SHIMAO GROUP
世茂集團

2024

ANNUAL REPORT 年報

SHIMAO GROUP HOLDINGS LIMITED
世 茂 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號: 813

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Hui Sai Tan, Jason *(Chairman and President)*
Xie Kun
Zhao Jun

Non-executive Directors

Hui Mei Mei, Carol
Shao Liang

Independent Non-executive Directors

Lyu Hong Bing
Lam Ching Kam
Fung Tze Wa

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Lam Yee Mei, Katherine

Auditor

ZHONGHUI ANDA CPA Limited

Principal Place of Business in Hong Kong

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

Registered Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Share Registrar and Transfer Office

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

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 813

Investor and Media Relations

Investor Relations Department
Email: ir@shimaogroup.com

FIVE YEARS FINANCIAL SUMMARY

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	**59,975,062**	59,463,712	63,040,148	107,797,269	135,352,755
Cost of sales	**(65,843,636)**	(53,615,805)	(57,758,774)	(105,179,409)	(95,685,488)
Gross (loss)/profit	**(5,868,574)**	5,847,907	5,281,374	2,617,860	39,667,267
Fair value (losses)/gains on investment properties – net	**(2,812,958)**	(5,878,296)	(631,445)	(601,614)	397,539
Other (losses)/other income and gains – net	**(13,608,820)**	(3,848,781)	3,561,859	132,360	1,029,335
Selling and marketing costs	**(901,207)**	(1,419,774)	(2,813,377)	(5,376,840)	(4,416,344)
Administrative expenses	**(3,921,977)**	(4,703,318)	(5,718,667)	(6,002,605)	(5,498,682)
Provision for impairment on financial assets	**(1,108,622)**	(2,031,610)	(318,703)	(4,360,195)	(482,918)
Impairment losses on property and equipment	**(8,170)**	(6,457)	–	–	–
Impairment losses on intangible assets	**(45,829)**	(121,316)	–	(2,533,022)	–
Other operating expenses	**(1,052,030)**	(1,088,070)	(1,661,053)	(2,391,803)	(503,530)
Operating (loss)/profit	**(29,328,187)**	(13,249,715)	(2,300,012)	(18,515,859)	30,192,667
Finance (costs)/income – net	**(12,075,337)**	(7,972,173)	(15,118,417)	(2,768,337)	3,315,459
Fair value changes of convertible redeemable preferred shares	**–**	–	–	–	(75,860)
Fair value changes of convertible bonds	**–**	–	57	144,746	–
Share of results of associated companies and joint ventures accounted for using the equity method	**(633,935)**	(1,022,291)	(131,724)	(432,927)	159,320
(Loss)/profit before income tax	**(42,037,459)**	(22,244,179)	(17,550,096)	(21,572,377)	33,591,586
Income tax expenses	**(1,648,189)**	(1,355,238)	(3,109,210)	(6,804,501)	(14,129,120)
(Loss)/profit for the year	**(43,685,648)**	(23,599,417)	(20,659,306)	(28,376,878)	19,462,466
(Loss)/profit for the year attributable to equity holders of the Company	**(35,905,060)**	(21,030,181)	(21,492,478)	(27,092,790)	12,627,679
Non-current assets	**87,417,271**	115,518,303	131,010,397	138,221,256	134,194,728
Current assets	**349,011,726**	427,732,092	485,200,542	489,882,813	455,558,422
Total assets	**436,428,997**	543,250,395	616,210,939	628,104,069	589,753,150
Non-current liabilities	**48,848,803**	72,132,923	91,177,398	132,671,890	117,162,151
Current liabilities	**384,234,258**	419,866,442	445,528,456	381,432,496	320,096,247
Total liabilities	**433,083,061**	491,999,365	536,705,854	514,104,386	437,258,398
Net assets	**3,345,936**	51,251,030	79,505,085	113,999,683	152,494,752
Equity attributable to equity holders of the Company	**(21,654,333)**	14,715,951	36,525,481	57,817,957	88,002,060
Non-controlling interests	**25,000,269**	36,535,079	42,979,604	56,181,726	64,492,692
Total equity	**3,345,936**	51,251,030	79,505,085	113,999,683	152,494,752

CHAIRMAN'S STATEMENT

Dear shareholders,

I hereby represent Shimao Group Holdings Limited ("Shimao Group", "Shimao" or the "Company") and its subsidiaries (collectively, the "Group") to present the annual results of the Group for the year ended 31 December 2024.

Market and Outlook

In 2024, the property market of China continued to undergo adjustments. According to the National Bureau of Statistics of China, nationwide investment in property development in 2024 amounted to RMB10,028 billion, representing a year-on-year decrease of 10.6%, of which investment in residential property amounted to RMB7,604 billion, representing a year-on-year decrease of 10.5%. The gross floor area under construction by property developers reached 7,332.47 million sq.m., representing a year-on-year decrease of 12.7%, of which the area under construction for residential properties amounted to 5,133.30 million sq.m., representing a year-on-year decrease of 13.1%. The sales area of newly-built commodity properties stood at 973.85 million sq.m., representing a year-on-year decrease of 12.9%, of which the sales area of residential properties amounted to 814.50 million sq.m., representing a year-on-year decrease of 14.1%.

With respect to policies, in the first half of 2024, relaxation continued in the real estate market, the Central Bank and the National Financial Regulatory Administration put in place various additional financial initiatives and the focus was shifted from the supply side to the demand side. In the second half of 2024, the efficacy and frequency of the central government's policies increased significantly. The all-round financial support from the Central Bank and the tone "reverse the downturn and stabilize the market" set at the Central Political Bureau Meeting marked a turning point for the industry. At the end of 2024, the Central Economic Work Conference again emphasized "sustained efforts to reverse the downturn in real estate market and stabilize it", setting the tone for the property market in 2025 and reiterated its stance on stabilizing the property market.

In March 2025, the government work report upheld the main thread of "seeking progress while maintaining stability", in particular "stabilizing the property market" and "sustained efforts to reverse the downturn in real estate market and stabilize it", and elaborated that relevant basic systems will be set up in an orderly manner and that a new development model for real estate will be fostered at a faster pace. For the year ahead, the policy reinforcement is expected to effect a recovery of expectations. The Company will revitalize the internal resources, rebuild its competitiveness, and enable quality delivery under the guidance of the national real estate policy, so as to move forward steadily under the development model of "One Core with Two Wings".

The Real Estate Businesses

In the face of the transformative industrial adjustments and market challenges, the Group will align itself with the market trend and national policies, solidify operating fundamentals, focus on customer needs, endeavor for improvement in key areas, and build up new growth drivers with enhanced underlying expertise under the development model of "One Core with Two Wings".

In 2024, through the effective establishment of a survey and feedback mechanism for customer needs, the Group managed to build a closed-loop system from demands to product delivery, putting more attention to customers. Meanwhile, based on its actual operating conditions and upcoming development plan, the Group did not acquire any land during the year. In order to accelerate sales, the Group formulated detailed task schedules for each aspect of project sales and implemented them with concerted efforts to break through the obstacles and improve efficiency. The Group's contracted sales for 2024 amounted to RMB34.002 billion; the aggregate contracted sold area was 2.675 million sq.m.. The average selling price for the year was RMB12,710 per sq.m..

With respect to production and operation, the Group continued to focus on quality delivery and championed its customer-oriented philosophy throughout while ensuring quality delivery and product competitiveness. In 2024, the Group achieved cumulative delivery of 136 batches of units for 73 projects across 49 cities in China, thus performing its corporate responsibility with actions. In its pursuit of both punctuality and quality of the delivery, the Group stays committed to its essential aspiration for quality with consistency with balanced emphasis on high standards and quantity, thus performing its deliver responsibility by actions.

With respect to financial management, the Group has taken coordinated measures to meet the challenges and fulfill its social responsibilities, fixing a guard rail for safe operation. At the same time, the Company has maintained constructive dialogues with various groups of creditors to advance the related work, and has made significant progress in debt restructuring: the Company's restructuring scheme of the US$-denominated senior notes issued by the Company and certain offshore credit facilities (involving total principal amounts of approximately US$11.5 billion) was ultimately approved by up to 98.75% of the presented and voted creditors under the restructuring scheme at the scheme meeting, and was sanctioned by an order made by the High Court of Hong Kong on 13 March 2025.

Collaborative Development of Diversified Businesses

In 2024, Shimao promoted the effective linkage and collaborative development of all business segments under the development model of "One Core with Two Wings". The Company has been strengthening its basic essentials, creating new growth areas, and seeking breakthroughs and innovations, with the aim to focus on building customer-oriented core competitiveness in the new landscape.

In respect of property management business, Shimao Services Holdings Limited ("Shimao Services") was confident of achieving full-year revenue of RMB7,895.5 million, gross profit of RMB1,564.3 million and core net profit attributable to equity holders of RMB492.4 million. Gross floor area (GFA) under management was 218.4 million sq.m. and contracted GFA was 314.3 million sq.m.. In 2025, Shimao Services will focus on healthy operations as its core business objective. Shimao Services will endeavor to adjust the existing operating structure and allocate resources in a more reasonable manner; actively open up a new track for third-party bidding to expand the market, closely follow the industry trend and market demand, and grasp the business opportunities in emerging areas; vigorously explore new resources, deeply tap the potential resources in various projects, closely surround the living scenes and actual needs of owners in small districts, and provide convenient services through innovative service modes and methods to achieve revenue generation.

In terms of hotel business, Shimao Hotels adhered to the development strategy of striking balance between asset-light and asset-heavy, so as to continue the improvement in product quality and boost the spending. In terms of project expansion, it welcomed the opening of Yuluxe Hotel Baoji (寶雞如意茵香茂御酒店), the soft opening of Yuluxe Hotel Dali (大理鑫鶴茂御酒店), and the development of agent-construction management business on a brand new deluxe hotel project in Sanya. In the new year, Shimao Hotels will keep up with the changing needs of consumers and investors and continue to enhance its competitiveness by focusing on digital marketing innovations and the research and development of top-selling products in food and beverage segment.

In terms of commercial and entertainment business, Shimao's commercial properties operation remained stable. During the reporting period, for commercial projects under management of Shanghai Shimao Co., Ltd., the foot traffic increased 6% as compared with the same period last year, but cumulative sales recorded a year-on-year decrease of 5%. In terms of commercial projects under management, its overall occupancy rate was close to 90%, which was approximate to that at the end of the previous year. The Company's office buildings under management are all located in the core districts of cities in which they are situated. Although the Company managed to stabilize leasing levels through various means such as flexible leasing policies and customer relationship consolidation, the overall occupancy rate has still declined due to macroeconomy and the cost reduction by and the relocation of tenants. During the reporting period, the overall occupancy rate of office buildings was 70%. In the future, the Company will seize the opportunities from favorable policies, revitalize the internal resources, rebuild its competitiveness to further promote the diversified business layout, and form a synergy through internal resource integration, business collaboration, and mutual sharing of resources, so as to facilitate the operation transformation.

Social Responsibility

Shimao Group has been actively responding to the national policy to promote the high-quality development of green buildings, conserve resources, protect the environment and meet the growing needs of the people for a better life.

In response to the national goal of "Peak Carbon by 2030 and Carbon Neutral by 2060", Shimao added 171,800 sq.m. of basic level, 111,300 sq.m. of one-star, and 182,000 sq.m. of two-star green building area in 2024. Adhering to the concept of sustainable green and low-carbon construction, Shimao will continue to explore the innovative path of green building and strive to become a facilitator and leader in this field. At the same time, Shimao will strictly comply with the relevant national standards to ensure the green performance and comprehensive benefits of the buildings, and make positive contributions to the sustainable development of the society.

Appreciation

On behalf of the Board, I would like to thank our shareholders, customers, partners and governments at all levels for their tremendous support. I would also like to extend my heartfelt gratitude and deepest respect to our directors, management and staff for all their understanding and assistance and walking with Shimao. A sound foundation is the key to success and prosperity. In 2025, Shimao Group will set clear goals and take practical measures to make breakthroughs while committing to its corporate culture of "Together we fulfill responsibility, make breakthroughs and attain achievements". For property development, the Group will focus on customer needs and concentrate on product quality; for property services, the Group will focus on quality enhancement and capture the niche; for commercial properties and hotels, the Group will improve the quality of asset operation and customer experience, and enhance the output of its light assets. In the new year, Shimao people will write a new chapter of progress with countless vigor and tenacity.

Hui Sai Tan, Jason
Chairman and President

Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2024, the property market of China continued to undergo adjustments. Policywise, easing policies remained as the major tone in the real estate market, as the Central Government rolled out much stronger measures with increasing frequency to maintain stable development. The all-round financial support from the Central Bank and the tone "reverse the downturn and stabilize the market" set at the Political Bureau Meeting will mark a turning point for the industry. At the meetings of the Political Bureau of the Central Committee and the Economic Work Conference in December, emphasis was again placed on the real estate market direction for 2025, indicating that the policy tone has shifted to mitigating risk, stabilizing entities and the market.

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, hotel operation, commercial properties operation and property management business. For the year ended 31 December 2024, revenue of the Group reached RMB59.975 billion. During the year, revenue from property sales amounted to RMB47.911 billion, accounting for 79.9% of the total revenue. The recognized sales area was 3.579 million sq.m..

2) ***Contracted Sales Performance***

As the real estate market sales continued to contract, more and more customers tended to "shorten the replacement cycle and seek for better living experience". The industry transformation will focus on "deleveraging, concentrating efforts to focus on product quality and developing integrated business". Through the effective establishment of a survey and feedback mechanism for customer needs, the Group managed to build a closed-loop system from demands to product delivery, putting more attention to customers. The Group formulated detailed task schedules for each aspect of project sales and implemented them with concerted efforts to break through the obstacles and improve efficiency. The Group's contracted sales for 2024 amounted to RMB34.002 billion; the aggregate contracted sold area was 2.675 million sq.m.. The average selling price for the year was RMB12,710 per sq.m..

3) ***Ensuring delivery with equal emphasis on quality and quantity, making prudent judgment and coordinating resources***

In response to the market downturn and the pressure on resources, the Group classified projects into different levels and types for management and control made precise and effective resource allocation according to needs. By the end of 2024, the Group had an area under construction of approximately 23.28 million sq.m. and an area completed of approximately 4.58 million sq.m. for the year. As of 31 December 2024, the Group had about 246 projects and a total area of approximately 43.61 million sq.m. (before interests) land bank, which provided the necessary support for the Group's future sales and development. In 2024, Shimao continued to focus on quality delivery. The Group achieved cumulative delivery of 136 batches of units for 73 projects across 49 cities in China, thus performing its corporate responsibility with actions. Looking forward to 2025, the Group's floor area under construction and floor area completed are planned to be approximately 20.89 million sq.m. and approximately 2.39 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 land during the year.

4) ***Under the development model of "One Core with Two Wings", strengthening basic essentials and creating new growth areas***

In 2024, Shimao promoted the collaborative development of all business segments under the development model of "One Core with Two Wings". The Group maintained its competitiveness in property development, focused on customer needs and concentrated on product quality. For property services, the Group focused on quality enhancement and captured the niche; for commercial properties and hotels, the Group improved the quality of its operations, asset operation and customer experience, and enhanced the output of its asset-lights. The Group has been strengthening its basic essentials, creating new growth areas, and seeking breakthroughs and innovations, with the aim to focus on building customer-oriented core competitiveness in the new landscape.

Property Management

In respect of property management business, Shimao Group engaged in property management business through its subsidiary, Shimao Services Holdings Limited ("Shimao Services"). In 2024, China's property industry as a whole continued to show a bearish trend of adjustment, and the property market entered a new cycle of de-stocking. The revenue growth path of the property management services industry has also changed significantly, with the previous growth model driven by new projects facing challenges. More large property management service companies are looking at the stock market and non-residential market for in-depth expansion. The importance of basic property management services has been re-emphasised and has become a key driver of the industry's growth.

In 2024, Shimao Services was confident of achieving full-year revenue of RMB7,895.5 million, gross profit of RMB1,564.3 million and core net profit attributable to equity holders of RMB492.4 million. Gross floor area (GFA) under management was 218.4 million sq.m. and contracted GFA was 314.3 million sq.m..

In 2025, Shimao Services will focus on healthy operations as its core business objective. Shimao Services will endeavour to adjust the existing operating structure and allocate resources in a more reasonable manner; actively open up a new track for third-party bidding to expand the market, closely follow the industry trend and market demand, and grasp the business opportunities in emerging areas; vigorously explore new resources, deeply tap the potential resources in various projects, closely surround the living scenes and actual needs of owners in small districts, and provide convenient services through innovative service modes and methods to achieve revenue generation.

Hotel Operation

As of 31 December 2024, the Group had a total of 23 hotels in operation, including Conrad Shanghai, InterContinental Shanghai Wonderland, Sheraton Hong Kong Tung Chung Hotel, Conrad Xiamen, Hilton Wuhan Riverside, The Yuluxe Sheshan, Shanghai, a Tribute Portfolio Hotel, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang, Hilton Changsha Riverside and Yuluxe Hotel Chengdu. Currently, the Group has nearly 8,000 hotel guest rooms. In addition, the Group has four directly managed leased hotels, including, MiniMax Hotel Shanghai Songjiang, MiniMax Premier Hotel Shanghai Hongqiao, MiniMax Premier Hotel Chengdu Center and ETHOS Hotel Wuhan Riverside, offering nearly 800 hotel guest rooms.

With respect to revenue from guest rooms, the performance of the hotel industry in Mainland China in 2024 diminished as compared to 2023, especially the luxury hotels had been lowering price for higher occupancy, as evidenced by the decline of 6% in average room rate on a year-on-year basis and high-end hotels experiencing a drop in revenue per available room (RevPAR) of as much as 7%. Against this backdrop, Shimao Hotels maintained stable operating fundamentals through flexible adjustment of pricing strategy and product innovation. For the full year, the Group achieved total revenue of RMB2.225 billion, representing a year-on-year decrease of 3.1%; and the revenue per available room (RevPAR) basically unchanged from 2023.

In 2024, Shimao Hotels adhered to the development strategy of striking balance between asset-light and asset-heavy, so as to continue the improvement in product quality and boost the spending. In terms of project expansion, it welcomed the opening of Yuluxe Hotel Baoji (寶雞如意茵香茂御酒店), the soft opening of Yuluxe Hotel Dali (大理鑫鶴茂御酒店), and the development of agent-construction management business on a brand new deluxe hotel project in Sanya. In terms of hotel operation, to celebrate the 20th anniversary of Shimao Hotels, hotels of the Group across 21 cities broke the barriers among different groups in hotel management to reward customers by innovatively launching sought-after products that were redeemable nationwide for a limited period, with cumulative sales exceeding RMB100 million.

In 2025, Shimao Hotels will keep up with the changing needs of consumers and investors and continue to enhance its competitiveness by focusing on digital marketing innovations and the research and development of top-selling products in food and beverage segment.

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 2024, Shimao's commercial properties operation remained stable. The Company's offline retail business was characterized by a larger recovery in foot traffic over sales, since short-term forecasts for disposable income and marginal propensity to consume remained cautious. During the reporting period, for commercial projects under management, the foot traffic increased 6% as compared with the same period last year, but cumulative sales recorded a year-on-year decrease of 5%. Among them, regional commercial segment and community-based commercial segment both showed trends of increased foot traffic but decreased sales. In addition, the overall occupancy rate of commercial projects under management was close to 90%, which was approximate to that at the end of the previous year. The Company's office buildings under management are all located in the core districts of cities in which they are situated. Although the Company managed to stabilize leasing levels through various means such as flexible leasing policies and customer relationship consolidation, the overall occupancy rate has still declined due to macroeconomy and the cost reduction by and the relocation of tenants. During the reporting period, the overall occupancy rate of office buildings was 70%, which was lower than the occupancy rate at the end of the previous year by approximately 7 percentage points.

In the government's work report delivered in 2025, it emphasized "vigorously boosting consumption, increasing return on investment, and expanding domestic demand on all fronts" for domestic demand to become the main driving force and a stable anchor for economic growth. The Company will seize the opportunities from favorable policies, revitalize the internal resources, rebuild its competitiveness to further promote the diversified business layout, and form a synergy through internal resource integration, business collaboration, and mutual sharing of resources, so as to facilitate the operation transformation.

Outlook

Looking ahead to 2025, the government's work report emphasizes the need to "stabilize the property market", stating that relevant basic systems will be set up in an orderly manner, and that a new development model for real estate will be fostered at a faster pace. The Group will return to the fundamentals of its operations, focus on customer needs and increase efforts in improving key areas. Under the development model of "One Core with Two Wings", the Group will follow the market trend and national policies direction, maintain its fundamental base, strengthen its basic essentials as well as create new growth areas, so as to promote healthy growth.

Financial Analysis

Key consolidated statement of profit or loss figures are set out below:

	2024 RMB million	2023 RMB million
Revenue	**59,975**	59,464
Gross (loss)/profit	**(5,869)**	5,848
Operating loss	**(29,328)**	(13,250)
Loss attributable to equity holders of the Company	**(35,905)**	(21,030)
Losses per share – Basic (RMB)	**(9.48)**	(5.55)

Revenue

For the year ended 31 December 2024, the revenue of the Group was approximately RMB59,975 million (2023: RMB59,464 million), representing an increase of 0.9% over 2023. 79.9% (2023: 79.0%) of the revenue was generated from the sales of properties and 20.1% (2023: 21.0%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	2024 RMB million	2023 RMB million
Sales of properties	**47,911**	46,986
Hotel operation income	**2,225**	2,295
Commercial properties operation income	**1,667**	1,740
Property management income and others	**8,172**	8,443
Total	**59,975**	59,464

* The income does not include revenue from the Group.

