group recognised the provision of accrued interests of approximately RMB1.7 billion in the consolidated profit or loss for the year ended 31 December 2022.

We are not able to obtain direct confirmation or clarification from the Trust to verify the nature of the Contributed Capital, and no other sufficient information is available to justify whether the Contributed Capital still met the applicable criteria of equity instruments under Hong Kong Accounting Standard 32 "Financial Instruments: Presentation" as at 31 December 2021. Accordingly, we have been unable to obtain sufficient appropriate audit evidence to justify whether any portion of the interest expenses of approximately RMB1.7 billion should be made in the last year or in prior years.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with Model Code set out in Appendix C3 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 C3 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 2023.

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 C1 to the Listing Rules throughout the year ended 31 December 2023.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023:

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

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

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

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

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

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

Final Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: 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 2023 annual report will be despatched to its 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.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely, Mr. Hui Wing Mau (Chairman), Mr. Hui Sai Tan, Jason (Vice Chairman and President), Ms. Tang Fei 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.