(i) Sales of Properties

Sales of properties for the years ended 31 December 2024 and 2023 are set out below:

	2024		2023	
	Area (sq.m.)	**RMB million**	Area (sq.m.)	RMB million
Midwest Region	**1,460,324**	**13,593**	1,060,320	10,789
Northern Region	**537,055**	**12,714**	169,552	1,771
Jiangsu, Zhejiang and Shanghai Region	**671,048**	**11,462**	1,490,506	21,074
Southeast Region	**910,834**	**10,142**	920,963	13,352
Total	**3,579,261**	**47,911**	3,641,341	46,986

(ii) Hotel Income

Hotel operation income decreased by approximately 3.1% to RMB2,225 million in 2024 from RMB2,295 million in 2023.

Hotel operation income is set out as follows:

	Date of Commencement	**2024 RMB million**	2023 RMB million
Conrad Shanghai	September 2006	**334**	310
Four Points by Sheraton Hong Kong Tung Chung	January 2021	**264**	196
Sheraton Hong Kong Tung Chung Hotel	December 2020	**210**	190
InterContinental Shanghai Wonderland	November 2018	**138**	179
Conrad Xiamen	August 2016	**131**	139
Hilton Wuhan Riverside	July 2016	**106**	130
The Yuluxe Sheshan, Shanghai, A Tribute Portfolio Hotel	November 2005	**103**	129
Hilton Changsha Riverside	July 2021	**102**	120
InterContinental Fuzhou	January 2014	**92**	92
Hilton Nanjing Riverside	December 2011	**92**	101
Hilton Shenyang	January 2018	**87**	98
Crowne Plaza Shaoxing	March 2014	**77**	87
Hilton Yantai	August 2017	**75**	82
Yuluxe Hotel Chengdu	August 2018	**60**	63
Le Méridien Hangzhou Binjiang	September 2018	**53**	63
DoubleTree by Hilton Ningbo Beilun	December 2016	**50**	57
Yuluxe Hotel Taizhou	August 2014	**26**	27
DoubleTree by Hilton Ningbo Chunxiao	December 2015	**25**	28
Holiday Inn Mudanjiang	December 2010	**25**	23
Minimax Hotel Chengdu Longquanyi	October 2021	**13**	12
Others		**162**	169
Total		**2,225**	2,295

(iii) Commercial Properties Operation Income

Commercial properties operation income decreased by approximately 4.2% to RMB1,667 million in 2024 from RMB1,740 million in 2023. Rental income decreased by 4.5% which was mainly due to market weakness, resulting in a decrease rental rates of commercial properties, especially that of the office buildings.

Commercial properties operation income is analysed as follows:

	Date of Commencement	2024 RMB million	2023 RMB million
Rental Income			
Shanghai Shimao Festival City	December 2004	**245**	238
Jinan Shimao Festival City	May 2014	**146**	142
Beijing Shimao Tower	July 2009	**132**	134
Chengdu Shimao Festival City	April 2021	**132**	121
Shenzhen Shimao Qianhai Center	July 2020	**101**	112
Shanghai Shimao Tower	December 2018	**91**	92
Changsha Shimao Global Financial Center	September 2020	**72**	67
Kunshan Shimao Plaza	April 2012	**59**	59
Nanjing Yuhua Shimao (Commercial)	December 2018	**51**	59
Shaoxing Shimao Dear Town (Commercial)	May 2010	**51**	59
Nanjing Straits City (Commercial)	December 2014	**50**	56
Xiamen Shimao Straits Mansion	January 2017	**38**	40
Xiamen Jimei Shimao Festival City	April 2021	**36**	33
Suzhou Shimao Canal Scene (Commercial)	June 2010	**25**	25
Quanzhou Shishi Shimao Skyscraper City	January 2017	**23**	22
Qingdao Shimao 52+	August 2020	**11**	13
Wuhu Shimao Riviera Garden (Commercial)	September 2009	**8**	10
Miscellaneous rental income		**35**	85
Rental income sub-total		**1,306**	1,367
Commercial properties operation related service income		**361**	373
Total		**1,667**	1,740

(iv) Property Management Income, and Others

Property management income, and others decreased by approximately 3.2% to RMB8,172 million in 2024 from RMB8,443 million in 2023, which were mainly due to decrease in revenue from city services.

Cost of Sales

Cost of sales increased by 22.8% to approximately RMB65,844 million in 2024 from RMB53,616 million in 2023, which was mainly due to the increase in provision for impairment losses on properties.

Gross Profit Margin

For the year ended 31 December 2024, the Group's gross profit margin was approximately -9.8% (2023 gross profit margin: 9.8%). The decrease in gross profit margin was due to the following reasons: higher average costs were recognised such as land cost and construction cost; provision for impairment losses on properties increased, which was affected by the continuous downturn in the real estate industry.

Fair Value Losses on Investment Properties – Net

For the year ended 31 December 2024, the Group recorded aggregate fair value losses of approximately RMB2,813 million (2023: RMB5,878 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 RMB703 million (2023: RMB1,470 million) recognized was RMB2,110 million (2023: RMB4,408 million).

Other (Losses)/Other Income and Gains – Net

For the year ended 31 December 2024, the Group recognized net other losses of approximately RMB13,609 million (2023: net other losses of RMB3,849 million), which mainly comprised of loss of approximately RMB12,103 million on settlement of indebtedness and restructuring of certain PRC on-shore debts, loss of approximately RMB557 million on the disposal of subsidiaries, and loss of approximately RMB431 million from the liquidation of several subsidiaries which were adjudged bankrupt and under receivership procedures.

Selling and Marketing Costs and Administrative Expenses

For the year ended 31 December 2024, the Group's selling and marketing costs decreased by 36.5% to approximately RMB901 million from approximately RMB1,420 million for the year ended 31 December 2023, which was in line with the decline in the Group's contracted sales.

For the year ended 31 December 2024, the Group's administrative expenses decreased by 16.6% to approximately RMB3,922 million from approximately RMB4,703 million for the year ended 31 December 2023. The Group's administrative expenses were mainly personnel costs, depreciation and amortization.

Provision for Impairment 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 RMB1,109 million during the year ended 31 December 2024.

Impairment Losses on Intangible Assets

For the year ended 31 December 2024, impairment losses on intangible assets were RMB46 million (2023: RMB121 million).

The impairment losses was mainly due to Shimao Services' impairment losses on goodwill arising from business combinations in prior years. Shimao Services' management built an impairment test model to monitor the operating performance of the acquired companies. Based on prudence principle, Shimao Services provided for certain impairment on goodwill of the acquired companies with lower-than-expected operating performance.

Finance Costs – Net

For the year ended 31 December 2024, net finance costs increased by 51.5% to approximately RMB12,075 million (2023: RMB7,972 million), which was mainly due to the decrease in proportion of capitalized interest in total interest expenses compared to the year ended 31 December 2023, as the construction area of the Group's property development projects decreased.

Share of Results of Associated Companies and Joint Ventures

For the year ended 31 December 2024, share of results of associated companies and joint ventures was losses of approximately RMB634 million, representing a decrease in loss of approximately RMB388 million compared with the year ended 31 December 2023, which was mainly due to the losses of recognized sales of properties of the Group's associated companies and joint ventures have narrowed in 2024 compared to that in 2023.

Taxation

The Group's tax provisions amounted to approximately RMB1,648 million for the year ended 31 December 2024, in which PRC land appreciation tax ("LAT") was RMB990 million (2023: RMB1,355 million, in which LAT was RMB665 million). The increase in LAT was mainly due to the decrease in tax reimbursement.

Loss Attributable to Equity Holders of the Company

Loss attributable to equity holders of the Company for the year ended 31 December 2024 increased to approximately RMB35.905 billion from approximately RMB21.030 billion for the year ended 31 December 2023. The increase in loss was mainly due to the decrease in the Group's gross profit and the increase in other losses.

Liquidity and Financial Resources

As at 31 December 2024, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB15,752 million, representing a decrease of approximately RMB5,680 million as compared to approximately RMB21,432 million at 31 December 2023, of which restricted cash of approximately RMB4,399 million (31 December 2023: RMB6,246 million) and guarantee deposits for construction of pre-sale properties with an amount of approximately RMB5,318 million (31 December 2023: RMB7,535 million) were included.

As at 31 December 2024, the total amount of borrowings was approximately RMB252.051 billion, representing a decrease of approximately RMB11.912 billion as compared to approximately RMB263.963 billion at 31 December 2023.

The Group's borrowings-to-assets ratio (total borrowings divided by total assets) was approximately 57.8% as at 31 December 2024 (31 December 2023: 48.6%). The Group's current ratio (current assets divided by current liabilities) was approximately 0.9 as at 31 December 2024 (31 December 2023: 1.0).

The maturity of the borrowings of the Group as at 31 December 2024 is set out as follows:

	RMB million
Bank borrowings, borrowings from other financial institutions and bonds	
Within 1 year	161,448
Between 1 and 2 years	15,793
Between 2 and 5 years	16,648
Over 5 years	9,395
Senior notes	
Within 1 year	48,767
Total	252,051

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 2024, the Group's total secured borrowings of approximately RMB218.051 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 RMB152.189 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 2024, the Group had contracted capital and property development expenditure but not provided for amounted to RMB27.613 billion.

Employees and Remuneration Policy

As of 31 December 2024, the Group employed a total of 41,481 employees, among whom 924 were engaged in property development. Total remuneration for the year amounted to approximately RMB4.858 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted two share award schemes (the "Share Award Schemes") of the Company on 30 December 2011 and 3 May 2021 respectively. The board of directors of Shimao Services also adopted a share award scheme (the "Shimao Services Share Award Scheme") of Shimao Services on 28 June 2021. The purpose of the Share Award Schemes and the Shimao Services Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. In relation to staff training, the Group also provides different types of programs for its staff to improve their skills and develop their respective expertise.

Additional Information on Modified Audit Opinions

1. ***Disclaimer of Opinion – Scope limitation relating to the assessment on the appropriateness of the going concern basis of preparing the Consolidated Financial Statements***

   (a) *Details of audit modification*

   Because of the details described in the section headed "Basis for Disclaimer of Opinion" in the "Independent Auditor's Report" on page 51 to 52 of this annual report, the Company's independent auditor, ZHONGHUI ANDA CPA Limited (the "Auditor"), do not express an opinion on the consolidated financial statements of the Group. The potential impact on the Group's financial position were described in the same section.

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

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

   (i) Breakthroughs have been achieved in the offshore debt restructuring. The scheme of arrangement proposed by the Company achieved widespread engagement with a total of 2,079 scheme creditors, representing approximately US$11.5 billion of voting scheme claims, attending the scheme meeting on 24 February 2025. An overwhelming majority representing 98.75% of the total number of scheme creditors present and voting at the scheme meeting supported the scheme. The scheme was sanctioned and approved by the Hong Kong High Court on 13 March 2025.

   (ii) In 2024, the Company delivered approximately 51,000 housing units. From 2022 to 2024, nearly 90% of targeted deliveries were completed. Afterwards, the burden of housing delivery will be significantly alleviated.

   (iii) Since 2021, the Company's contracted sales have decreased year by year due to the domestic real estate market conditions, but the rate of decrease has progressively moderated. The Group achieved contracted sales of RMB34.0 billion for 2024, ranked 30th in domestic property companies in PRC.

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

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

   The audit committee understood from the Auditor that they could not form an opinion on the Company's consolidated financial statements due to the significance of multiple uncertainties relating to the going concern basis. After careful consideration, the audit committee was of the view that the management has been actively implementing a number of plans and actions in order to mitigate the liquidity pressure and improve the Group's financial position. Notably, the offshore restructuring is in final stage and expected completion in the first half of 2025. The audit committee has no objection to the management's position while the audit committee also understood that the Auditor might have a different view on the Group's going concern basis.

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

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

   (i) The Company is currently finalizing the closing procedures of its offshore debt restructuring. Completion is expected to become effective by the first half of 2025. Upon completion, defaulted offshore debt in the principal amount of approximately US$11.5 billion with accrued interest will be fully discharged by the relevant scheme creditors in exchange for:

   - short term instruments (with a tenor of 6 years)
   - long term instruments (with a tenor of 7 to 8.5 years)
   - mandatory convertible bonds (convertible into new shares of the Company within 1 year)

The restructuring will reduce the overall debt size and debt pressure of the Group and improve its overall financial position. As the restructuring will be implemented through the scheme sanctioned by the court, all the claims under the relevant debt will be discharged in accordance with the law and the creditors will be prohibited from making further claim against the Company, which provides sufficient runway for the Company to stabilize its business.

(ii) The delivery pressure will be significantly reduced since year 2025, with the planned delivery volume of housing units for 2025 being less than half of that for 2024, and the funding requirements for delivery will also be greatly reduced. At the same time, various projects are actively seeking local governments' whitelist financing. Up to the date of these consolidated financial statements, a total of approximately RMB399 million new loans was drawn for the Group's projects under the local governments' whitelists.

(iii) The Company is accelerating sales of its existing inventory of properties. In the first two months of 2025, the Company has achieved contracted sales of RMB4.06 billion, representing significantly narrowed year-on-year decrease. The sales team of the Company has refocused on customer demand, and realigned product strategies with market trends to enhance competitiveness, in a bid to create products that cater to customers' needs. This approach has stabilized average selling prices while sustaining and improving sales performance.

(iv) The Company is actively engaged in discussions with the PRC onshore lenders and creditors on the extension or restructuring of existing borrowings. Due to the diverse lender base and changing market conditions, the Company requires more time to negotiate the extension or restructuring plans with the lenders on a case-by-case basis. However, the successful offshore debt restructuring will release favorable signals to the PRC lenders and creditors of the Company. Management anticipates the Company will be able to finalize and execute the relevant extension or restructuring agreements progressively.

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

(a) Details of audit modification

(i) As a result of the matters described in the section headed "Other Matters" in the "Independent Auditor's Report" on page 52 of this annual report, the Auditor would otherwise have qualified opinion regarding the scope limitations on audit relating to limitation of scope on the valuation of assets relating to a property project, because the Auditor concluded that the opening balances of underlying properties of the relevant property project (the "Subject Assets") as of 31 December 2023 contain potential misstatements due to scope limitation in verifying the valuation of the carrying amounts of the Subject Assets. Therefore any subsequent changes in the valuation of the carrying amounts of the Subject Assets may be affected by the brought-forward effect of the potential misstatements.

Due to the above constraints, the Auditor could not obtain sufficient audit evidence to justify whether additional fair value changes or impairment provisions on the Subject Assets (which may or may not correspond to the loss of approximately RMB9.7 billion recognised in the current year), should have been made in last reporting period, despite the disposal occurred in year 2024.

(ii) Regarding the loss of approximately RMB9.7 billion recognised in the profit or loss for the current year, the Auditor have requested the Company to provide the basis for determining the loss and the supporting documents related to the disposal. The Company has provided the Auditor with the management's rationales for the recognised loss, along with relevant supporting documents including court judgement and asset auction details, during audit process. However, the Auditor were unable to justify whether the whole or a part of the recognised loss should be recognised in the current year or prior year due to the considerations mentioned in (i) above.

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

(i) The management opines that, despite two rounds of unsuccessful court-ordered auctions took place before the approval of the Company's consolidated financial statements for the year ended 31 December 2023, the Subject Assets remained under Company's control and there was no active buyer participation or formal tender offers. Therefore, the Company engaged a third-party valuer to conduct a fair value assessment of the Subject Assets. Management considers that the Company has given due consideration to the Subject Assets' status and made impairment provision in the preparation of financial statements for 2023 and disclosed all relevant information to the Auditor during the audit process.

(ii) In June 2024, the Subject Assets were transferred to its creditor pursuant to the court order, constituting a compulsory "debt-for-asset" settlement rather than a voluntary disposal. Consequently, the Company recognized a settlement loss of approximately RMB9.7 billion in its 2024 interim financial statements. Management confirms that this court-ruled transaction, occurring in post-2023 reporting period, does not retroactively impact the Subject Assets' valuation or impairment conclusions in the 2023 financial statements.

(iii) The management has thoroughly considered and confirms that the financial statements for both 2023 and 2024 properly accounted for the Subject Assets' value based on events and information available up to the end of each reporting period, including post-balance-sheet-date adjustments where applicable. The recognition of the RMB9.7 billion loss in 2024 – attributable solely to the court-mandated transfer – reflects a distinct triggering event unrelated to prior-period valuations. Therefore, there is no prior-period misstatement as impairment assessments and loss recognition properly reflect timing of the material developments and comply with relevant financial reporting requirements.

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

The audit committee has reviewed the relevant information provided by the Company's management concerning the above audit issue. Given the complexity of the valuation methodologies and unforeseeable consecutive events, after careful consideration, the audit committee agrees that the fair value assessment relating to the Subject Assets reflects the best knowledge of the management. The audit committee has no objection to the management's position.

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

The above audit issue was actually resolved with the Subject Assets transferred to the creditor. Therefore, there is no modified audit opinion toward the consolidated statement of financial position for the year ended 31 December 2024. However, having considered the brought-forward effect of the opening balances of the Subject Assets, the Auditor is preliminarily of the view that there is uncertainty with respect to the aforesaid loss recognised in the profit or loss for the year. As such, there is a modified audit opinion toward the opening balances of the Subject Assets and the respective loss recognised for the year ended 31 December 2024.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Shimao Group Holdings Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2024.

Principal Activities

The Company is an investment holding company. The Group is principally engaged in the development and investment of residential and commercial properties, property management, commercial properties operation and hotel operation in the People's Republic of China (the "PRC"). The principal activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2024 are set out on pages 54 to 152 of this annual report.

The board of Directors (the "Board") did not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

Business Review

A business review of the Group for the year ended 31 December 2024, a discussion of the Group's future business development and principal risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 4 to 6 and the Management Discussion and Analysis on pages 7 to 18 of this annual report. The financial risk management objectives and policies of the Group are shown in note 5 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on page 3 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in the Corporate Governance Report on 46 and note 41 to the consolidated financial statements on page 150 of this annual report. Discussions on the Group's environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group's key relationships with its employees, suppliers and customers that have a significant impact on the Group are shown in the "Sustainability Report" published on the Company's website. The above discussions form part of this Report of the Directors.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 43 and 22 to the consolidated financial statements.

Major Customers and Suppliers

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

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

Bank and Other Borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2024 are set out in note 24 to the consolidated financial statements. The net proceeds are for refinancing the indebtedness, business development and other general corporate requirements of the Group.

Donations

Charitable and other donations made by the Group during the year amounted to RMB5,135,000 (2023: RMB1,306,000).

Property and Equipment

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

Share Capital

Details of movements in the share capital of the Company for the year ended 31 December 2024 are set out in note 21 to the consolidated financial statements.

Financial Highlights

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

Pre-Emptive Rights

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

Directors

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

Executive Directors
Mr. Hui Sai Tan, Jason *(Chairman and President)*
(appointed as Chairman on 1 September 2024)
Mr. Xie Kun
Mr. Zhao Jun (appointed on 1 September 2024)
Mr. Hui Wing Mau *(Chairman)*
(retired on 1 September 2024)
Ms. Tang Fei (resigned on 1 September 2024)

Non-executive Directors
Ms. Hui Mei Mei, Carol (appointed on 5 December 2024)
Mr. Shao Liang (appointed on 26 April 2024)
Mr. Ye Mingjie (resigned on 26 April 2024)

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

In accordance with Article 83(3) of the Articles of Association, Mr. Zhao Jun and Ms. Hui Mei Mei, Carol who were appointed as Directors after the last annual general meeting of the Company (the "AGM"), will hold office until the forthcoming AGM and, being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

In accordance with Article 84 of the Articles of Association, two Directors, namely, Mr. Xie Kun and Mr. Fung Tze Wah shall retire from office by rotation respectively at the forthcoming AGM and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

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

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

Directors' Interests in Transactions, Arrangements and Contracts

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

Management Contracts

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

Share Award Schemes

The Group and Shimao Services Holdings Limited ("Shimao Services", together with its subsidiaries, the "Shimao Services Group"), a subsidiary of the Company, have adopted three share award schemes. The purpose of the share award schemes is to recognize the contributions by certain selected employees of the Group and Shimao Services Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and Shimao Services Group and to attract suitable personnel for further development of the Group and Shimao Services Group.

No acceptance price of awarded shares will be payable upon acceptance of the said award and no purchase price is payable by the selected employees upon acceptance of awards granted under each share award scheme.

Details of each of the share award schemes are set out below:

1. 2011 Shimao Group Share Award Scheme

A share award scheme of the Company (the "2011 Shimao Group Share Award Scheme") was initially adopted by the Board on 30 December 2011 (the "Adoption Date I"), with subsequent amendments thereafter. On 26 March 2019, the Board approved the 2011 Shimao Group Share Award Scheme to be valid and effective until 30 December 2027. The participants of the 2011 Shimao Group Share Award Scheme include an employee (including directors, supervisors or senior management) of any member of the Group.

The maximum number of shares which can be awarded under the 2011 Shimao Group Share Award Scheme is 2% of the Shimao Group Shares in issue as at the Adoption Date I (i.e. 69,319,016 Shimao Group Shares). The maximum number of Shimao Group Shares which may be subject to an award or awards to a selected employee under the 2011 Shimao Group Share Award Scheme must not exceed 1% of the total number of issued Shimao Group Shares as at the Adoption Date I (i.e. 34,659,508 Shimao Group Shares).

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

During the year ended 31 December 2024, no Shimao Group Share was granted, vested or cancelled under the 2011 Shimao Group Share Award Scheme. Details of the movement of Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme during the year ended 31 December 2024 are set out below:

		Number of Shimao Group Shares				
Name of grantees	**Date of grant**	**Outstanding as at 1 January 2024**	**Granted during the year**	**Vested during the year**	**Lapsed/ cancelled during the year**	**Outstanding as at 31 December 2024**
Directors (Note 1)						
Hui Sai Tan, Jason	15 April 2020 (Note 2)	64,168	–	–	–	64,168
	15 April 2021 (Note 3)	55,325	–	–	–	55,325
		119,493	–	–	–	119,493
Xie Kun	15 April 2020 (Note 2)	48,445	–	–	–	48,445
	15 April 2021 (Note 3)	208,059	–	–	–	208,059
		256,504	–	–	–	256,504
Shao Liang	15 April 2020 (Note 2)	32,680	–	–	–	32,680
	15 April 2021 (Note 3)	28,708	–	–	–	28,708
		61,388	–	–	–	61,388
Ye Mingjie (resigned on 26 April 2024)	15 April 2020 (Note 2)	41,518	–	–	(41,518)	–
Tang Fei (resigned on 1 September 2024)	15 April 2020 (Note 2)	72,272	–	–	(72,272)	–
	15 April 2021 (Note 3)	51,731	–	–	(51,731)	–
		124,003	–	–	(124,003)	–
Sub-total		602,906	–	–	(165,521)	437,385
One highest paid individual (excluding Directors as disclosed above) (Note 1)	15 April 2020 (Note 2)	8,650	–	–	–	8,650
	15 April 2021 (Note 3)	28,863	–	–	–	28,863
Other Employees of the Group	15 April 2020 (Note 2)	791,483	–	–	(454,193)	337,290
	15 April 2021 (Note 3)	2,785,944	–	–	(1,085,042)	1,700,902
Sub-total		3,614,940	–	–	(1,539,235)	2,075,705
Total		**4,217,846**	**–**	**–**	**(1,704,756)** (Note 4)	**2,513,090**

Notes:

1. The five highest paid individuals of the Group for the year include four Directors and one individual. For details, please refer to notes 30(c) and 31 to the consolidated financial statements. Therefore, the Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme to the five highest paid individuals in aggregate are not disclosed separately.

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

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

4. 1,704,756 Shimao Group Shares were lapsed during the year.

Since the Adoption Date I and up to the date of this report, a total of 48,751,338 Shimao Group Shares had been granted under the 2011 Shimao Group Share Award Scheme, representing approximately 1.41% of the total number of issued Shimao Group Shares as at Adoption Date I. The number of Shimao Group Shares available for future grant under the 2011 Shimao Group Share Award Scheme was 20,567,678 Shimao Group Shares, representing approximately 0.54% of the total number of issued Shimao Group Shares as at the date of this report.

2. 2021 Shimao Group Share Award Scheme

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

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

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

During the year ended 31 December 2024, no Shimao Services Share was granted, vested, lapsed or cancelled under the 2021 Shimao Group Share Award Scheme. Details of the movement of the Shimao Services Shares granted under the 2021 Shimao Group Share Award Scheme during the year ended 31 December 2024 are set out below:

		Number of Shimao Services Shares				
Name of grantees (Note 1)	**Date of grant** (Note 2)	**Outstanding as at 1 January 2024**	**Granted during the year**	**Vested during the year**	**Lapsed/ cancelled during the year**	**Outstanding as at 31 December 2024**
Employees of the Group (including the employees of Shimao Services Group)	10 May 2021	33,381	–	–	–	33,381

Notes:

1. No grantee is one of the five highest paid individuals of the Group for the year.

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

Since the Adoption Date II and up to the date of this report, a total of 6,865,821 Shimao Services Shares had been granted under the 2021 Shimao Group Share Award Scheme, representing approximately 0.29% of the total number of issued Shimao Services Shares as at Adoption Date II. As the 2021 Shimao Group Share Award Scheme was terminated on 3 May 2024, no further grant of Shimao Services Shares shall be made.

3. Shimao Services Shares Award Scheme

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

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

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

During the year ended 31 December 2024, no Shimao Services Share was granted, vested or cancelled under the Shimao Services Share Award Scheme. Details of the movement of Shimao Services Shares granted under the Shimao Services Share Award Scheme during the year ended 31 December 2024 are set out below:

		Number of Shimao Services Shares				
Name of grantees	**Date of grant**	**Outstanding as at 1 January 2024**	**Granted during the year**	**Vested during the year**	**Lapsed/ cancelled during the year**	**Outstanding as at 31 December 2024**
Directors of Shimao Services						
Cao Shiyang	16 November 2022 (Note 2)	96,945	–	–	–	96,945
	19 June 2023 (Note 3)	127,907	–	–	–	127,907
		224,852	–	–	–	224,852
Ye Mingjie (resigned on 26 April 2024)	19 June 2023 (Note 3)	374,610	–	–	(149,844)	224,766
Sub-total		599,462	–	–	(149,844)	449,618
Three highest paid individuals of Shimao Services Group (Note 1) (excluding Directors of Shimao Services as disclosed above)	16 November 2022 (Note 2)	6,824	–	–	–	6,824
	19 June 2023 (Note 3)	26,010	–	–	(2,782)	23,228
Other Employees of Shimao Services Group	16 November 2022 (Note 2)	1,476,514	–	–	(235,827)	1,240,687
	19 June 2023 (Note 3)	2,610,151	–	–	(704,789)	1,905,362
Sub-total		4,119,499	–	–	(943,398)	3,176,101
Total		**4,718,961**	**–**	**–**	**(1,093,242)** (Note 4)	**3,625,719**

Notes:

1. The five highest paid individuals of Shimao Services Group for the year include two directors of Shimao Services.

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

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

4. 1,093,242 Shimao Services Shares were lapsed during the year.

Since the Adoption Date III and up to the date of this report, a total of 7,542,551 Shimao Services Shares had been granted under the Shimao Services Share Award Scheme, representing approximately 0.32% of the total number of issued Shimao Services Shares as at Adoption Date III. The number of Shimao Services Shares available for future grant under the Shimao Services Share Award Scheme was 63,376,639 Shimao Services Shares, representing approximately 2.57% of the total number of issued Shimao Services Shares as at the date of this report.

Further details of the above three share award schemes are set out in note 21(b) to the consolidated financial statement.

Equity-Linked Agreements

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

Disclosure of Interests in Securities

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

As at 31 December 2024, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules were as follows:

(1) Long position in the shares of the Company

Name of Directors	Capacity/Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	3,682,198 (Note 1)	0.097%
Xie Kun	Beneficial owner	332,804 (Note 2)	0.009%
Shao Liang	Beneficial owner	61,388 (Note 3)	0.002%

Notes:

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

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

3. The interests disclosed include deemed interests in 61,388 Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme.

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

Name of Directors	Capacity/Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	57,129	0.002%
Xie Kun	Beneficial owner	95,215	0.004%
Zhao Jun	Beneficial owner	37,945	0.002%
Shao Liang	Beneficial owner	35,016	0.001%

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

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of Substantial Shareholders

As at 31 December 2024, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	**Nature of interests**	**Number of shares or underlying shares held**	**Approximate percentage of issued share capital**
Long position			
Hui Wing Mau	Note 1	2,422,840,586	63.795%
Gemfair Investments Limited ("Gemfair")	Beneficial owner	2,045,746,316	53.866%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	2,045,746,316	53.866%
Shiying Finance Limited ("Shiying Finance")	Beneficial owner	377,094,270	9.929%

Notes:

1. The interests disclosed represent 2,045,746,316 Shimao Group Shares held by Gemfair and 377,094,270 Shimao Group Shares held by Shiying Finance. Both Gemfair and Shiying Finance are directly wholly-owned by Mr. Hui Wing Mau. By virtue of the SFO, Mr. Hui Wing Mau is deemed to be interested in Shimao Group Shares held by Gemfair and Shiying Finance.

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

Save as disclosed above, no other interests and short position in the shares and underlying shares of the Company were recorded in the register.

Permitted Indemnity Provisions

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

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2024:

1. Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a 66.18%-owned subsidiary of the Company, redeemed RMB3,408,600 of long-term bonds at a fixed interest rate of 4.15% on the Shanghai Stock Exchange ("SSE");

2. The Company increased its holdings of 102,378,663 shares of Shanghai Shimao on the SSE through its wholly-owned subsidiary, with an average share price of RMB1.07 per share; and

3. Shanghai Shimao repurchased 117,419,371 shares of Shanghai Shimao with its own funds on the SSE, with an average share price of RMB1.07 per share.

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 2024.

Connected Transactions

Mr. Hui Wing Mau and his associates, the controlling shareholder of the Company (the "Controlling Shareholder"), holding approximately 63.8% of the issued share capital of the Company. The Controlling Shareholder, through companies wholly owned by him, provided loans in the aggregate principal amount of HK$3,963 million to the Company (including unreceived dividend), and loans in the aggregate principal amount of HK$3,839 million to subsidiaries of the Company.

Pursuant to the terms of the proposed restructuring of the offshore indebtedness of the Company, subject to the occurrence of the restructuring effective date, such shareholder loans will be exchanged as to US$600 million of the outstanding principal amount into long-term notes (the "Controlling Shareholder Notes"), and the balance of the aggregate principal amount of outstanding shareholder loans into zero coupon mandatory convertible bonds (the "Controlling Shareholder MCB").

The Controlling Shareholder Notes will have a tenor of 9.5 years and interest will be accrued and payable semi-annually in arrears on the outstanding principal amount entirely in kind at 2.0% per annum. The Controlling Shareholder Notes will share (i) the guarantees provided by certain subsidiaries of the Group on the obligations of the Company; and (ii) the collateral provided by the Company under the short term instruments and the long term instruments.

Assuming full conversion of the Controlling Shareholder MCB at the conversion price of HK$6.00 per share, 518,411,944 Shimao Group Shares will be issued at the agreed exchange rate of US$1 = HK$7.82. Such shares will be issued under a specific mandate sought from the independent shareholders of the Company (the "Independent Shareholders") at the extraordinary general meeting ("EGM").

The Controlling Shareholder is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the proposed issues of the Controlling Shareholder Notes and the Controlling Shareholder MCB to the Controlling Shareholder constitute connected transactions for the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the EGM held on 15 January 2025, the Independent Shareholders approved the proposed issues of the Controlling Shareholder Notes and the Controlling Shareholder MCB to the Controlling Shareholder.

Further details of the proposed issues of the Controlling Shareholder Notes and Controlling Shareholder MCB are set out in the announcement of the Company dated 13 December 2024 and the circular of the Company dated 30 December 2024.

Related Party Transactions

The major related party transactions which were undertaken in the normal course of business of the Group are set out in note 40 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted connected transactions or continuing connected transactions for the Company which is discloseable pursuant to Chapter 14A of the Listing Rules.

Deed of Non-Competition

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

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

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

The Company has confirmed to Shimao Services that during the year ended 31 December 2024, the Group and its close associates (save for members of Shimao Services Group) have complied with the terms of the Deed of Non-Competition.

Continuing Disclosure Pursuant to Rule 13.21 of the Listing Rules

The Company entered into the following agreements:

(1) A facility agreement on 31 July 2018 between, among others, the Company as borrower and Bank of Communications Co., Ltd. Hong Kong Branch ("BoCom HK") as lender, a term loan facility in the amount of HK$1,500,000,000 has been made available to the Company for a term of 48 months from the date of the facility agreement;

(2) A facility agreement on 14 September 2018 between, among others, the Company as borrower, various banks as lenders and The Hongkong and Shanghai Banking Corporation Limited ("HSBC") as facility agent, dual currency term loan facilities in the amount of US$290,000,000 and HK$2,614,500,000 have been made available to the Company for a term of 48 months from the date of the facility agreement;

(3) A facility agreement on 26 June 2019 between, among others, the Company as borrower and BoCom HK as lender, a term loan facility in the amount of HK$1,500,000,000 has been made available to the Company for a term of 48 months from the date of the facility agreement;

(4) A facility agreement on 9 August 2019 between, among others, the Company as borrower, various banks as lenders and HSBC as facility agent, dual currency term loan facilities in the amount of US$837,850,000 and HK$3,994,000,000 have been made available to the Company for a term of 48 months from the date of the facility agreement; and

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

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2024 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the issued Shimao Group Shares as required under the Listing Rules.

Auditor

The consolidated financial statements for the year ended 31 December 2024 have been audited by ZHONGHUI ANDA CPA Limited who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming AGM.

On behalf of the Board
Hui Sai Tan, Jason
Chairman and President

Hong Kong, 28 March 2025

CORPORATE GOVERNANCE REPORT

A. Corporate Governance Practices

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

The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") throughout the financial year ended 31 December 2024, except for the following deviations:

Under code provision C.1.8, the Company should arrange appropriate insurance cover for legal action against its directors (the "Directors"). The Company is in the process of obtaining insurance proposals from the insurers with the intent to purchase the relevant liability insurance for the Directors within 2025.

Following the appointment of Mr. Hui Sai Tan, Jason as the Chairman of the board of Directors (the "Board") on 1 September 2024, the roles of the Chairman and the President are served by Mr. Hui Sai Tan, Jason and have not been segregated as required under code provision C.2.1 of the Code. The Company believes that Mr. Hui's dual roles as the Chairman and the President will enable the Group to execute its business strategies effectively and facilitate daily operations. Although the responsibilities of the Chairman and the President are vested in one person, all major decisions are made in consultation with the management and the Board. The Board considers that there is a sufficient balance of power and enhances the efficiency of the operation of the Group. The Board currently comprises three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors and, therefore, has a strong independent element in its composition.

B. Corporate Culture

The Company has formulated a corporate culture that is consistent with long-term development goals, values and strategies. The Company will focus on the consolidation of the development model of "One Core with Two Wings" to build up its customers-oriented core competitiveness under the new circumstances. The Company will also ensure sound operation and management by prioritizing products, quality services and professional asset management, and fully enhance our agility to strive for sustainable development under the guidance of our corporate culture of "Together we fulfill responsibility, make breakthroughs and attain achievements".

Details of the corporate culture, long-term goals, business strategies and business models of the Company are set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report and 2024 Sustainability Report which is published separately from this annual report.

C. Directors' Securities Transactions

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

D. Directors

D.1 The Board

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

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

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

The Board has four scheduled meetings a year at approximately quarterly interval and meets as and when required. During the financial year ended 31 December 2024, four Board meetings were held. The Directors attended Board meetings in person or through electronic means of communication during the year. Details of the attendance records of the Directors are set out in the table on page 39. Apart from formal meetings, matters requiring the Board approval were dealt with by way of written resolutions.

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

D.2 Chairman and President

Prior to the retirement of Mr. Hui Wing Mau, the former Chairman, on 1 September 2024, he was responsible for providing leadership to the Board in terms of establishing policies and business directions and ensured that the Board discharged its responsibilities. Mr. Hui Sai Tan, Jason, the current Chairman and the President, is responsible for the overall operation and executive responsibilities of the Group as well as leading the management of the Group in implementing the strategies and policies established by the Board. After the appointment of Mr. Hui Sai Tan, Jason as the Chairman of the Board on 1 September 2024, the responsibilities of the Chairman and the President are vested in one person, Mr. Hui Sai Tan, Jason, but all major decisions are made in consultation with the management and the Board. The Board considers that there is a sufficient balance of power and enhances the efficiency of the operation of the Group.

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

D.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's businesses. Given below are names of Directors during the financial year ended 31 December 2024 and up to the date of this report:

Executive Directors
Mr. Hui Sai Tan, Jason *(Chairman and President)* (appointed as Chairman on 1 September 2024)
Mr. Xie Kun
Mr. Zhao Jun (appointed on 1 September 2024)
Mr. Hui Wing Mau *(Chairman)* (retired on 1 September 2024)
Ms. Tang Fei (resigned on 1 September 2024)

Non-executive Directors
Ms. Hui Mei Mei, Carol (appointed on 5 December 2024)
Mr. Shao Liang (appointed on 26 April 2024)
Mr. Ye Mingjie (resigned on 26 April 2024)

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

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

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

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

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

D.4 Appointments, Re-election and Removal

During the financial year ended 31 December 2024, other than Mr. Xie Kun, Ms. Hui Mei Mei, Carol, Mr. Shao Liang, Mr. Fung Tze Wa and Mr. Ye Mingjie, each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his/her re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the Articles. The Articles state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected. Accordingly, the term of appointment of all Directors is effectively not more than about three years. The Articles also provide that any Director appointed by the Board, either to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office only until the upcoming annual general meeting of the Company and shall then be eligible for re-election.

D.5 Board Diversity

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

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

The current board diversity mix is shown below:

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

	Directors' skills, expertise and experience				
	Executive leadership & strategy/ directorship experience with other listed company(ies)	Property development, property management & construction	Mainland China exposure	Accounting professionals/ financial management expertise	Legal professionals/ regulatory & compliance
Executive Directors					
Mr. Hui Sai Tan, Jason *(Chairman and President)*	✓	✓	✓		
Mr. Xie Kun	✓	✓	✓		
Mr. Zhao Jun	✓	✓	✓	✓	
Non-executive Directors					
Ms. Hui Mei Mei, Carol	✓	✓	✓	✓	
Mr. Shao Liang	✓	✓	✓		
Independent Non-executive Directors					
Mr. Lyu Hong Bing	✓		✓		✓
Mr. Lam Ching Kam	✓	✓	✓		
Mr. Fung Tze Wa	✓		✓	✓	✓
Coverage (% of entire Board)	100%	75%	100%	38%	25%

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

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

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

In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across the Company's operations. As at 31 December 2024, we maintained a 54:46 ratio of men to women in the workplace.

D.6 Directors' Induction and Continuous Professional Development

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

In compliance with Rule 3.09D of the Listing Rules, each of Mr. Shao Liang, Mr. Zhao Jun and Ms. Hui Mei Mei, Carol obtained legal advice on 25 April 2024, 2 September 2024 and 3 December 2024 respectively, and confirmed that he/she understood his/her obligations as a Director.

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

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

Directors	Reading materials
Mr. Hui Sai Tan, Jason	✓
Mr. Xie Kun	✓
Mr. Zhao Jun (appointed on 1 September 2024)	✓
Ms. Hui Mei Mei, Carol (appointed on 5 December 2024)	✓
Mr. Shao Liang (appointed on 26 April 2024)	✓
Mr. Lyu Hong Bing	✓
Mr. Lam Ching Kam	✓
Mr. Fung Tze Wa	✓
Mr. Hui Wing Mau (retired on 1 September 2024)	✓
Ms. Tang Fei (resigned on 1 September 2024)	✓
Mr. Ye Mingjie (resigned on 26 April 2024)	✓

D.7 Board and Committee Meetings

Individual attendance records of the Directors at board meetings, board committees' meetings and annual general meeting during the financial year ended 31 December 2024, are set out below:

	Attendance/Number of Meeting(s)				
Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Annual general meeting
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A	1/1
Mr. Xie Kun	4/4	N/A	N/A	N/A	1/1
Mr. Zhao Jun (appointed on 1 September 2024)	2/2	N/A	N/A	N/A	N/A
Ms. Hui Mei Mei, Carol (appointed on 5 December 2024)	1/1	N/A	N/A	N/A	N/A
Mr. Shao Liang (appointed on 26 April 2024)	3/3	N/A	N/A	N/A	1/1
Mr. Lyu Hong Bing	3/4	3/3	1/1	1/1	1/1
Mr. Lam Ching Kam	4/4	3/3	1/1	1/1	1/1
Mr. Fung Tze Wa	4/4	3/3	1/1	1/1	1/1
Mr. Hui Wing Mau (retired on 1 September 2024)	2/2	N/A	N/A	N/A	1/1
Ms. Tang Fei (resigned on 1 September 2024)	2/2	N/A	N/A	N/A	1/1
Mr. Ye Mingjie (resigned on 26 April 2024)	1/1	N/A	N/A	N/A	N/A

D.8 Supply of and Access to Information

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

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

E. Board Committees

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

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

E.1 Nomination Committee

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

There was one Nomination Committee meeting held during the financial year ended 31 December 2024. Details of attendance of the Nomination Committee members are set out in the table on page 39.

The primary function of the Nomination Committee is to identify and nominate suitable candidates, for the Board's consideration and recommendation to stand for election by Shareholders at annual general meeting, or when necessary, make recommendations to the Board to fill Board vacancies when they arise.

The work performed by the Nomination Committee for the financial year ended 31 December 2024 is summarized below:

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

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

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

(d) recommendations to the Board for approval of the appointments of Directors and the Chairman of the Board.

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

(a) character and integrity;

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

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

(d) independence of the candidates;

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

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

The nomination procedure and process for appointment of new Directors, re-appointment of Directors and nomination by Shareholders have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness. During the year, the Nomination Committee reviewed the qualification, experience, expertise and other factors of candidates for the appointments of Directors and the Chairman of the Board with reference to the Nomination Policy.

E.2 Remuneration Committee

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

There was one Remuneration Committee meeting held during the financial year ended 31 December 2024. Details of attendance of the Remuneration Committee members are set out in the table on page 39.

The primary functions of the Remuneration Committee are to evaluate the performance and make recommendations to the Board on the remuneration package of the Directors and senior management and to evaluate as well as make recommendations on the Company's share award schemes.

The work performed by the Remuneration Committee for the financial year ended 31 December 2024 is summarized below:

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

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

(c) review of the terms of reference of the Remuneration Committee.

Details of the Directors' remunerations (including the Executive Directors who are also the senior management of the Company) are set out in note 31 to the consolidated financial statements of this annual report.

E.3 Audit Committee

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

There were three Audit Committee meetings held during the financial year ended 31 December 2024. Details of attendance of the Audit Committee members are set out in the table on page 39.

The primary duties of the Audit Committee are to assist the Board to review the financial reporting process, internal control and risk management systems of the Company, nominate and monitor external auditor and provide advice and comments to the Directors.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the Audit Committee for their comments and records, within a reasonable time after each meeting.

The work performed by the Audit Committee for the financial year ended 31 December 2024 is summarized below:

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

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

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

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

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

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

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

The consolidated annual results of the Group for the year ended 31 December 2024 have been reviewed by the Audit Committee.

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2024 is set out as follows:

Services rendered	RMB'000
Audit services	8,000
Other services	–
Total	8,000

F. Accountability and Audit

F.1 Financial Reporting

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

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

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2024 which give a true and fair view of the financial position of the Group and of the operating results and cash flow for the year then ended. The Directors consider that the consolidated financial statements have been prepared in conformity with all applicable accounting standards and disclosure requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management, and the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

A statement by the auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is included in the "Independent Auditor's Report" set out on pages 51 to 53 of this annual report.

Going Concern and Mitigation Measures

As a result of the matters described in the section headed "Basis for Disclaimer of Opinion – Scope limitation relating to the assessment on the appropriateness of the going concern basis of preparing the Consolidated Financial Statements" in the "Independent Auditor's Report" on pages 51 to 52 of this annual report, the Company's independent auditor, ZHONGHUI ANDA CPA Limited (the "Auditor"), did not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2024.

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

The Directors are of the opinion that, assuming the aforesaid plans and measures can be successfully implemented as scheduled, the Group is able to continue as a going concern and would have sufficient financial resources to finance the Group's operations and meet its financial obligations as and when they fall due within the following twelve months from 31 December 2024. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

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

F.2 Risk Management and Internal Control

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

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

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

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

The risk management and internal control systems are under constant review and are updated in response to changes in business, external environment or legal and regulatory requirements.

The Board has carried out an annual review on the effectiveness of the risk management and internal control systems of the Group through the Audit Committee, and is satisfied that the existing systems in place covering all material controls including financial, operational and compliance controls and risk management functions are reasonably effective and adequate.

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

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

G. Winding-up petition and its latest progress

A winding-up petition against the Company dated 10 January 2025 was filed by CPYM Link Investment Limited at the High Court of the Hong Kong Special Administrative Region (the "High Court") in connection with a guarantee provided by the Company for a cross border loan relating to CMB International Finance Limited in the outstanding amount of approximately RMB257,962,677. On 25 February 2025, the High Court ordered that the petition against the Company be withdrawn by consent.

For details, please refer to the Company's announcements dated 10 January 2025 and 25 February 2025.

H. Communication with Shareholders

H.1 Shareholders Communication Policy

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

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

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

The 2024 annual general meeting (the "2024 AGM") of the Company was held on 20 June 2024. Details of attendance of the Directors in the 2024 AGM are set out in the table on page 39. The Auditor attended the 2024 AGM, during which its representative was available to answer questions raised by the Shareholders.

The Board conducted a review of the implementation and effectiveness of the Shareholders Communication Policy. Having considered the multiple channels of communication in place, the Board is satisfied that the Shareholders Communication Policy has been properly implemented during 2024 and is effective.

H.2 Dividend Policy

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

I. Company Secretary

Ms. Lam Yee Mei, Katherine is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. During the year, Ms. Lam undertook over 15 hours of professional training to update her skills and knowledge. The Company Secretary plays an important role in supporting the Board by ensuring efficient information flow within the Board and that Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary reports to the Board through the Chairman whilst all Directors have access to the advice and services of the Company Secretary.

J. Shareholders' Rights

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

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

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

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

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

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

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

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

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

J.4 Procedures for sending enquiries to the Board

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

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

K. Significant Amendments to Constitutional Documents

During the financial year ended 31 December 2024, there is no significant change in the constitutional documents of the Company.

L. Events After the Reporting Period

L.1 Latest progress of the offshore debt restructuring

The Company and its advisors have been actively pushed ahead in the restructuring of the Group's offshore debt (the "Proposed Restructuring"). The major progress of the Proposed Restructuring subsequent to the year ended 31 December 2024 are as follows:

a) Shareholders at the extraordinary general meeting of the Company held on 15 January 2025 approved the following resolutions in connection with the possible transactions of the Proposed Restructuring: (1) issue of zero coupon mandatory convertible bonds to the scheme creditors and the holders of certain out-of-scope debt; (2) issue of 9.5 years long-term notes to the controlling shareholder of the Company; (3) issue of zero coupon mandatory convertible bonds to the controlling shareholder of the Company; and (4) increase in the Company's authorized share capital by creating an additional 20,000,000,000 unissued shares to HK$2,500,000,000 divided into 25,000,000,000 shares.

b) At the meeting of the creditors of the scheme in relation to the Proposed Restructuring held on 24 February 2025, among those scheme creditors attended and voted at the meeting, 98.75% of the number of scheme creditors and 95.39% of the value of scheme claims voted in favor of the scheme. The scheme was approved by the requisite majorities of the scheme creditors.

c) On 13 March 2025, the petition seeking sanction of the scheme was heard at the High Court and by an order made by the High Court, the scheme has been sanctioned. All the scheme conditions were fulfilled on 13 March 2025 and the scheme has become effective on the same date.

Save as disclosed above and in section G. "Winding-up petition and its latest progress", as at the date of this annual report, the Group did not have any significant event subsequent to 31 December 2024.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Executive Directors

Hui Sai Tan, Jason (Chairman and President)

Mr. Hui Sai Tan, Jason, aged 48, joined the Group in March 2000 and has been an Executive Director, the President and the Chairman of the Board of the Company since 17 November 2004, 30 January 2019 and 1 September 2024 respectively. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He has more than 26 years' experience in property development and management. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference and the president of New Home Association, Hong Kong. Mr. Jason Hui is also a director of Shanghai Shimao Co., Ltd. ("Shanghai Shimao"), a subsidiary of the Company delisted on the Shanghai Stock Exchange in June 2024 and the chairman of the board and an executive director of Shimao Services Holdings Limited ("Shimao Services"), a subsidiary of the Company listed on the main board of The Stock Exchange of Hong Kong Limited (the "HKEx"). Mr. Jason Hui is the son of Mr. Hui Wing Mau, a controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the HKEx) of the Company, and the brother of Ms. Hui Mei Mei, Carol, a Non-executive director of the Company.

Xie Kun

Mr. Xie Kun, aged 56, was appointed an Executive Director of the Company since 13 December 2021. Mr. Xie joined the Group in July 2010 and successively served as vice president of the Group, chief executive officer of Central South Region and chairman and chief executive officer of Zhejiang Regional Corporation, and the senior vice president of the Group and chairman and chief executive officer of Zhejiang and Central China Regional Corporation. Mr. Xie graduated from Southwest Jiaotong University (西南交通大學) with a Master's Degree in Structural Engineering in 1993 and obtained an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) and Shanghai Advance Institute of Finance (上海高級金融學院) in 2009 and 2016 respectively. Before joining the Group, Mr. Xie has 9 years of experience in rail transit design and research work in China Railway Shanghai Design Institute Group Co., Ltd. and has extensive experience in urban planning and rail transit network planning and design. Mr. Xie has over 24 years of experience in senior corporate management and project development and operation management in the real estate industry.

Zhao Jun

Mr. Zhao Jun, aged 49, was appointed an Executive Director of the Company since 1 September 2024. Mr. Zhao is currently the vice president and the head of financial management department of the Group. Mr. Zhao joined the Group in 2012 and successively served as the assistant president and the head of audit and risk management department of the Group as well as the vice president and the assistant president of Shanghai Shimao. Mr. Zhao obtained a bachelor degree in engineering and a bachelor degree in economics from Beijing University of Technology in 2000. Before joining the Group, Mr. Zhao worked in audit and operation at SOHO China Limited for 5 years and worked in audit at KPMG Huazhen for 7 years. Mr. Zhao is currently the fellow member of The Association of Chartered Certified Accountants and a member of The Chinese Institute of Certified Public Accountants. At present, Mr. Zhao has accumulated around 25 years of experience in audit and risk management.

Non-Executive Directors

Hui Mei Mei, Carol

Ms. Hui Mei Mei, Carol, aged 49, was appointed a Non-executive Director of the Company since 5 December 2024. She is currently assisting in managing the offshore projects of the Group. Ms. Hui has more than 25 years' experience in property development, and more than 18 years' experience in management and strategic planning of listed companies. Ms. Hui obtained a Bachelor's Degree in Commerce, majoring in accounting, from Macquarie University in Australia in 1997. She is also a certified practising accountant in Australia. Ms. Hui was the vice chairman of Shanghai Shimao, from June 2009 to July 2024 and a Non-executive Director of Mason Group Holdings Limited, a company formerly listed on the main board of the HKEx, from October 2016 to November 2023. Ms. Hui is the daughter of Mr. Hui Wing Mau, the controlling shareholder (as defined in the Listing Rules) of the Company and the sister of Mr. Hui Sai Tan, Jason, the Chairman, President and an Executive Director of the Company. Ms. Hui is a director of Gemfair Investments Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Shao Liang

Mr. Shao Liang, aged 47, was appointed a Non-executive Director of the Company since 26 April 2024. Mr. Shao is also the group vice president and head of production and operation management center of the Group, responsible for the overall management of the Group's production operation, and was appointed as an executive director and the president of Shimao Services on 26 April 2024. Mr. Shao obtained a bachelor's degree in economic management in 2001 and joined the Group in the same year, and successively served as an assistant president, the head of sales management center and controller of the regional sales of the Group, accumulating over 24 years of experience in sales and operation management.

Independent Non-Executive Directors

Lyu Hong Bing

Mr. Lyu Hong Bing, aged 58, has been an Independent Non-executive Director of the Company since 17 November 2004. Mr. Lyu obtained a Master's Degree in law from East China University of Political Science and Law in 1991 and has more than 32 years' experience in corporate and securities laws in China. Mr. Lyu currently serves as an independent director of Shanghai New Huang Pu Industrial Group Co., Ltd. (a company listed on the main board of the Shanghai Stock Exchange), Cambricon Technologies Corporation Limited (a company listed on the STAR Market of the Shanghai Stock Exchange) and Shandong Airlines Co., Ltd. (a company delisted on 10 July 2023 from main board of the Shenzhen Stock Exchange). Mr. Lyu is the chief executive partner of the Grandall Law Firm, a chief supervisor of the All China Lawyers Association, an arbitrator and member of the Shanghai International Economic and Trade Arbitration Commission, an arbitrator of the Shanghai Arbitration Commission, a concurrent professor of East China University of Political Science and Law and other higher education institutions, a member of the Review Board of the China Securities Regulatory Commission for Mergers, Acquisitions, and Restructurings of Listed Companies and a commissioner of the Listing Committee of the Shanghai Stock Exchange.

Lam Ching Kam

Mr. Lam Ching Kam (Alias: Jacob Lam), aged 64, has been an Independent Non-executive Director of the Company since 1 June 2006. He is currently a fellow member of The Hong Kong Institute of Surveyors. Mr. Lam obtained a Master's Degree in Business Administration from the Hong Kong Open University in 2004 and was a fellow member of the Royal Institution of Chartered Surveyors. Mr. Lam was the Vice Chairman of the Royal Institution of Chartered Surveyors China Group from 2003 to 2006. He is a member of the China Civil Engineering Society (中國土木工程學會會員) and also a registered China Cost Engineer (中國造價工程師執業資格). Mr. Lam has been a consultant to the Beijing Construction Project Management Association (北京市建設監理協會) since 2003 and has engaged in professional training and vocational education in China for more than 23 years. Mr. Lam has been in the property development and construction industry for 41 years, and has worked for construction contractors such as Shui On Building Contractors Limited, China State Construction Engineering Corporation and Hopewell Construction Co., Ltd. Mr. Lam was employed as a quantity surveyor and worked in London from 1990 to 1991. He was employed by certain consultant firms and the Architectural Services Department of the Hong Kong Government before he emigrated to Australia in 1996 and operated a project management firm in Sydney. Mr. Lam was the project controller of Sino Regal Ltd. (HK) for investment projects in China from 1994 to 1996. In 1998, Mr. Lam established a surveying and management consultant firm which has been participating in many large-scale projects in Mainland China and Macau, including a Beijing Olympic 2008 project involving hotels, offices towers and commercial complex in Olympic Park, Beijing. In October 2016, Mr. Lam's company merged with 信永中和工程管理有限公司 (ShineWing Engineering Management Co., Ltd.) and he became a partner from 1 October 2016.

Fung Tze Wa

Mr. Fung Tze Wa, aged 68, has been an Independent Non-executive Director of the Company since 24 August 2022. Mr. Fung is a certified public accountant and a director of an accounting firm in Hong Kong. Mr. Fung has many years of experience in auditing, taxation and company secretarial practice in Hong Kong. He obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2000. He is a member of the HKICPA, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Fung was an independent non-executive director of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) (Stock Code: 279) from January 2017 to September 2021 and currently an independent non-executive director of Imperium Technology Group Limited (Stock Code: 776) since October 2012. All of the above companies were listed on the main board of the HKEx.

Senior Management

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

Change in Information of Director

The change in the information of the Director of the Company since the publication of the interim report of the Company for the six months ended 30 June 2024 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of Changes
Ms. Hui Mei Mei, Carol	Appointed as a Non-executive Director on 5 December 2024

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

INFORMATION FOR SHAREHOLDERS

ANNUAL REPORT

This annual report is now available in printed form and on the websites of the Company (www.shimaogroup.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If shareholders who have received or chosen (or are deemed to have chosen) to receive this annual report by electronic means but (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited ("Tricor Investor") by email at 813-ecom@vistra.com or by post to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

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

ANNUAL GENERAL MEETING ("AGM")

The 2025 AGM will be held on Thursday, 12 June 2025. The notice of the 2025 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2025 AGM and the proxy form are also available on the Company's website.

CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2025 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Thursday, 5 June 2025
Closure of ROM	from Friday, 6 June 2025 to Thursday, 12 June 2025 (both days inclusive)

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

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

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Shimao Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 152, which comprise the consolidated statement of financial position as at 31 December 2024, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit 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

Scope limitation relating to the assessment on the appropriateness of the going concern basis of preparing the Consolidated Financial Statements

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 RMB35.9 billion. As at 31 December 2024, the Group had borrowings in total of approximately RMB252.1 billion, out of which approximately RMB210.2 billion was included in current liabilities, while its total cash (including cash and cash equivalents and restricted cash) amounted to approximately RMB15.8 billion. As at 31 December 2024, the Group had not repaid borrowings of RMB172.1 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 37(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 (the "Directors") have been undertaking a number of plans and measures to mitigate the liquidity pressure and improve its financial position, details of which are set out in note 2(a) to the consolidated financial statements. 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 significant uncertainties, including (i) the success of extension or restructuring of the remaining defaulted debts with multiple lenders and creditors other than debts included in the Group's offshore indebtedness restructuring ("Remaining Debts Restructuring"); (ii) the success of obtaining sufficient funds through other alternative financing and borrowings; and (iii) the success of business strategy plan to accelerate the sales of its properties to ensure the sustainability of future business operations.

In respect of the Remaining Debts Restructuring and alternative financing plans, we were advised by management that these plans are at different stages and for the majority of which, no definite agreements have been reached between the Group and the relevant creditors. Accordingly, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to evaluate the Group's ability to implement and complete the Remaining Debt Restructuring.

In respect of the business strategy plan, management was unable to provide us with sufficient information about the details of the plan, including the detailed timetable and actions to be implemented because of the unpredictable market changes. Accordingly, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to evaluate the Group's ability to accelerate the sales of its properties as planned.

In view of the above scope limitation, there were no other alternative procedures that we could perform to satisfy ourselves that the Group would be able to implement its plans and measures, as a result, we were unable to obtain sufficient appropriate evidence we considered necessary to conclude whether the use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the above-mentioned 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.

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 matter detailed below.

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.

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.

Pursuant to a judgement letter dated 27 June 2024 received by the Group from the PRC court, the Group mandatorily transferred the aforesaid investment properties and inventories of properties to the creditor in order to settle a portion of the outstanding borrowings and accrued interests owed by the Group to the creditor. A resulting loss on the settlement of the aforesaid debts amounting to approximately RMB9.7 billion was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

We have been unable to obtain sufficient appropriate audit evidence to justify whether the whole or a part of the loss on the settlement of approximately RMB9.7 billion should be made in the current year or in the prior year.

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 2024 and 2023 and the financial position of the Group as at 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these consolidated financial statements.

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

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

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	**59,975,062**	59,463,712
Cost of sales	28	**(65,843,636)**	(53,615,805)
Gross (loss)/profit		**(5,868,574)**	5,847,907
Fair value losses on investment properties – net	9	**(2,812,958)**	(5,878,296)
Other (losses)/other income and gains – net	27	**(13,608,820)**	(3,848,781)
Selling and marketing costs	28	**(901,207)**	(1,419,774)
Administrative expenses	28	**(3,921,977)**	(4,703,318)
Provision for impairment losses on financial assets	28	**(1,108,622)**	(2,031,610)
Impairment losses on property and equipment	28	**(8,170)**	(6,457)
Impairment losses on intangible assets	28	**(45,829)**	(121,316)
Other operating expenses	28	**(1,052,030)**	(1,088,070)
Operating loss		**(29,328,187)**	(13,249,715)
Finance income		**121,990**	284,155
Finance costs		**(12,197,327)**	(8,256,328)
Finance costs – net	29	**(12,075,337)**	(7,972,173)
Share of results of associated companies and joint ventures accounted for using the equity method		**(633,935)**	(1,022,291)
Loss before income tax		**(42,037,459)**	(22,244,179)
Income tax expenses	32	**(1,648,189)**	(1,355,238)
Loss for the year		**(43,685,648)**	(23,599,417)
Other comprehensive (loss)/income for the year			
Items that will not be reclassified to profit or loss:			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		**(12)**	(1,187,571)
Share of other comprehensive income/(loss) of joint ventures accounted for using the equity method		**17,908**	(17,994)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(7,213)**	4,278
Total comprehensive loss for the year		**(43,674,965)**	(24,800,704)
Loss for the year attributable to:			
– Equity holders of the Company		**(35,905,060)**	(21,030,181)
– Non-controlling interests		**(7,780,588)**	(2,569,236)
		(43,685,648)	(23,599,417)
Total comprehensive loss for the year attributable to:			
– Equity holders of the Company		**(35,900,434)**	(22,225,043)
– Non-controlling interests		**(7,774,531)**	(2,575,661)
		(43,674,965)	(24,800,704)
Losses per share for loss attributable to the equity holders of the Company			
– Basic (RMB)	33	**(9.48)**	(5.55)
– Diluted (RMB)	33	**(9.48)**	(5.55)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**13,904,656**	17,039,656
Right-of-use assets	8	**4,349,689**	7,081,816
Investment properties	9	**41,735,180**	60,847,476
Intangible assets	10	**2,155,161**	2,729,081
Investments accounted for using the equity method	12	**16,132,916**	17,671,636
Amounts due from related parties	13	**5,644,798**	5,945,686
Financial assets at fair value through other comprehensive income	14	**260,059**	384,244
Deferred income tax assets	15	**1,060,771**	1,579,054
Other non-current assets		**2,174,041**	2,239,654
		87,417,271	115,518,303
Current assets			
Inventories	16	**218,513,766**	276,518,212
Trade and other receivables and prepayments	17	**40,838,595**	40,292,835
Prepayment for acquisition of land use rights	18	**3,775,484**	4,067,851
Prepaid income taxes		**1,429,828**	2,539,869
Amounts due from related parties	13	**67,480,889**	70,578,540
Restricted cash	19	**4,398,874**	6,245,890
Cash and cash equivalents	19	**11,352,828**	15,186,591
		347,790,264	415,429,788
Assets of a disposal group classified as held for sale	20	**1,221,462**	12,302,304
		349,011,726	427,732,092
Total assets		**436,428,997**	543,250,395
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	21	**384,165**	384,165
Reserves	22	**(22,038,498)**	14,331,786
		(21,654,333)	14,715,951
Non-controlling interests			
Perpetual capital instruments	23	**–**	1,541,000
Other non-controlling interests		**25,000,269**	34,994,079
		25,000,269	36,535,079
Total equity		**3,345,936**	51,251,030

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	**41,835,621**	64,555,626
Lease liabilities	8	**25,628**	41,481
Deferred income tax liabilities	15	**6,987,554**	7,535,816
		48,848,803	72,132,923
Current liabilities			
Trade and other payables	25	**83,083,588**	86,807,924
Contract liabilities		**48,355,145**	85,834,358
Dividend payable		**892,268**	873,188
Income tax payable		**20,015,870**	20,367,316
Borrowings	24	**210,215,789**	199,407,588
Lease liabilities	8	**31,531**	56,239
Amounts due to related parties	26	**20,425,864**	19,547,025
		383,020,055	412,893,638
Liabilities of a disposal group classified as held for sale	20	**1,214,203**	6,972,804
		384,234,258	419,866,442
Total liabilities		**433,083,061**	491,999,365
Total equity and liabilities		**436,428,997**	543,250,395

Approved and authorised for issue by the Board of Directors on 28 March 2025.

Hui Sai Tan, Jason
Director

Zhao Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Notes	Attributable to the equity holders of the Company				
		Share capital RMB'000	Reserves RMB'000	Perpetual capital instruments RMB'000	Other non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2024		**384,165**	**14,331,786**	**1,541,000**	**34,994,079**	**51,251,030**
Comprehensive loss						
Loss for the year		**–**	**(35,905,060)**	**(178,698)**	**(7,601,890)**	**(43,685,648)**
Other comprehensive income/(loss) for the year						
Items that will not be reclassified to profit or loss						
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		**–**	**(12)**	**–**	**–**	**(12)**
Share of other comprehensive income of joint ventures accounted for using the equity method		**–**	**11,851**	**–**	**6,057**	**17,908**
Items that may be reclassified to profit or loss						
Exchange differences on translation of foreign operations		**–**	**(7,213)**	**–**	**–**	**(7,213)**
Total comprehensive loss for the year		**–**	**(35,900,434)**	**(178,698)**	**(7,595,833)**	**(43,674,965)**
Capital contribution from non-controlling interests of subsidiaries		**–**	**–**	**–**	**27,644**	**27,644**
Changes in ownership interests in subsidiaries without change of control	39(c)	**–**	**(471,009)**	**–**	**(1,045,611)**	**(1,516,620)**
Loss of controls of subsidiaries	39(a), (b)	**–**	**–**	**–**	**(1,115,315)**	**(1,115,315)**
Equity-settled share-based payment						
– Value of employee services	21(b)	**–**	**1,159**	**–**	**–**	**1,159**
Settlement of perpetual capital instruments by a new loan		**–**	**–**	**(1,362,302)**	**–**	**(1,362,302)**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**(264,695)**	**(264,695)**
Total transactions with owners		**–**	**(469,850)**	**(1,362,302)**	**(2,397,977)**	**(4,230,129)**
Balance at 31 December 2024		**384,165**	**(22,038,498)**	**–**	**25,000,269**	**3,345,936**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2024

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	35	**958,670**	(1,077,861)
Interest received		**121,990**	284,155
Interest paid		**(575,229)**	(2,174,124)
PRC income tax paid		**(749,404)**	(2,501,651)
Net cash used in operating activities		**(243,973)**	(5,469,481)
Cash flows from investing activities			
Additions of property and equipment and investment properties		**(552,780)**	(438,118)
Disposal of property and equipment		**79,578**	694,567
Disposal of investment properties		**285,000**	753,853
Purchase of intangible assets		**(239,150)**	(54,885)
Disposal of intangible assets		**4,043**	48
Net cash outflow on acquisition of subsidiaries		**–**	(558,665)
Net cash inflow/(outflow) on disposal of subsidiaries		**325,227**	(320,825)
Net cash outflow on liquidation of subsidiaries		**(123,840)**	(179,262)
Capital injections to associated companies		**(59,437)**	–
Capital injections to joint ventures		**(382,741)**	(2,000)
Disposal of shares of joint ventures		**–**	137,006
Disposal of shares of associated companies		**5,000**	1,013
Capital reduction from a joint venture		**–**	49,000
Dividends received from associated companies and joint ventures		**158,966**	98,544
Repayment from joint ventures and associated companies		**131,599**	864,336
Decrease of financial assets at fair value through other comprehensive income		**–**	4,419
Net cash (used in)/generated from investing activities		**(368,535)**	1,049,031

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Cash flows from financing activities		
Proceeds from borrowings	**1,355,595**	8,200,840
Repayments of borrowings	**(4,469,714)**	(15,002,260)
Capital contribution from non-controlling interests of subsidiaries	**3,644**	–
Acquisition of additional interests in subsidiaries	**(443,551)**	(202,990)
Dividends paid to non-controlling interests	**(84,038)**	(162,851)
(Repayment to)/advances from non-controlling interests	**(141,090)**	267,980
(Repayment to)/advances from joint ventures and associated companies	**(257,321)**	264,347
Advances from the controlling shareholder	**–**	87,127
Lease payment	**(56,748)**	(68,242)
Decrease in restricted cash pledged for borrowings	**856,778**	4,180,362
Net cash used in financing activities	**(3,236,445)**	(2,435,687)
Net decrease in cash and cash equivalents	**(3,848,953)**	(6,856,137)
Cash and cash equivalents at the beginning of the year	**15,186,591**	22,034,517
Effect of foreign exchange rate changes	**15,190**	8,211
Cash and cash equivalents at the end of the year	**11,352,828**	15,186,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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, commercial properties operation, property management and hotel operation in the People's Republic of China (the "PRC").

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

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

2. Basis of preparation

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

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

(a) Going concern basis

For the year ended 31 December 2024, the Group incurred a loss attributable to equity holders of the Company of approximately RMB35.9 billion. As at 31 December 2024, the Group had borrowings in a total of approximately RMB252.1 billion, out of which approximately RMB210.2 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 RMB15.8 billion. As at 31 December 2024, the Group had not repaid borrowings of RMB172.1 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.

2. Basis of preparation *(CONTINUED)*

(a) Going concern basis (continued)

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least 12 months from 31 December 2024, taking into account the following plans and measures:

(i) The Group's proposed offshore indebtedness restructuring scheme (the "Restructuring Scheme") was approved by approximately 98.75% of the number of the creditors voting at the meeting on 24 February 2025, and was subsequently approved and sanctioned by the High Court of Hong Kong on 13 March 2025. Upon all the conditions precedent to the Restructuring Scheme being satisfied or waived and the Restructuring Scheme becoming effective, the Group's offshore indebtedness under the Restructuring Scheme, 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 together with the relevant accrued interests, will be fully discharged by the relevant scheme creditors in exchange for the issue of new short term instruments, new long term instruments and the zero coupon mandatory convertible bonds. The Directors expect the Restructuring Scheme will be completed and become effective in 2025;

(ii) Concurrent with the Restructuring Scheme becoming effective, amounts and dividend payable in the aggregate amount of approximately HK$7.8 billion due to the controlling shareholder of the Company by the Group will be discharged in exchange for the controlling shareholder notes and controlling shareholder mandatory convertible bonds;

(iii) Save for the Restructuring Scheme, the Group has also been actively negotiating with other PRC onshore lenders and creditors on the extension or restructuring of borrowings. Due to the diverse lender base and changing market conditions, time is still required to determine the extension plans or restructuring plans on a case-by-case basis. Taking into account the 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 or restructuring agreements for the existing borrowings step by step;

(iv) 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, a total of approximately RMB399 million new loans was drawn according 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 year 2024 that qualifies the property projects of the PRC property developers for financial support from financial institutions;

(v) 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; and

(vi) 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.

The Directors have reviewed the Group's cash flow projections, which covers a period of not less than 12 months from 31 December 2024. The Directors are of the opinion that, considering the anticipated cash inflows to be generated from the Group's operations taking into account reasonably possible changes in operation performance, its cost control measures, as well as the above-mentioned plans and measures, the Group will be able to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. Basis of preparation *(CONTINUED)*

(a) Going concern basis (continued)

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

– Successful in negotiating with the remaining lenders and creditors in the PRC on the extension or deferral of the repayment of the Group's PRC onshore borrowings;

– Successful implementation of the plans and measures to ensure the sales strategy can be executed to achieve its budgeted sales, and timely collection of the relevant sales proceeds and other receivables; and

– Successful in raising sufficient funds through alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures

The property market sector in mainland China exhibited persistent contraction throughout 2024, the Group's overall pre-sales have continued to decline, and the financing performance has not shown significant improvement. There is uncertainty as to the stabilisation and recovery of the Group's sales and the continued support from the Group's lenders and creditors, hence, there is significant uncertainty as to the Group's ability to implement the above plans and measures.

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 2024. HKFRSs comprise HKFRS; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not resulting in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Material accounting policies

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

Consolidation

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

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

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

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

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

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combination and goodwill

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

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

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Associates

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

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

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

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

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

Joint venture

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

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

3. Material accounting policies *(CONTINUED)*

Joint venture (continued)

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

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

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

Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Foreign currency translation (continued)

(iii) Translation on consolidation

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

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

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

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

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

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

Property and equipment

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

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

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

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Investment property

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

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

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

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

Leases

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

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Leases (continued)

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

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

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

Intangible assets (other than goodwill)

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

(i) Computer software

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

(ii) Customer relationship

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

(iii) Service concession intangible assets

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

(iv) Brand name

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

3. Material accounting policies *(CONTINUED)*

Properties for sale under development

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

Properties held for sale

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

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

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

– Financial assets at amortised cost; and

– Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI").

3. Material accounting policies *(CONTINUED)*

Financial assets (continued)

(i) Financial assets at amortised cost

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

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

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

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

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

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

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

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

Offsetting financial instruments

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

Loss allowances for expected credit losses

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Perpetual capital instruments

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

Borrowings

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

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

Borrowing costs

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

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

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

Other financial liabilities

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. Material accounting policies *(CONTINUED)*

Revenue recognition

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

(i) Sales of properties

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

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

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

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

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

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

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

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

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

(ii) Property management services

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

(iii) Hotel operation income

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

3. Material accounting policies *(CONTINUED)*

Revenue recognition (continued)

(iv) Rental income

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

(v) Interest income

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

(vi) Commission income

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

(vii) Dividend income

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

Government grants

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

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

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

Dividend distribution

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

Financial guarantee contract liabilities

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

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

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

3. Material accounting policies *(CONTINUED)*

Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

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

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

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

(iii) Equity-settled share-based payment transactions

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

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

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Employee benefits (continued)

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

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

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

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

Taxation

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

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

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

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

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

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

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

3. Material accounting policies *(CONTINUED)*

Taxation (continued)

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

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

Segment reporting

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;

3. Material accounting policies *(CONTINUED)*

Related parties (continued)

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Non-current assets held for sale

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

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

3. Material accounting policies *(CONTINUED)*

Provisions and contingent liabilities

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

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

Events after the reporting period

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

4. Critical judgements and key accounting estimates

(a) Critical judgments in applying accounting policies

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

(i) Going concern consideration

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

(ii) Classification between subsidiaries, joint ventures and associates

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

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

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

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

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

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

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

(b) Key sources of estimation uncertainty

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

(i) Income taxes and deferred income tax assets

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

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

(ii) PRC land appreciation tax (“LAT”)

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

(iii) Impairment of goodwill

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

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

(b) Key sources of estimation uncertainty (continued)

(iv) Fair value of investment properties

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

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

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

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

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

5. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2024, if RMB had strengthened/weakened by 5%, against US dollar and HK dollar with all other variables held constant without capitalisation of exchange gains and losses, post-tax loss for the year would have been RMB5,152,698,000 (2023: RMB4,980,702,000) higher/lower, mainly as a result of net foreign exchange losses/gains on translation of US dollar and HK dollar denominated bank deposits, senior notes and borrowings.

As at 31 December 2024, borrowings with a total carrying amount of RMB65,629,749,000 (2023: RMB65,144,787,000) are denominated in US dollar and borrowings with a total carrying amount of RMB37,729,988,000 (2023: RMB34,908,086,000) are denominated in HK dollar.

5. Financial risk management *(CONTINUED)*

(a) Market risk (continued)

(ii) Price risk

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

At 31 December 2024, if the fair values of the Group's financial assets at FVOCI increase/decrease by 10%, the financial assets at FVOCI reserve would have been RMB26,006,000 (2023: RMB38,424,000) higher/lower, arising as a result of the fair value gain/loss of the financial assets.

(iii) Cash flow and fair value interest rate risk

Except for cash deposits in the banks, the Group has no other significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, especially long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rate and terms of repayments of borrowings are disclosed in note 24 to the consolidated financial statements. The Group manages certain of its fair value interest rate risk by using fixed-to-floating interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from fixed rates to floating rates. As at 31 December 2024, the Group did not converted borrowings from fixed rate to floating rate through interest rate swaps (2023: Nil).

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

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

If interest rates on RMB denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax loss for the year would have been RMB111,466,000 (2023: RMB121,580,000) higher/lower mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2024. If interest rates on US dollar and HK dollar denominated variable rate borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax loss for the year would have been RMB546,121,000 (2023: RMB521,059,000) higher/lower mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2024.

(b) Credit risk

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

5. Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

(i) Cash in banks

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

Cash transactions are limited to high-credit-quality institutions. The table below shows the bank deposit balances of the major counterparties as at 31 December 2024.

Counterparty	Rating (Note)	2024 RMB'000	2023 RMB'000
Bank A	A	**3,319,604**	3,492,230
Bank B	BBB	**1,086,543**	1,425,898
Bank C	A-	**756,000**	1,001,060
Bank D	A	**586,584**	1,293,796
Bank E	A	**420,288**	830,897

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

(ii) Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

(iii) Other receivables and amounts due from related parties

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

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

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

5. Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

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

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

On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows for trade receivables and other receivables and amounts due from related parties:

31 December 2024	Current and within 6 months RMB'000	7 months to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Trade receivables				
Gross carrying amount	5,834,694	1,256,036	1,594,047	8,684,777
Expected loss rate	2.43%	7.61%	38.86%	
Loss allowance	142,005	95,542	619,413	856,960

31 December 2024	Expected Loss Rate	Gross Carrying Amount RMB'000	Loss allowance provision RMB'000
Other receivables and amounts due from related parties			
Loan receivables	1.00%–10.00%	361,767	55,701
Other receivables	0.50%–80.00%	34,497,801	1,793,089
Amounts due from related parties	0.10%–10.00%	75,864,782	2,739,095
		110,724,350	4,587,885

5. Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

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

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

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

The closing loss allowances for trade receivables and other receivables and amounts due from related parties as at 31 December 2024 and 2023 reconcile to the opening loss allowances as follows:

	Trade receivables RMB'000	**Other receivables and amounts due from related parties RMB'000**	**Total RMB'000**
As at 1 January 2023	233,213	3,023,954	3,257,167
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(13,987)	2,045,597	2,031,610
Write-off during the year	–	(878,560)	(878,560)
As at 31 December 2023 and 1 January 2024	219,226	4,190,991	4,410,217
Increase in loss allowance recognised in profit or loss during the year	637,734	470,888	1,108,622
Write-off during the year	–	(73,994)	(73,994)
As at 31 December 2024	856,960	4,587,885	5,444,845

5. Financial risk management *(CONTINUED)*

(b) Credit risk (continued)

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

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

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

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

(c) Liquidity risk

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

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

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

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

5. Financial risk management *(CONTINUED)*

(c) Liquidity risk (continued)

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2024					
Borrowings and interest payments	**212,444,639**	**17,927,775**	**18,021,045**	**12,677,193**	**261,070,652**
Trade and other payables (excluding other taxes payables)	**76,672,682**	**–**	**–**	**–**	**76,672,682**
Amounts due to related parties	**20,425,864**	**–**	**–**	**–**	**20,425,864**
Lease liabilities	**32,641**	**15,042**	**17,851**	**3,103**	**68,637**
	309,575,826	**17,942,817**	**18,038,896**	**12,680,296**	**358,237,835**
At 31 December 2023					
Borrowings and interest payments	204,197,777	29,424,442	29,319,131	14,141,190	277,082,540
Trade and other payables (excluding other taxes payables)	79,201,248	–	–	–	79,201,248
Amounts due to related parties	19,547,025	–	–	–	19,547,025
Lease liabilities	59,394	35,444	18,655	9,214	122,707
	303,005,444	29,459,886	29,337,786	14,150,404	375,953,520

Note:

The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2024 and 2023 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2024 and 2023, respectively.

(d) Capital risk management

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

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

The capital structure of the Group consists of net debt, which includes, where appropriate, the borrowings disclosed in note 24, net of cash and cash equivalents, restricted cash and total equity.

5. Financial risk management *(CONTINUED)*

(e) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

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

	Fair value measurement using:			
Description	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
At 31 December 2024				
Financial assets				
Financial assets at FVOCI				
– investment in listed equity securities	**59**	**–**	**–**	**59**
– investment in structured products	**–**	**–**	**260,000**	**260,000**
At 31 December 2023				
Financial assets				
Financial assets at FVOCI				
– investment in listed equity securities	65	–	–	65
– investment in structured products	–	–	384,179	384,179

Financial assets at FVOCI included in Level 1 as at 31 December 2024 and 2023 are the equity securities traded in NASDAQ, the fair value of which is based on quoted market prices at the end of the reporting period.

Financial assets at FVOCI as at 31 December 2024 and 2023 included in Level 3 are the investment in structured products entered into with financial institutions, the fair value of which are determined using the valuation model for which not all inputs are market observable, such as discount rates and net assets value of underlying assets. The higher the discount rates/net assets value, the lower/higher the fair value of the financial assets at FVOCI measured at fair value based on level 3.

5. Financial risk management *(CONTINUED)*

(e) Fair values (continued)

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

Financial assets at FVOCI at fair value:

	2024 RMB'000	2023 RMB'000
Opening balances of assets	**384,179**	1,792,259
Disposals	**(124,179)**	(4,419)
Disposal of subsidiaries	–	(261,471)
Fair value losses recognised in OCI	–	(1,142,190)
Closing balances of assets	**260,000**	384,179

6. Segment information

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

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

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

(a) Revenue

	2024 RMB'000	2023 RMB'000
Sales of properties	**47,911,418**	46,985,856
Hotel operation income	**2,224,745**	2,295,484
Commercial properties operation income	**1,666,670**	1,740,254
Property management income, and others	**8,172,229**	8,442,118
	59,975,062	59,463,712

6. Segment information *(CONTINUED)*

(b) Segment information

Year ended 31 December 2024

	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	4,773,677	43,137,741	–	–	47,911,418
– Recognised at a point in time	4,773,677	43,137,741	–	–	47,911,418
– Hotel operation income	228,362	1,996,383	–	–	2,224,745
– Commercial properties operation income	1,278,994	387,676	–	–	1,666,670
– Property management income, and others	395,098	113,561	7,895,536	–	8,404,195
Total revenue before elimination	6,676,131	45,635,361	7,895,536	–	60,207,028
Elimination					(231,966)
Total revenue					59,975,062
Operating loss	(9,266,093)	(19,702,547)	(157,636)	(201,911)	(29,328,187)
Finance income	11,235	68,268	31,501	10,986	121,990
Finance costs	(4,549,795)	(5,771,601)	(30,879)	(1,845,052)	(12,197,327)
Share of results of associated companies and joint ventures accounted for using the equity method	(133,104)	(510,101)	9,270	–	(633,935)
Loss before income tax	(13,937,757)	(25,915,981)	(147,744)	(2,035,977)	(42,037,459)
Income tax expense					(1,648,189)
Loss for the year					(43,685,648)
Other segment items are as follows:					
Capital expenditures	398,352	60,113	333,465	–	791,930
Fair value (losses)/gain on investment properties - net	(2,813,455)	497	–	–	(2,812,958)
Depreciation and amortisation charge	110,255	550,695	208,397	11,085	880,432
Amortisation of right-of-use assets	9,091	110,733	33,190	–	153,014
Provision for impairment on financial assets	628,839	319,293	160,490	–	1,108,622
Impairment losses on property and equipment	–	–	8,170	–	8,170
Impairment losses on intangible assets	–	–	45,829	–	45,829
Provision for impairment losses on properties under development and completed properties held for sale	3,094,555	8,258,437	31,818	–	11,384,810

* The Group owns an effective equity interest of 66.18% in Shanghai Shimao as at 31 December 2024
** The Group owns an effective equity interest of 62.87% in Shimao Services as at 31 December 2024
*** Unallocated mainly represent corporate level activities

6. Segment information *(CONTINUED)*

(b) Segment information (continued)

The segment assets and liabilities at 31 December 2024 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	688,126	14,943,361	501,429	16,132,916
Intangible assets	2,054	51,945	2,101,162	2,155,161
Other segment assets	71,576,081	335,232,299	7,970,915	414,779,295
Total segment assets	72,266,261	350,227,605	10,573,506	433,067,372
Deferred income tax assets				1,060,771
Financial assets at FVOCI				260,059
Assets of a disposal group classified as held for sale				1,221,462
Other assets				819,333
Total assets				436,428,997
Borrowings	29,698,041	142,583,156	–	172,281,197
Other segment liabilities	44,070,736	112,149,669	2,780,268	159,000,673
Total segment liabilities	73,768,777	254,732,825	2,780,268	331,281,870
Corporate borrowings				79,770,213
Deferred income tax liabilities				6,987,554
Liabilities of a disposal group classified as held for sale				1,214,203
Other liabilities				13,829,221
Total liabilities				433,083,061

6. Segment information *(CONTINUED)*

(b) Segment information (continued)

Year ended 31 December 2023

	Property development and investment				
	Shanghai Shimao* RMB'000	Others RMB'000	Shimao Services** RMB'000	Unallocated*** RMB'000	Total RMB'000
Revenue					
– Sales of properties	3,607,618	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 – net	(3,786,921)	(2,091,375)	–	–	(5,878,296)
Fair value losses on derivative financial instruments	–	–	–	(37,705)	(37,705)
Depreciation and amortisation charge	97,129	349,207	344,339	123,767	914,442
Amortisation of right-of-use assets	9,122	123,283	47,066	–	179,471
Provision for impairment on financial assets	528,136	1,380,737	122,737	–	2,031,610
Impairment losses on property and equipment	–	–	6,457	–	6,457
Impairment losses on intangible assets	–	–	121,316	–	121,316
Provision for impairment losses on properties under development and completed properties held for sale	1,530,481	1,434,313	1,230	–	2,966,024

* The Group owns an effective equity interest of 63.45% in Shanghai Shimao as at 31 December 2023
** The Group owns an effective equity interest of 62.87% in Shimao Services as at 31 December 2023
*** Unallocated mainly represent corporate level activities

6. Segment information *(CONTINUED)*

(b) Segment information (continued)

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

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

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

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

6. Segment information *(CONTINUED)*

(b) Segment information (continued)

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

	2024 RMB'000	2023 RMB'000
Related to development and sales of properties contracts		
Contract liabilities (Note)	**48,355,145**	85,834,358

Note: Contract liabilities have been disclosed with the value-added tax of approximately RMB3.1 billion deducted in 2024 (2023: approximately RMB5.5 billion).

Revenue from sales of properties totalled approximately RMB34 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 RMB13 billion as of 31 December 2024 will be recognised as revenue from sales of properties during the next reporting year.

7. Property and equipment

	Assets under construction RMB'000	Hotel buildings and improvements RMB'000	Furniture and equipment and others RMB'000	Motor vehicles RMB'000	Self-use buildings RMB'000	Total RMB'000
Cost						
At 1 January 2024	3,375,630	18,090,333	820,626	224,107	1,446,561	23,957,257
Additions	33,036	30,958	61,884	30,131	18,363	174,372
Disposal of subsidiaries	(3,603)	–	(149,567)	(202,315)	(61,798)	(417,283)
Disposals	(47,765)	(1,192,752)	(125,080)	(10,828)	(1,116)	(1,377,541)
Liquidation of subsidiaries	–	–	(1,160)	–	–	(1,160)
Transfer to inventories	(1,353,359)	–	–	–	–	(1,353,359)
Transfer to assets of disposal group classified as held for sale	–	–	(211)	(159)	–	(370)
At 31 December 2024	2,003,939	16,928,539	606,492	40,936	1,402,010	20,981,916
Accumulated depreciation and impairment loss						
At 1 January 2024	–	5,456,610	503,867	211,272	745,852	6,917,601
Charge for the year	–	352,098	79,720	14,948	250,401	697,167
Disposal of subsidiaries	–	–	(9,822)	(192,065)	(8,341)	(210,228)
Disposals	–	(305,722)	(26,949)	(1,067)	(407)	(334,145)
Liquidation of subsidiaries	–	–	(1,079)	–	–	(1,079)
Impairment loss recognised	8,170	–	–	–	–	8,170
Transfer to assets of disposal group classified as held for sale	–	–	(127)	(99)	–	(226)
At 31 December 2024	8,170	5,502,986	545,610	32,989	987,505	7,077,260
Carrying amount						
At 31 December 2024	1,995,769	11,425,553	60,882	7,947	414,505	13,904,656

7. Property and equipment *(CONTINUED)*

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

Depreciation charge of approximately RMB697,167,000 for the year ended 31 December 2024 (2023: RMB690,917,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (note 28).

An impairment loss on certain property and equipment of approximately RMB8,170,000 was recognised for the year (2023: RMB6,457,000) as the management of the Group determined that the recoverable amount of these assets exceeded their carrying amounts.

As at 31 December 2024, assets under construction and buildings of the Group with a total carrying amount of approximately RMB10,607,607,000 (2023: RMB11,964,855,000) were pledged as collateral for certain borrowings of the Group (note 24).

For the year ended 31 December 2024, the Group has capitalised borrowing costs amounting to approximately RMB1,383,000 (2023: RMB13,383,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 4.37% (2023: 8.10%).

8. Right-of-use assets

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

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets		
Land use rights and leasehold land	**4,292,924**	6,985,069
Buildings	**56,169**	95,673
Vehicles	**596**	1,074
	4,349,689	7,081,816
Lease liabilities		
Current	**31,531**	56,239
Non-current	**25,628**	41,481
	57,159	97,720

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

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Amortisation charge of right-of-use assets		
Land use rights and leasehold land	**102,845**	91,599
Buildings	**49,547**	86,134
Vehicles	**622**	1,738
	153,014	179,471
Interest expense (included in finance cost) (note 29)	**4,198**	6,573

The total cash outflow for leases in 2024 was approximately RMB56,748,000 (2023: RMB68,242,000). As at 31 December 2024, land use rights of approximately RMB3,430,513,000 (2023: RMB3,592,894,000) were pledged as collateral for the Group's borrowings (note 24).

9. Investment properties

	2024 RMB'000	2023 RMB'000
Opening balance at 1 January	**60,847,476**	67,786,279
Additions – Construction cost and others	**378,408**	131,346
Transfer to assets of a disposal group classified as held for sale	**–**	(438,000)
Disposals	**(2,174,371)**	(753,853)
Settlement of indebtedness (note 27(b))	**(13,360,000)**	–
Disposals of subsidiaries	**(1,143,375)**	–
Fair value losses – net	**(2,812,958)**	(5,878,296)
Closing balance at 31 December	**41,735,180**	60,847,476

As at 31 December 2024, investment properties under construction of approximately RMB465,363,000 were measured at cost, because their constructions were at a very early stage and related fair values were not reliably determinable (31 December 2023: approximately RMB465,363,000). These investment properties under development shall be measured at cost until either their fair values become reliably determinable or development is completed, whichever is earlier.

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

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Commercial properties operation income	**1,666,670**	1,740,254
Direct operating expenses from properties that generated rental income	**17,106**	19,586
Direct operating expenses from properties that did not generate rental income	**4,776**	5,149

9. Investment properties *(CONTINUED)*

(b) Valuation

The following table analyses the investment properties carried at fair value, by valuation method and fair value hierarchy as at 31 December 2024 and 2023.

Description	**Fair value measurements at 31 December 2024 using**		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	**–**	**–**	**41,269,817**

Description	Fair value measurements at 31 December 2023 using		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
– Commercial buildings – China	–	–	60,382,113

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

9. Investment properties *(CONTINUED)*

(b) Valuation (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2024 Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	**Investment properties under development RMB'000**	**Total RMB'000**
Opening balance	**38,408,283**	**21,973,830**	**60,382,113**
Additions – Construction cost and others	**–**	**378,408**	**378,408**
Disposals	**(2,174,371)**	**–**	**(2,174,371)**
Settlement of indebtedness (note 27(b))	**–**	**(13,360,000)**	**(13,360,000)**
Disposals of subsidiaries	**–**	**(1,143,375)**	**(1,143,375)**
Net losses from fair value adjustment	**(2,285,983)**	**(526,975)**	**(2,812,958)**
Closing balance	**33,947,929**	**7,321,888**	**41,269,817**

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

9. Investment properties *(CONTINUED)*

(b) Valuation (continued)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2024 and 2023 by independent and professionally qualified valuers who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all the investment properties, their current use equates to the best use.

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

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;

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

- Holds discussions with the independent valuer.

Valuation techniques

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

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

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

9. Investment properties *(CONTINUED)*

(b) Valuation (continued)

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

Description	Fair value at 31 Dec 2024 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed commercial buildings – China	**33,947,929**	Term and reversionary method	Market prices	RMB2,984-RMB59,096 per square meter (RMB20,095 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB3-RMB190 per square meter (RMB41 per square meter)	The higher the market rents, the higher the fair value
			Term yields	4.40%-9.14% (4.79%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.50%-8.50% (5.70%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	**7,321,888**	Discounted cash flows with estimated costs to complete	Market prices	RMB3,125-RMB30,242 per square meter (RMB12,512 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB3,479-RMB9,434 per square meter (RMB5,874 per square meter)	The higher the estimated costs to be incurred, the lower the fair value
			Yields	3.45%-5.00% (3.40%)	The higher the capitalisation rate, the lower the fair value

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

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

9. Investment properties *(CONTINUED)*

(c) Pledge

As at 31 December 2024, the Group's investment properties were held in the PRC on leases of between 10 to 50 years. Investment properties with a carrying amount of RMB33,395,664,000 (2023: RMB48,629,974,000) were pledged as collateral for the Group's borrowings (note 24).

(d) Leasing arrangements

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Within one year	**848,418**	1,170,259
Between one to two years	**572,166**	817,585
Between two to three years	**338,377**	594,988
Between three to four years	**217,255**	355,719
Between four to five years	**115,061**	265,917
Later than five years	**157,521**	335,651
	2,248,798	3,540,119

10. Intangible assets

	Computer Software RMB'000	Goodwill RMB'000	Customer relationship RMB'000	Service concession intangible assets RMB'000	Brand names RMB'000	Total RMB'000
Year ended 31 December 2023						
Opening net book amount	230,016	1,740,300	972,934	62,830	13,333	3,019,413
Additions	51,091	–	–	3,794	–	54,885
Additions from acquisition of subsidiaries	11	–	–	–	–	11
Disposals	(48)	–	–	–	–	(48)
Disposal of subsidiaries	(339)	–	–	–	–	(339)
Amortisation charge	(73,594)	–	(136,010)	(11,921)	(2,000)	(223,525)
Impairment loss recognised	–	(15,391)	(105,925)	–	–	(121,316)
Closing net book amount	207,137	1,724,909	730,999	54,703	11,333	2,729,081
As at 31 December 2023						
Cost	643,292	5,181,771	1,265,000	82,852	16,000	7,188,915
Accumulated amortisation and impairment	(436,155)	(3,456,862)	(534,001)	(28,149)	(4,667)	(4,459,834)
Net book amount	207,137	1,724,909	730,999	54,703	11,333	2,729,081
Year ended 31 December 2024						
Opening net book amount	**207,137**	**1,724,909**	**730,999**	**54,703**	**11,333**	**2,729,081**
Additions	**239,150**	**–**	**–**	**–**	**–**	**239,150**
Disposals	**(4,043)**	**–**	**–**	**–**	**–**	**(4,043)**
Disposal of subsidiaries	**(542)**	**(371,555)**	**(152,158)**	**(53,941)**	**–**	**(578,196)**
Amortisation charge	**(64,903)**	**–**	**(115,600)**	**(762)**	**(2,000)**	**(183,265)**
Impairment loss recognised	**–**	**(45,566)**	**(263)**	**–**	**–**	**(45,829)**
Transfer to assets of disposal group classified as held for sale	**–**	**–**	**(1,737)**	**–**	**–**	**(1,737)**
Closing net book amount	**376,799**	**1,307,788**	**461,241**	**–**	**9,333**	**2,155,161**
As at 31 December 2024						
Cost	**877,696**	**4,807,439**	**1,038,800**	**–**	**16,000**	**6,739,935**
Accumulated amortisation and impairment	**(500,897)**	**(3,499,651)**	**(577,559)**	**–**	**(6,667)**	**(4,584,774)**
Net book amount	**376,799**	**1,307,788**	**461,241**	**–**	**9,333**	**2,155,161**

Amortisation charge of approximately RMB183,265,000 for the year ended 31 December 2024 (2023: RMB223,525,000) has been recorded in the cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (note 28).

10. Intangible assets *(CONTINUED)*

Goodwill comprise goodwill arising from acquisitions

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. As at 31 December 2024, the carrying amount of goodwill had been allocated to the CGUs within the business segment of Shimao Services.

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

Goodwill has been allocated to the CGUs of the subsidiaries of Shimao Services for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2024 based on approved budgets covering a five-year period. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation. Given the slowdown in overall economic growth and the performance growth in the relevant markets, which was slower than expected due to the volatility and downturn in the real estate industry, the approved budgets were prepared on a prudent basis. Based on the impairment assessment, an impairment loss of approximately RMB45,566,000 (2023: RMB15,391,000) was recognised for CGU – Shimao Services for the year.

The key assumptions used in the value-in-use calculation in 2024 and 2023 are as follows:

	2024	2023
Revenue growth rate during the forecast period	**2.5% – 15%**	–2% – 41%
Gross profit margin during the forecast period	**6.1% – 40.3%**	6% – 28%
Pre-tax discount rate	**15.47% – 18.23%**	16% – 20%

Notes:

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

11. Financial instruments by category

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
– Trade and other receivables	**31,085,740**	30,353,152
– Amounts due from related parties	**73,125,687**	76,524,226
– Restricted cash	**4,398,874**	6,245,890
– Cash and cash equivalents	**11,352,828**	15,186,591
Financial assets at FVOCI	**260,059**	384,244
Total	**120,223,188**	128,694,103
Financial liabilities		
Other financial liabilities at amortised cost:		
– Borrowings	**252,051,410**	263,963,214
– Trade and other payables (excluding other taxes payable)	**76,672,682**	79,201,248
– Amounts due to related parties	**20,425,864**	19,547,025
Lease liabilities	**57,159**	97,720
Total	**349,207,115**	362,809,207

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

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

12. Investments accounted for using the equity method

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	**3,239,266**	4,107,028
Joint ventures (Note (b))	**12,893,650**	13,564,608
	16,132,916	17,671,636

Notes:

(a) Interests in associated companies

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Carrying amounts of interests	**3,239,266**	4,107,028

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(Loss)/profit for the year	**(96,563)**	45,975
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(96,563)**	45,975

Details of the principal associated companies of the Group as at 31 December 2024 are set out in note 36 to the consolidated financial statements.

There was no individually material associated company of the Group as at 31 December 2024 and 2023.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB842,726,000 as at 31 December 2024 (2023: RMB1,039,349,000) (note 37(b)).

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

Notes: (continued)

(b) Interests in joint ventures

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Carrying amounts of interests	**12,893,650**	13,564,608

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss for the year	**(537,372)**	(1,068,266)
Other comprehensive income/(loss)	**17,908**	(17,994)
Total comprehensive loss	**(519,464)**	(1,086,260)

Details of the principal joint ventures of the Group as at 31 December 2024 are set out in note 36 to the consolidated financial statements.

There was no individually material joint ventures of the Group as at 31 December 2024 and 2023.

The Group provided guarantees to joint ventures for their borrowings from banks and other financial institutions amounting to RMB22,810,806,000 as at 31 December 2024 (2023: RMB22,121,879,000) (note 37(b)).

13. Amounts due from related parties

Advances to related parties included in non-current assets is to finance their acquisition of land use rights. The Group's intention is that the advances will only be recalled when the related companies have surplus cash.

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Included in non-current assets		
– Joint ventures	**4,904,456**	5,093,144
– Associated companies	**826,303**	942,252
	5,730,759	6,035,396
Provision for impairment	**(85,961)**	(89,710)
	5,644,798	5,945,686

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Included in current assets		
– Associated companies	**1,213,536**	1,298,297
– Joint ventures	**51,583,154**	53,508,481
– Non-controlling interest	**17,337,333**	18,193,983
	70,134,023	73,000,761
Provision for impairment	**(2,653,134)**	(2,422,221)
	67,480,889	70,578,540

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

The loss allowance increased by approximately RMB227,164,000 to approximately RMB2,739,095,000 for amounts due from related parties during the current reporting period.

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

14. Financial assets at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current assets		
– Listed securities	**59**	65
– Structured products	**260,000**	384,179
	260,059	384,244

Notes:

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

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

15. Deferred income tax

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	**817,414**	972,709
– to be recovered within 12 months	**243,357**	606,345
	1,060,771	1,579,054
Deferred income tax liabilities		
– to be recovered after more than 12 months	**6,359,021**	7,374,910
– to be recovered within 12 months	**628,533**	160,906
	6,987,554	7,535,816
Net deferred income tax liabilities	**5,926,783**	5,956,762

15. Deferred income tax *(CONTINUED)*

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

	2024 RMB'000	2023 RMB'000
Opening balance at 1 January	**5,956,762**	5,329,133
Disposal of subsidiaries (note 39(a))	**255,506**	182,099
Acquisition of subsidiaries	**–**	(52,291)
Liquidation of subsidiaries (note 39(b))	**22,821**	91,227
Transfer to assets of disposal group classified as held for sale (note 20)	**781**	12,522
Transfer to liabilities of disposal group classified as held for sale (note 20)	**(621)**	–
(Credited)/charged to the consolidated income statement (note 32)	**(90,225)**	394,072
Others	**(218,241)**	–
Closing balance at 31 December	**5,926,783**	5,956,762

Movement in deferred income tax assets and liabilities for the year ended 31 December 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision for land appreciation tax deductible for future income tax clearance RMB'000	Unrealised profit on intra-group transaction RMB'000	Tax loss and temporary difference on recognition of expenses RMB'000	Total RMB'000
At 1 January 2023	2,215,376	299,652	625,667	3,140,695
Charged to the consolidated income statement	(645,271)	(15,127)	(666,747)	(1,327,145)
Acquisition of subsidiaries	9,261	–	43,030	52,291
Disposal of subsidiaries	(181,088)	–	(1,950)	(183,038)
Liquidation of subsidiaries	(91,227)	–	–	(91,227)
Transfer to assets of a disposal group classified as held for sale	(12,522)	–	–	(12,522)
At 31 December 2023	1,294,529	284,525	–	1,579,054
(Charged)/credited to the consolidated income statement	**(440,326)**	**(32,080)**	**32,273**	**(440,133)**
Disposal of subsidiaries	**(258,166)**	**–**	**(14,623)**	**(272,789)**
Liquidation of subsidiaries	**(22,821)**	**–**	**–**	**(22,821)**
Transfer to assets of disposal group classified as held for sale	**–**	**–**	**(781)**	**(781)**
Others	**218,241**	**–**	**–**	**218,241**
At 31 December 2024	**791,457**	**252,445**	**16,869**	**1,060,771**

15. Deferred income tax *(CONTINUED)*

Deferred income tax liabilities

	Fair value changes on investment properties RMB'000	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Withholding tax on the retained earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	4,994,230	1,109,305	2,329,920	36,373	8,469,828
Credited to the consolidated income statement	(927,029)	(6,044)	–	–	(933,073)
Acquisition of subsidiaries	–	(939)	–	–	(939)
At 31 December 2023	4,067,201	1,102,322	2,329,920	36,373	7,535,816
Credited to the consolidated income statement	**(523,370)**	**(6,988)**	**–**	**–**	**(530,358)**
Disposal of subsidiaries	**–**	**(17,283)**	**–**	**–**	**(17,283)**
Transfer to liabilities of disposal group classified as held for sale	**–**	**(621)**	**–**	**–**	**(621)**
At 31 December 2024	**3,543,831**	**1,077,430**	**2,329,920**	**36,373**	**6,987,554**

Deferred income tax arose as a result of differences in timing of recognising certain revenue, costs and expenses between the tax based financial statements and the HKFRS financial statements. This constitutes temporary differences, being the differences between the carrying amounts of the assets or liabilities in the consolidated statement of financial positions and their tax bases in accordance with HKAS 12.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB7,568,329,000 (2023: RMB2,515,204,000) in respect of accumulated losses amounting to RMB30,273,316,000 (2023: RMB10,060,815,000) that can be carried forward against future taxable income. All unrecognised tax losses will expire in the years ranging from 2025 to 2029 (2023: 2024 to 2028). During the year, the Group has deductible temporary differences arising from various impairments of the Group's assets in aggregate of approximately RMB12,547,431,000 (2023: RMB4,996,404,000). No deferred tax asset has been recognised in respect of such amount as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes on the unremitted earnings of certain subsidiaries in the PRC. Such amounts will be reinvested according to the distribution and reinvestment plan of the Group.

16. Inventories

	At 31 December	
	2024 **RMB'000**	2023 RMB'000
Inventories comprise:		
Properties under development (Note (a))	**173,092,768**	231,797,395
Completed properties held for sale (Note (b))	**45,420,998**	44,720,817
	218,513,766	276,518,212

Notes:

(a) Properties under development

	At 31 December	
	2024 **RMB'000**	2023 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	**86,996,948**	117,749,367
Construction costs and capitalised expenditures	**56,248,349**	77,722,499
Interests capitalised	**43,937,341**	46,153,091
	187,182,638	241,624,957
Provision for impairment loss	**(14,089,870)**	(9,827,562)
	173,092,768	231,797,395

	At 31 December	
	2024 **RMB'000**	2023 RMB'000
Land use rights and leasehold land, held on leases of:		
Over 50 years	**72,863,292**	99,849,629
Between 10 and 50 years	**14,133,656**	17,899,738
	86,996,948	117,749,367

As at 31 December 2024, leasehold land of approximately RMB8,966,147,000 (2023: RMB8,966,147,000) was located in Hong Kong. The other properties under development are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2024, properties under development of approximately RMB79,222,387,000 (2023: RMB100,052,675,000) were pledged as collateral for the Group's borrowings (note 24).

For the year ended 31 December 2024, the Group recognised impairment losses of approximately RMB8,356,066,000 (2023: RMB2,085,477,000) on properties under development (note 28).

16. Inventories *(CONTINUED)*

Notes: (continued)

(a) Properties under development (continued)

The capitalisation rate of borrowings was 4.37% for the year ended 31 December 2024 (2023: 8.10%).

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**147,128,853**	197,027,786
Expected to be completed and available for sale within 12 months	**25,963,915**	34,769,609
	173,092,768	231,797,395

(b) Completed properties held for sale

All completed properties held for sale are located in the PRC. Included in completed properties held for sale are land use rights as follows:

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Land use rights and leasehold land, held on leases of:		
Over 50 years	**12,451,545**	14,507,705
Between 10 and 50 years	**464,917**	424,497
	12,916,462	14,932,202

As at 31 December 2024, completed properties held for sale of RMB22,691,256,000 (2023: RMB17,440,133,000) were pledged as collateral for the Group's borrowings (note 24).

For the year ended 31 December 2024, the Group recognised impairment losses of approximately RMB3,028,744,000 (2023: RMB880,547,000) on completed properties held for sale (note 28).

17. Trade and other receivables and prepayments

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables (Note (a))	**8,684,777**	8,273,284
Bidding deposits for land use rights (Note (b))	**3,720,756**	4,110,738
Prepayments for construction costs	**9,010,356**	9,078,401
Loan receivables (Note (c))	**361,767**	407,932
Prepaid tax and surcharges on pre-sale proceeds	**742,499**	861,282
Deposits paid	**8,284,367**	9,438,937
Receivables from disposals of equity interests	**222,808**	236,386
Payments on behalf of customers	**417,086**	382,546
Other receivables	**12,099,929**	9,401,615
	43,544,345	42,191,121
Provision for impairment	**(2,705,750)**	(1,898,286)
	40,838,595	40,292,835

Notes:

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Within 180 days	**5,834,694**	6,375,448
Over 180 days and within 365 days	**1,256,036**	1,372,444
Over 365 days	**1,594,047**	525,392
	8,684,777	8,273,284

As at 31 December 2024, receivables arising from sales of properties were approximately RMB3,663,029,000 (2023: RMB3,630,905,000).

(b) Bidding deposits for land use rights mainly represented deposits placed by the Group to various governments related parties for the acquisition of leasehold land.

(c) As at 31 December 2024, loan receivables of RMB361,767,000 (31 December 2023: RMB407,932,000) were secured by the pledge of certain properties, notes receivable or credit guaranty of borrowers, bearing interest rate at a range from 10.0% to 18.0% per annum and repayable within one year.

17. Trade and other receivables and prepayments *(CONTINUED)*

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2024, the fair value of trade receivables, bidding deposits for land use rights, loan receivables and other receivables of the Group approximate their carrying amounts, as the impact of discounting is not significant.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 December 2024, a provision of approximately RMB856,960,000 (31 December 2023: RMB219,226,000) was made against the gross amount of trade receivables.

The Group makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. As at 31 December 2024, a provision of approximately RMB1,848,790,000 (31 December 2023: RMB1,679,060,000) was made against the gross amount of other receivables.

Information about the impairment of trade and other receivables and the Group's exposure to credit risk and foreign exchange risk can be found in note 5 to the consolidated financial statements.

As at 31 December 2024 and 31 December 2023, trade and other receivables of the Group were mainly denominated in RMB.

18. Prepayment for acquisition of land use right

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2024.

19. Cash and cash equivalents and restricted cash

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Bank balances and cash		
– denominated in RMB	**15,445,919**	20,993,646
– denominated in US dollar	**120,819**	21,777
– denominated in HK dollar	**184,550**	416,810
– denominated in other foreign currencies	**414**	248
Less: restricted cash	**(4,398,874)**	(6,245,890)
	11,352,828	15,186,591

As at 31 December 2024, the Group's restricted cash comprised approximately RMB1,557,012,000 (2023: RMB2,547,250,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (note 37(a)) and approximately RMB2,841,862,000 (2023: RMB3,698,640,000) of deposits pledged as collateral for the Group's borrowings (note 24).

The conversion of RMB denominated balances into foreign currencies and the remittance of the foreign currencies out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits as at 31 December 2024 was 0.10% (2023: 0.34%).

20. A disposal group classified as held for sale

During the year ended 31 December 2023, the Group entered into equity transfer agreements 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.

As a result of the above, 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

As at 31 December 2024, certain debt settlements remain pending completion as the Group is still in the process of satisfying the necessary conditions precedent. The Group's inventories and investment properties associated with these debt settlements amounted to approximately RMB1.19 billion as at 31 December 2024. Save for the above, the remaining assets and associated liabilities were disposed of by the Group during the period.

In addition to the above, the Group entered into an equity transfer agreement with two independent third parties on 31 December 2024, pursuant to which the Group conditionally agreed to sell and the independent third parties conditionally agreed to purchase 51% equity interest in a property management company, an indirectly non-wholly owned subsidiary of the Company, for a consideration of RMB2.8 million.

20. A disposal group classified as held for sale *(CONTINUED)*

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 2024. The major classes of assets and liabilities of a disposal group classified as held for sale are as follows:

	At 31 December 2024 RMB'000
Property and equipment	**144**
Investment properties	**228,000**
Intangible assets	**1,737**
Inventories	**957,000**
Trade and other receivables and prepayments	**14,273**
Deferred income tax assets	**781**
Cash and cash equivalents	**19,527**
Assets of a disposal group classified as held for sale	**1,221,462**
Trade and other payables	**20,843**
Contract liabilities	**7,739**
Deferred income tax liabilities	**621**
Borrowings	**1,185,000**
Liabilities of a disposal group classified as held for sale	**1,214,203**

21. Share capital

(a) Details of share capital of the Company are as follows:

	Par value	Number of shares	Nominal value of ordinary shares	
				Equivalent to
	HK$	'000	HK$'000	RMB'000
Authorised:				
At 31 December 2024 and 2023	**0.1**	**5,000,000**	**500,000**	
Issued and fully paid:				
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024		**3,797,831**	**379,783**	**384,165**

21. Share capital *(CONTINUED)*

(b) Share Award Scheme

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

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

A Trust was constituted to manage the Share Award Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as a Trustee. Up to 31 December 2024, the Trust purchased a total of 47,026,000 ordinary shares from market, totaling HK$756,630,000 (equivalent to RMB665,074,000). Up to 31 December 2024, a total of 48,751,338 shares were granted to eligible employees according to the Share Award Scheme, among the shares granted, 36,764,063 shares were vested, and 9,474,185 shares were lapsed.

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

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

	2024	2023
Unvested shares, beginning	**4,217,846**	8,709,353
Lapsed	**(1,704,756)**	(4,491,507)
Unvested shares, ending	**2,513,090**	4,217,846

No shares were granted or vested during the year ended 31 December 2024. The weighted average fair value of the unvested shares granted at 31 December 2024 is approximately HK$57,963,000, equivalent to approximately RMB53,676,000 (2023: approximately HK$97,282,000, equivalent to approximately RMB88,157,000).

(2) The Board approved and adopted another share award scheme on 3 May 2021 (the "Shimao Services Share Award Scheme"). Unless terminated earlier by the Board, the Shimao Services Share Award Scheme is valid and effective for a term of 3 years commencing on 3 May 2021. Under the Shimao Services Share Award Scheme, the maximum number of shares of Shimao Services that can be awarded is 0.3% (i.e. 7,091,919 shares of Shimao Services) of the issued shares of Shimao Services as at the date of adoption.

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

21. Share capital *(CONTINUED)*

(b) Share Award Scheme (continued)

(2) (continued)

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by Best Cosmos Limited ("Best Cosmos"), a wholly-owned subsidiary of the Company and the immediate holding company of Shimao Services, as Trustee of a Trust established for the Shimao Services Share Award Scheme before being transferred to the employees when vesting conditions are fully met.

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

	2024	2023
Unvested shares, beginning	**33,381**	2,660,408
Lapsed	**–**	(498,113)
Vested	**–**	(2,128,914)
Unvested shares, ending	**33,381**	33,381

The weighted average fair value of the unvested shares granted under the Shimao Services Share Award Scheme at 31 December 2024 is HK$40,000, equivalent to RMB37,000 (2023: HK$40,000, equivalent to RMB36,000).

On 28 June 2021, Shimao Services adopted another share award scheme (the "Shimao Services Share Award Scheme II"). The purpose of the Shimao Services Share Award Scheme II is to recognize the contributions by certain selected employees of Shimao Services and to provide them with incentives in order to retain them for the continual operation and development of Shimao Services, and to attract suitable personnel for further development of Shimao Services. The Shimao Services Share Award Scheme II shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of shares which can be awarded under the Shimao Services Share Award Scheme II is 3% (i.e. 70,919,190 shares) of the total number of issued shares of Shimao Services as at the adoption date. Up to 31 December 2024, a total of 7,542,551 shares under the Shimao Services Share Award Scheme II were granted to certain employees of Shimao Services at nil consideration. Pursuant to the Shimao Services Share Award Scheme II, after meeting the vesting conditions and circumstances of the stock reward plan, 60% of the reward shares will be vested 6 months or 12 months from the grant date, and 40% of the reward shares will be vested 18 months or 24 months from the grant date.

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

	2024	2023
Unvested shares, beginning	**4,718,961**	4,017,105
Granted	**–**	3,525,446
Lapsed	**(1,093,242)**	(997,036)
Vested	**–**	(1,826,554)
Unvested shares, ending	**3,625,719**	4,718,961

The weighted average fair value of the unvested shares granted under the Shimao Services Share Award Scheme II at 31 December 2024 is HK$3,336,000, equivalent to RMB3,089,000 (2023: HK$5,616,000, equivalent to RMB5,089,000).

21. Share capital *(CONTINUED)*

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

	2024 **'000**	2023 '000
Shares issued	**3,797,831**	3,797,831
Treasury shares for Share Award Scheme	**(10,262)**	(10,262)
Shares outstanding	**3,787,569**	3,787,569

(d) Material non-controlling interests

There is no individual material non-controlling interests of the Group as at 31 December 2024 and 2023.

22. Reserves

	Merger reserve RMB'000	Share premium RMB'000	Other reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	(185,787)	5,374,683	9,724,090	886,825	4,241,880	4,949	(1,673,347)	(4,041,507)	14,331,786
Loss for the year	–	–	–	–	–	–	–	(35,905,060)	(35,905,060)
Fair value losses on financial assets at FVOCI, net of tax	–	–	–	–	–	–	(12)	–	(12)
Share of other comprehensive income of joint ventures accounted for using the equity method	–	–	11,851	–	–	–	–	–	11,851
Exchange differences on translation of foreign operations	–	–	(7,213)	–	–	–	–	–	(7,213)
Changes in ownership interests in subsidiaries without change of control	–	(471,009)	–	–	–	–	–	–	(471,009)
Loss of controls of subsidiaries	–	–	–	–	(96,089)	–	–	96,089	–
Equity-settled share-based payment – Value of employee services	–	–	–	1,159	–	–	–	–	1,159
Profit appropriations	–	–	–	–	125,846	–	–	(125,846)	–
Balance at 31 December 2024	(185,787)	4,903,674	9,728,728	887,984	4,271,637	4,949	(1,673,359)	(39,976,324)	(22,038,498)

22. Reserves *(CONTINUED)*

	Merger reserve RMB'000	Share premium RMB'000	Other reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2023	(185,787)	4,976,615	9,731,381	869,380	4,231,409	4,949	(422,305)	16,935,674	36,141,316
Loss for the year	–	–	–	–	–	–	–	(21,030,181)	(21,030,181)
Fair value losses on financial assets at FVOCI, net of tax	–	–	–	–	–	–	(1,187,571)	–	(1,187,571)
Release upon disposal of financial assets at FVOCI	–	–	–	–	–	–	(63,471)	63,471	–
Share of other comprehensive loss of joint ventures accounted for using the equity method	–	–	(11,569)	–	–	–	–	–	(11,569)
Exchange differences on translation of foreign operations	–	–	4,278	–	–	–	–	–	4,278
Changes in ownership interests in subsidiaries without change of control	–	398,068	–	–	–	–	–	–	398,068
Equity-settled share-based payment – Value of employee services	–	–	–	17,445	–	–	–	–	17,445
Profit appropriations	–	–	–	–	10,471	–	–	(10,471)	–
Balance at 31 December 2023	(185,787)	5,374,683	9,724,090	886,825	4,241,880	4,949	(1,673,347)	(4,041,507)	14,331,786

23. Perpetual capital instruments

For the year ended 31 December 2024, the Group and the holders of the subordinated unlisted perpetual capital instruments agreed that the Group would redeem the outstanding principal amount by a new loan. Accordingly, the relevant subordinated unlisted perpetual capital instruments were reclassified to amounts due to related parties as at 31 December 2024.

For the year ended 31 December 2023, no subordinated unlisted perpetual capital instruments were redeemed.

All perpetual capital instruments are unsecured and non-guaranteed. There is no maturity of the instruments and the payments of distribution can be deferred at the issuers' discretion, and there is no limit to the number of times of deferral of distribution. The perpetual capital instruments are redeemable. When the issuers elect to declare dividends to their shareholders, they shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

24. Borrowings

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Long-term borrowings		
– secured by assets (Note (i))	**73,429,320**	79,864,254
– secured by assets and shares of subsidiaries (Note (i))	**17,253,986**	18,160,061
– secured by shares of subsidiaries (Note (i))	**13,909,776**	12,366,467
– secured by shares of subsidiary guarantors (Note (ii))	**23,862,257**	23,388,596
– unsecured	**14,932,852**	18,580,020
Senior notes – secured (Note (iii))	**46,078,543**	45,369,173
Medium-term notes – unsecured (Note (iv))	**3,040,000**	3,040,000
Long-term bonds – secured (Note (v))	**18,859,161**	18,873,355
	211,365,895	219,641,926
Less: Portion of long-term borrowings due within one year	**(116,167,347)**	(106,082,119)
Portion of senior notes due within one year	**(46,078,544)**	(45,369,173)
Portion of medium-term notes due within one year	**(3,040,000)**	(3,040,000)
Portion of long-term bonds due within one year	**(4,244,383)**	(595,008)
Amounts due within one year	**(169,530,274)**	(155,086,300)
	41,835,621	64,555,626
Borrowings included in current liabilities		
Short-term borrowings		
– secured by assets (Note (i))	**12,708,892**	18,275,733
– secured by assets and shares of subsidiaries (Note (i))	**4,102,383**	4,198,010
– secured by shares of subsidiaries (Note (i))	**5,158,315**	5,209,096
– unsecured	**15,748,609**	13,710,659
Senior notes – secured (Note (iii))	**2,688,066**	2,648,540
Private placement notes (Note (vi))	**279,250**	279,250
Current portion of non-current borrowings	**169,530,274**	155,086,300
	210,215,789	199,407,588

Notes:

(i) As at 31 December 2024, the Group's total secured bank borrowings and borrowings from other financial institutions of approximately RMB126,562,672,000 (2023: RMB138,073,621,000) were secured by its property and equipment, investment properties, land use rights, properties under development, completed properties held for sale and restricted cash, and/or secured by the pledge of the shares of certain subsidiaries of the Group.

24. Borrowings *(CONTINUED)*

Notes: (continued)

(i) (continued)

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

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Property and equipment (note 7)	**10,607,607**	11,964,855
Land use rights (note 8)	**3,430,513**	3,592,894
Investment properties (note 9)	**33,395,664**	48,629,974
Properties under development (note 16(a))	**79,222,387**	100,052,675
Completed properties held for sale (note 16(b))	**22,691,256**	17,440,133
Restricted cash (note 19)	**2,841,862**	3,698,640
	152,189,289	185,379,171

(ii) On 14 September 2018, the Company entered into a multi-currency loan facility agreement with a syndicate of 8 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$540,000,000 facility and a HK$2,849,500,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2020, 25% will mature in 2021 and 70% will mature in 2022. The loan facilities were guaranteed by certain subsidiaries of the Group, and secured by pledge of the shares of these subsidiary guarantors. On 25 January 2019, the multi-currency loan facility agreement extended to a syndicate of 14 banks. Pursuant to the agreement, the 4-year syndicated loan facilities extended to a US$570,000,000 facility and a HK$3,551,500,000 facility at a floating rate of interest. As at 31 December 2024, US$399,000,000 and HK$2,486,050,000 of the principal remained outstanding (31 December 2023: US$399,000,000 and HK$2,486,050,000) and was defaulted.

On 9 August 2019, the Company entered into a multi-currency loan facility agreement with a syndicate of 13 banks. Pursuant to the agreement, the Company obtained 4-year syndicated loan facilities, including a US$837,850,000 facility and a HK$3,994,000,000 facility at a floating rate of interest, 5% out of the loan principal will mature in 2021, 35% will mature in 2022 and 60% will mature in 2023. As at 31 December 2024, US$795,958,000 and HK$3,794,300,000 of the principal remained outstanding (31 December 2023: US$795,958,000 and HK$3,794,300,000) and was defaulted.

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

(iii) On 3 July 2017, the Company issued senior notes with total principal of US$450,000,000 and US$150,000,000 at a fixed interest rate of 4.75% initially due on 3 July 2022. On 11 December 2017, the Company issued senior notes with total principal of US$400,000,000 at a fixed interest rate of 4.75% initially due on 3 July 2022. As at 31 December 2024, the senior notes with a total principal amount of US$1,000,000,000 (31 December 2023: US$1,000,000,000) remained outstanding and was defaulted.

On 30 January 2018, the Company issued senior notes with total principal of US$500,000,000 at a fixed interest rate of 5.20% initially due on 30 January 2025. As at 31 December 2024, the principal amount of US$500,000,000 (31 December 2023: US$500,000,000) remained outstanding and was defaulted.

On 21 February 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 6.125% initially due on 21 February 2024. As at 31 December 2024, the principal amount of US$1,000,000,000 (31 December 2023: US$1,000,000,000) remained outstanding and was defaulted.

24. Borrowings *(CONTINUED)*

Notes: (continued)

(iii) (continued)

On 15 July 2019, the Company issued senior notes with total principal of US$1,000,000,000 at a fixed interest rate of 5.60% initially due on 15 July 2026. As at 31 December 2024, the principal amount of US$1,000,000,000 (31 December 2023: US$1,000,000,000) remained outstanding and was defaulted.

On 13 July 2020, the Company issued senior notes with total principal of US$300,000,000 at a fixed interest rate of 4.60% initially due on 13 July 2030. As at 31 December 2024, the principal amount of US$300,000,000 (31 December 2023: US$300,000,000) remained outstanding and was defaulted.

On 11 January 2021, the Company issued senior notes with total principal of US$872,000,000 at a fixed interest rate of 3.45% initially due on 11 January 2031. As at 31 December 2024, the principal amount of US$872,000,000 (31 December 2023: US$872,000,000) remained outstanding and was defaulted.

On 30 April 2021, the Company issued senior notes with total principal of US$700,000,000 at a fixed interest rate of 4.50% initially due on 28 April 2022. As at 31 December 2024, the principal amount of US$700,000,000 (31 December 2023: US$700,000,000) remained outstanding and was defaulted.

On 16 June 2021, the Company issued zero coupon senior notes with a total principal of US$400,000,000 initially due on 14 June 2022. As at 31 December 2024, the principal amount of US$373,945,000 (31 December 2023: US$373,945,000) remained outstanding and was defaulted.

On 16 September 2021, the Company issued senior notes with total principal of US$300,000,000 at a fixed interest rate of 3.975% initially due on 16 September 2023. As at 31 December 2024, the principal amount of US$300,000,000 (31 December 2023: US$300,000,000) remained outstanding and was defaulted.

On 16 September 2021, the Company issued senior notes with total principal of US$748,000,000 at a fixed interest rate of 5.20% initially due on 16 January 2027. As at 31 December 2024, the principal amount of US$748,000,000 (31 December 2023: US$748,000,000) remained outstanding and was defaulted.

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

(iv) On 21 October 2019, Shanghai Shimao issued medium-term notes with a total principal of RMB1,000,000,000 at a fixed interest rate of 4.24% due on 21 October 2023. As at 31 December 2024, the principal amount of RMB930,000,000 (31 December 2023: RMB930,000,000) remained outstanding and was defaulted.

On 9 January 2020, Shanghai Shimao issued medium-term notes with a total principal of RMB500,000,000 at a fixed interest rate of 4.12% due on 9 January 2023. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which 5% of the total principal will mature in May 2023, 5% of the total principal will mature in November 2023, and 90% of the total principal will mature in January 2024. As at 31 December 2024, the principal amount of RMB500,000,000 remained outstanding and was defaulted (31 December 2023: the principal amount of RMB500,000,000 remained outstanding, of which RMB50,000,000 was defaulted).

On 15 March 2021, Shanghai Shimao issued medium-term notes with a total principal of RMB970,000,000 at a fixed interest rate of 5.15% due on 16 March 2023. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which RMB31,040,000 will mature in or before December 2023 and RMB938,960,000 will mature in or before March 2024. As at 31 December 2024, the principal amount of RMB970,000,000 remained outstanding and was defaulted (31 December 2023: the principal amount of RMB970,000,000 remained outstanding, of which RMB31,040,000 was defaulted).

On 30 April 2021, Shanghai Shimao issued medium-term notes with a total principal of RMB640,000,000 at a fixed interest rate of 5.5% due on 6 May 2023. During the year ended 31 December 2023, the Group succeeded in extending the maturity date of the medium-term notes in which RMB44,800,000 will mature in or before December 2023 and RMB595,200,000 will mature in or before May 2024. As at 31 December 2024, the principal amount of RMB640,000,000 remained outstanding and was defaulted (31 December 2023: the principal amount of RMB640,000,000 remained outstanding, of which RMB44,800,000 was defaulted).

24. Borrowings *(CONTINUED)*

Notes: (continued)

(v) On 15 October 2015, Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe"), a subsidiary of the Group, issued long-term bonds with total principal of RMB1,400,000,000 at a fixed interest rate of 4.15%. Shimao Jianshe shall be entitled to adjust the interest rate at the end of fifth year whereas the investors shall be entitled to sell back in whole or in part of long-term bonds. As at 31 December 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB562,154,000, amongst which an amount of approximately RMB22,486,000 has defaulted; an aggregated amount of approximately RMB112,431,000 will be matured before 31 December 2025; and an aggregated amount of approximately RMB427,237,000 will be matured between 15 March 2026 and 15 September 2027.

On 22 May 2019, Shanghai Shimao issued the third phase of long-term bonds with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 4.15%. As at 31 December 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB483,473,000, amongst which an amount of approximately RMB9,737,000 has defaulted; an aggregated amount of approximately RMB185,015,000 will be matured before 31 December 2025; and an aggregated amount of approximately RMB288,721,000 will be matured between 28 March 2026 and 28 December 2026.

On 18 September 2019, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.30%. On 11 November 2019, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 4.80%. On 11 November 2019, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB900,000,000 at a fixed interest rate of 4.30%. As at 31 December 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB3,064,679,000, amongst which an amount of approximately RMB122,639,000 has defaulted; an aggregated amount of approximately RMB611,907,000 will be matured before 31 December 2025; and an aggregated amount of approximately RMB2,330,133,000 will be matured between 15 March 2026 and 15 September 2027.

On 5 March 2020, Shanghai Shimao issued the first phase of long-term bonds with aggregate principal amount of RMB2,000,000,000 at a fixed interest rate of 3.60%. On 8 July 2020, Shanghai Shimao issued the second phase of long-term bonds with aggregate principal amount of RMB1,000,000,000 at a fixed interest rate of 3.76%. On 1 September 2020, Shanghai Shimao issued the third phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.99%. On 24 September 2020, Shanghai Shimao issued the fourth phase of long-term bonds with aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.94%. As at 31 December 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB4,063,819,000, amongst which an amount of approximately RMB81,276,000 has defaulted; an aggregated amount of approximately RMB1,544,251,000 will be matured before 31 December 2025; and an aggregated amount of approximately RMB2,438,292,000 will be matured between 28 March 2026 and 28 December 2026.

On 25 March 2020, Shimao Jianshe issued the first phase of long-term bonds with aggregate principal amount of RMB1,700,000,000 at a fixed interest rate of 3.23% and RMB2,800,000,000 at a fixed interest rate of 3.90%. On 11 May 2020, Shimao Jianshe issued the second phase of long-term bonds with aggregate principal amount of RMB3,100,000,000 at a fixed interest rate of 3.20%. On 27 August 2020, Shimao Jianshe issued the third phase of long-term bonds with aggregate principal amount of RMB2,700,000,000 at a fixed interest rate of 3.90%. As at 31 December 2024, the total extended outstanding principal amount of these long-term bonds was approximately RMB10,685,036,000, amongst which an amount of approximately RMB255,159,000 has defaulted; an aggregated amount of approximately RMB1,299,482,000 will be matured before 31 December 2025; and an aggregated amount of approximately RMB9,130,395,000 will be matured between 15 March 2026 and 15 September 2028.

The above long-term bonds, upon the extension of the due dates, are secured by pledges of the equity interests of certain subsidiaries.

(vi) On 24 April 2020, Shanghai Shimao issued the second phase of private placement notes with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.70% due on 26 April 2022. As at 31 December 2024, the principal amount of RMB279,250,000 (31 December 2023: RMB279,250,000) remained outstanding and was defaulted.

24. Borrowings *(CONTINUED)*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity, whichever is the earlier date, is as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2024	**–**	**3,154,958**	**29,286,020**	**9,394,643**	**41,835,621**
At 31 December 2023	70,938	4,436,644	49,909,701	10,138,343	64,555,626
Borrowings included in current liabilities:					
At 31 December 2024	**203,972,706**	**6,243,083**	**–**	**–**	**210,215,789**
At 31 December 2023	191,269,203	8,138,385	–	–	199,407,588

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

	At 31 December	
	2024 RMB'000	2023 RMB'000
Bank and other borrowings:		
Between 1 and 2 years	**9,919,489**	23,057,448
Between 2 and 5 years	**7,906,712**	13,031,508
Over 5 years	**9,394,643**	10,188,323
Long-term bonds:		
Between 1 and 2 years	**5,873,255**	4,218,681
Between 2 and 5 years	**8,741,522**	14,059,666
	41,835,621	64,555,626

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

	At 31 December	
	2024	2023
Bank and other borrowings	**6.1%**	7.2%
Senior notes	**4.9%**	4.9%
Medium-term notes	**4.8%**	4.8%

24. Borrowings *(CONTINUED)*

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

	Carrying amounts RMB'000	Fair values RMB'000
Fixed rate portion – others	**38,275,754**	**38,157,592**
Floating rate portion	**3,559,867**	**3,557,287**
At 31 December 2024	**41,835,621**	**41,714,879**
Fixed rate portion – others	47,592,755	47,285,795
Floating rate portion	16,962,871	16,933,691
At 31 December 2023	64,555,626	64,219,486

The fair values of current borrowings approximated their carrying amount, as the impact of discounting is not significant.

The fair values of other non-current borrowings are based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial institutions with substantially the same terms and characteristics at the respective year-ended dates. The fair values of other non-current borrowings are within Level 3 of the fair value hierarchy.

Certain of the Group's bank and other borrowings included in the non-current liabilities with carrying amounts of approximately RMB7.7 billion are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. As at 31 December 2024, none of these covenants had been breached.

25. Trade and other payables

	At 31 December	
	2024 RMB'000	2023 RMB'000
Trade payables (Note (a))	**33,928,563**	42,187,616
Other payables (Note (b))	**10,786,223**	12,724,643
Other taxes payable	**6,410,906**	7,606,676
Accrued expenses	**31,957,896**	24,288,989
	83,083,588	86,807,924

25. Trade and other payables *(CONTINUED)*

Notes:

(a) As at 31 December 2024, the aging analysis of the trade payables based on invoice date is as follows:

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Within 90 days	**14,240,868**	39,706,984
Over 90 days and within 1 year	**17,652,608**	2,480,632
Over 1 year	**2,035,087**	–
	33,928,563	42,187,616

(b) Other payables comprise:

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Deposits received from customers	**2,653,344**	3,060,912
Deposits from constructors	**860,000**	665,979
Rental deposits from tenants and hotel customers	**1,181,106**	1,066,990
Payables for equity interest	**991,860**	613,688
Fees collected from customers on behalf of government agencies	**318,979**	414,995
Amount due to liquidated subsidiaries or disposed subsidiaries	**3,798,845**	6,617,679
Others	**982,089**	284,400
	10,786,223	12,724,643

26. Amounts due to related parties

	At 31 December	
	2024	2023
	RMB'000	RMB'000
– Associated companies	**2,747,359**	3,555,590
– Joint ventures	**8,285,102**	7,981,394
– Non-controlling interests	**3,061,797**	1,866,894
– Entities controlled by the Controlling Shareholder	**6,331,606**	6,143,147
	20,425,864	19,547,025

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

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

27. Other (losses)/other income and gains – net

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Other income		
Government grants received	**46,499**	59,476
Other gains/(losses) – net		
Penalty income (note (a))	**7,075**	28,451
Net losses on disposal of subsidiaries with loss of control (note 39(a))	**(556,857)**	(715,509)
Net losses on liquidation of subsidiaries	**(430,818)**	(2,194,586)
Net losses on deregistration of a subsidiary	**(50,118)**	–
Net losses on deemed disposal of joint ventures and associated companies	**(813,853)**	(558,175)
Net gains on disposal of joint ventures	**–**	10,770
Net (losses)/gains on disposal of associate companies	**(64,824)**	6,380
Loss on settlement of indebtedness (note (b))	**(9,653,825)**	–
Loss on restructuring of certain PRC on-shore debts	**(2,448,882)**	–
Loss on impairment of assets of a disposal group classified as held for sale	**(2,305)**	(966,229)
Losses on derivative financial instruments	**–**	(37,705)
Others	**359,088**	518,346
	(13,655,319)	(3,908,257)
	(13,608,820)	(3,848,781)

Notes:

(a) Penalty income represents penalty received from property buyers who do not execute sales and purchase agreements on property sales or from tenants who early terminate tenancy agreements.

(b) Pursuant to a judgement letter dated 27 June 2024 received by the Group from the PRC court, the Group mandatorily transferred certain investment properties and inventories of properties to the creditor in order to settle a portion of the outstanding principal amount of borrowings and the relevant accrued interests owed by the Group to the creditor. A resulting loss on the settlement of the aforesaid debts amounting to approximately RMB9,653,825,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024.

28. Expenses by nature

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of properties sold and others	**50,402,382**	45,817,606
Taxes and surcharges on sales of properties	**309,744**	627,474
Staff costs – including directors' emoluments (note 30)	**4,361,650**	5,207,813
Advertising, promotion and commission costs	**623,889**	1,089,092
Direct expenses arising from hotel operation	**780,402**	846,740
Corporate and office expenses	**997,888**	985,145
Consulting fee	**234,243**	339,836
Depreciation and amortisation (note 7) (note 10)	**880,432**	914,442
Amortisation of right-of-use assets (note 8)	**153,014**	179,471
Charitable donations	**5,135**	1,306
Penalties	**887,774**	877,409
Auditor's remuneration		
– Audit services	**8,000**	11,000
– Non-audit services	**–**	–
Provision for impairment losses on financial assets	**1,108,622**	2,031,610
Provision for impairment losses on properties under development and completed properties held for sale (note 16)	**11,384,810**	2,966,024
Provision for impairment losses on property and equipment (note 7)	**8,170**	6,457
Impairment losses on intangible assets (note 10)	**45,829**	121,316
Other expenses	**689,487**	963,609
Total	**72,881,471**	62,986,350

29. Finance costs – net

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income		
– interest income on short-term bank deposits	**(121,990)**	(284,155)
Interest on bank and other borrowings		
– wholly repayable within five years	**11,403,798**	13,577,028
– not wholly repayable within five years	**501,694**	593,466
Interest on senior notes		
– wholly repayable within five years	**2,283,409**	2,283,660
Interest charges paid/payable for lease liabilities (note 8)		
– wholly repayable within five years	**4,198**	6,573
	14,193,099	16,460,727
Net foreign exchange loss (Note)	**2,219,171**	1,840,216
Less: interest and foreign exchange losses capitalised	**(4,214,943)**	(10,044,615)
Finance costs	**12,197,327**	8,256,328
Net finance costs	**12,075,337**	7,972,173

Note:

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

30. Employee benefit expense

(a) Staff costs (including directors' emoluments) comprise:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages and salaries	**3,641,326**	4,380,498
Pension costs – statutory pension (Note (b))	**314,469**	363,665
Other allowances and benefits	**405,855**	463,650
	4,361,650	5,207,813

(b) Pensions-defined contribution plans

Employees in the Group's subsidiaries in mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's subsidiaries in mainland China contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2023: five) directors whose emoluments are reflected in the analysis shown in note 31 to the consolidated financial statements. The emoluments of the remaining one (2023: nil) individual is set out below:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages and salaries	**1,111**	–
Pension costs – statutory pension	**29**	–
Other allowances and benefits	**229**	–
	1,369	–

31. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each of the Directors for the year ended 31 December 2024 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau (Note (i))	–	2,554	–	–	–	–	2,554
Mr. Hui Sai Tan, Jason (Note (i))	–	4,964	–	–	16	–	4,980
Ms. Tang Fei (Note (ii))	–	860	–	–	111	–	971
Mr. Xie Kun	–	1,915	160	–	167	–	2,242
Mr. Zhao Jun (Note (iii))	–	1,214	195	–	167	–	1,576
Non-executive directors							
Mr. Ye Mingjie (Note (iv))	–	–	–	–	–	–	–
Mr. Shao Liang (Note (v))	–	–	–	–	–	–	–
Ms. Hui Mei Mei, Carol (Note (vi))	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Fung Tze Wa	328	–	–	–	–	–	328
Mr. Lyu Hong Bing	328	–	–	–	–	–	328
Mr. Lam Ching Kam	328	–	–	–	–	–	328
	984	11,507	355	–	461	–	13,307

Notes:

(i) Mr. Hui Wing Mau retired as the Chairman of the Board and an Executive Director of the Company; and Mr. Hui Sai Tan, Jason, the Vice Chairman of the Board and President of the Company, was appointed as the Chairman of the Board of the Company with effect from 1 September 2024.

(ii) Ms. Tang Fei resigned as an executive director of the Company with effect from 1 September 2024.

(iii) Mr. Zhao Jun was appointed as an executive director of the Company with effect from 1 September 2024.

(iv) Mr. Ye Mingjie resigned as a non-executive director of the Company with effect from 26 April 2024.

(v) Mr. Shao Liang was appointed as a non-executive director of the Company with effect from 26 April 2024.

(vi) Ms. Hui Mei Mei, Carol was appointed as a non-executive director of the Company with effect from 5 December 2024.

31. Benefits and interests of directors *(CONTINUED)*

(a) Directors' emoluments (continued)

The remuneration of each of the Directors for the year ended 31 December 2023 is set out as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Name of directors	Fees RMB'000	Salary RMB'000	Bonuses RMB'000	Housing Allowance RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Employee share award schemes RMB'000	Total RMB'000
Executive directors							
Mr. Hui Wing Mau	–	3,794	–	–	–	–	3,794
Mr. Hui Sai Tan, Jason	–	5,279	–	–	16	–	5,295
Ms. Tang Fei	–	1,290	–	–	171	–	1,461
Mr. Xie Kun	–	1,915	–	–	171	–	2,086
Non-executive director							
Mr. Ye Mingjie	–	–	–	–	–	–	–
Mr. Lu Yi (Note (vii))	–	2,393	1,150	110	157	–	3,810
Independent non-executive directors							
Mr. Fung Tze Wa	325	–	–	–	–	–	325
Mr. Lyu Hong Bing	325	–	–	–	–	–	325
Mr. Lam Ching Kam	325	–	–	–	–	–	325
	975	14,671	1,150	110	515	–	17,421

Notes:

(vii) Mr. Lu Yi redesignated from executive director to non-executive director with effect from 2 August 2023, and subsequently resigned from non-executive director with effect from 15 November 2023.

(b) Directors' retirement benefits

None of the Directors received or will receive any retirement benefits during the year.

(c) Directors' termination benefits

None of the Directors received or will receive any termination benefits during the year.

(d) Consideration provided to third parties for making available Directors' services

The Group did not pay consideration to any third parties for making available Directors' services during the year.

(e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

No loans, quasi-loans and other dealings were made available in favor of Directors, bodies corporate controlled by and entities connected with Directors subsisted at the end of the year or at any time during the year.

31. Benefits and interests of directors *(CONTINUED)*

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

32. Income tax expense

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**748,224**	296,519
– PRC land appreciation tax	**990,190**	664,647
	1,738,414	961,166
Deferred income tax		
– PRC enterprise income tax (note 15)	**(90,225)**	394,072
	1,648,189	1,355,238

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	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	**(42,037,459)**	(22,244,179)
Add: Share of results of associated companies and joint ventures	**633,935**	1,022,291
Less: Land appreciation tax	**(990,190)**	(664,647)
	(42,393,714)	(21,886,535)
Calculated at PRC enterprise income tax rate of 25% (2023: 25%)	**(10,598,429)**	(5,471,634)
Tax effects of:		
– Different tax rates in other countries or regions	**1,437,336**	1,306,115
– Expenses and losses not deductible for income tax purposes	**4,635,897**	1,194,817
– Income not taxable for tax purpose	**(695,833)**	(199,790)
– Tax losses and temporary differences not recognised	**5,879,028**	3,861,083
PRC enterprise income tax charge	**657,999**	690,591
PRC land appreciation tax charge	**990,190**	664,647
	1,648,189	1,355,238

32. Income tax expense *(CONTINUED)*

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group has no assessable profit in Hong Kong for the year ended 31 December 2024 (2023: nil).

PRC enterprise income tax

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

PRC land appreciation tax

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

PRC withholding income tax

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

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

33. 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	
	2024	2023
Loss attributable to the equity holders of the Company (RMB'000)	**(35,905,060)**	(21,030,181)
Weighted average number of ordinary shares (thousands)	**3,787,569**	3,787,589
Basic losses per share (RMB)	**(9.48)**	(5.55)

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 2024 and 2023 is presented as the effects caused by the shares granted under the Share Award Scheme is anti-dilutive.

34. Dividends

The board of Directors does not recommend the payment of the final dividend for the year ended 31 December 2024 (2023: Nil).

35. Notes to the consolidated statement of cash flows

(a) Net cash generated from operations:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Loss before income tax	**(42,037,459)**	(22,244,179)
Adjustments for:		
Interest income	**(121,990)**	(284,155)
Interest expense	**9,978,156**	6,416,112
Provision of impairment losses on financial assets	**1,108,622**	2,031,610
Provision for impairment losses on properties under development and completed properties held for sale	**11,384,810**	2,966,024
Provision for impairment losses on property and equipment	**8,170**	6,457
Loss on impairment of assets of a disposal group classified as held for sale	**2,305**	966,229
Loss on settlement of indebtedness	**9,653,825**	–
Loss on restructuring on certain PRC on-shore debts	**2,448,882**	–
Impairment losses on intangible assets	**45,829**	121,316
Depreciation and amortisation	**880,432**	914,442
Share of results of associated companies and joint ventures accounted for using the equity method	**633,935**	1,022,291
Net losses on disposal of subsidiaries with loss of control	**556,857**	715,509
Net losses on deemed disposal of joint ventures and associated companies	**813,853**	558,175
Net losses on liquidation of subsidiaries	**430,818**	2,194,586
Net losses on deregistration of a subsidiary	**50,118**	–
Gains from disposal of joint ventures	**–**	(10,770)
Losses/(gains) from disposal of associated companies	**64,824**	(6,380)
Amortisation of right-of-use assets	**153,014**	179,471
Fair value losses on derivative financial instruments	**–**	37,705
Fair value losses on investment properties – net	**2,812,958**	5,878,296
Value of employee services arising from equity-settled share based payment scheme	**1,159**	17,445
Net exchange loss	**2,219,171**	1,840,216
	1,088,289	3,320,400
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	**45,779,762**	34,383,070
Other non-current assets	**70,335**	262,152
Restricted cash	**990,238**	1,311,228
Trade and other receivables and prepayments	**(1,879,597)**	(7,979,143)
Trade and other payables	**(9,108,271)**	(1,996,309)
Contract liabilities	**(35,982,086)**	(30,379,259)
Net cash generated from/(used in) operations	**958,670**	(1,077,861)

35. Notes to the consolidated statement of cash flows *(CONTINUED)*

(b) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities			
	Amounts due to related parties RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	27,984,064	274,006,914	128,534	302,119,512
Financing cash flows	619,454	(6,801,420)	(68,242)	(6,250,208)
Foreign exchange adjustments	–	1,597,489	–	1,597,489
Other non-cash movements	(9,056,493)	(4,839,769)	37,428	(13,858,834)
At 31 December 2023	19,547,025	263,963,214	97,720	283,607,959
Financing cash flows	**(398,411)**	**(3,114,119)**	**(56,748)**	**(3,569,278)**
Foreign exchange adjustments	**–**	**1,742,925**	**–**	**1,742,925**
Settlement of indebtedness (note 27(b))	**–**	**(5,385,891)**	**–**	**(5,385,891)**
Other non-cash movements	**1,277,250**	**(5,154,719)**	**16,187**	**(3,861,282)**
At 31 December 2024	**20,425,864**	**252,051,410**	**57,159**	**272,534,433**

36. Principal subsidiaries, associated companies and joint ventures

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2024 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2024	Principal activities
Principal subsidiaries – established and operation conducted in the PRC					
上海世茂股份有限公司 (Shanghai Shimao Co., Ltd.)	1 July 1992	Foreign investment enterprise	Registered capital RMB3,751,168,261	66.18%	Investment holding
上海世茂國際廣場有限責任公司 (Shanghai Shimao International Plaza Co., Ltd.)	15 September 1994	Foreign investment enterprise	Registered capital RMB1,600,000,000	100.00%	Shopping mall and hotel
上海世茂房地產有限公司 (Shanghai Shimao Real Estate Co., Ltd.)	15 March 2000	Foreign investment enterprise	Registered capital RMB593,754,748	100.00%	Property development
西藏世茂企業發展有限公司 (Xizang Shimao Enterprises Development Co., Ltd.)	22 June 2000	Domestic enterprise	Registered capital RMB101,723,586	50.85%	Investment holding
上海世茂建設有限公司 (Shanghai Shimao Jianshe Co., Ltd.)	16 March 2001	Foreign investment enterprise	Registered capital RMB3,140,000,000	100.00%	Investment holding
上海世茂莊園置業有限公司 (Shanghai Shimao Manor Real Estate Co., Ltd.)	19 June 2002	Domestic enterprise	Registered capital RMB152,291,607	100.00%	Property development and hotel
福建世茂投資發展有限公司 (Fujian Shimao Investment and Development Co., Ltd.)	17 November 2003	Foreign investment enterprise	Registered capital RMB200,000,000	83.09%	Property development
昆山世茂房地產開發有限公司 (Kunshan Shimao Real Estate Development Co., Ltd.)	24 December 2003	Domestic enterprise	Registered capital RMB547,668,147	66.18%	Property development
南京世茂房地產開發有限公司 (Nanjing Shimao Real Estate Development Co., Ltd.)	23 July 2004	Foreign investment enterprise	Registered capital RMB328,000,000	100.00%	Property development
武漢世茂錦繡長江房地產開發有限公司 (Wuhan Shimao Splendid River Real Estate Development Co., Ltd.)	6 June 2005	Foreign investment enterprise	Registered capital US$114,269,000	100.00%	Property development
上海世茂新體驗置業有限公司 (Shanghai Shimao Wonderland Property Co., Ltd.)	6 March 2006	Domestic enterprise	Registered capital RMB391,092,834	66.18%	Property development
大連世茂龍河發展有限公司 (Dalian Shimao Dragon River Development Co., Ltd.)	9 June 2006	Domestic enterprise	Registered capital RMB754,207,000	66.18%	Property development
煙台世茂置業有限公司 (Yantai Shimao Property Co., Ltd.)	6 September 2006	Foreign investment enterprise	Registered capital US$48,500,000	100.00%	Property development

36. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2024	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
常州世茂房地產有限公司 (Changzhou Shimao Real Estate Co., Ltd.)	27 November 2006	Domestic enterprise	Registered capital RMB2,383,168,058	100.00%	Property development
上海世源建材貿易有限公司 (Shanghai Shine Construction Materials Trading Co., Ltd.)	22 January 2007	Foreign investment enterprise	Registered capital HK$5,782,000,000	100.00%	Trading of construction
蘇州世茂置業有限公司 (Suzhou Shimao Property Co., Ltd.)	26 January 2007	Domestic enterprise	Registered capital RMB1,345,177,831	100.00%	Property development
徐州世茂新城房地產開發有限公司 (Xuzhou Shimao New City Real Estate Development Co., Ltd.)	14 February 2007	Foreign investment enterprise	Registered capital US$75,980,000	100.00%	Property development
蘇州世茂投資發展有限公司 (Suzhou Shimao Investment & Development Co., Ltd.)	2 March 2007	Domestic enterprise	Registered capital RMB526,795,630	66.18%	Property development
紹興世茂投資發展有限公司 (Shaoxing Shimao Investment Development Co., Ltd.)	13 July 2007	Domestic enterprise	Registered capital RMB483,457,740	66.18%	Property development
重慶浚亮房地產開發有限公司 (Chongqing Junliang Real Estate Development Co., Ltd.)	25 July 2007	Foreign investment enterprise	Registered capital US$200,000,000	100.00%	Property development
上海世盈投資管理有限公司 (Shanghai Shiying Investment Management Co., Ltd.)	21 August 2007	Domestic enterprise	Registered capital RMB200,000,000	100.00%	Investment holding
牡丹江世茂置業有限公司 (Mudanjiang Shimao Property Co., Ltd.)	4 September 2007	Foreign investment enterprise	Registered capital US$16,000,000	95.00%	Property development
上海世茂投資管理有限公司 (Shanghai Shimao Investment Management Co., Ltd.)	11 May 2009	Domestic enterprise	Registered capital RMB50,000,000	100.00%	Investment holding
大連世茂嘉年華置業有限公司 (Dalian Shimao Carnival Property Co., Ltd.)	4 September 2009	Domestic enterprise	Registered capital US$100,000,000	100.00%	Property development
武漢世茂嘉年華置業有限公司 (Wuhan Shimao Carnival Property Co., Ltd)	14 December 2009	Domestic enterprise	Registered capital RMB200,000,000	82.75%	Property development
青島世茂新城房地產開發有限公司 (Qingdao Shimao New City Real Estate Development Co., Ltd.)	29 April 2010	Foreign investment enterprise	Registered capital US$492,999,800	100.00%	Property development
寧波世茂新紀元置業有限公司 (Ningbo Shimao New Era Property Co., Ltd.)	27 May 2010	Domestic enterprise	Registered capital RMB50,000,000	100.00%	Property development

36. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2024	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
長沙世茂投資有限公司 (Changsha Shimao Investment Co., Ltd.)	25 February 2011	Domestic enterprise	Registered capital RMB1,000,000,000	66.18%	Property development
文昌世茂置業有限公司 (Wenchang Shimao Property Co., Ltd.)	19 April 2011	Domestic enterprise	Registered capital RMB550,000,000	100.00%	Property development
南京海峽城開發建設有限公司 (Nanjing Straits City Development Construction Co., Ltd.)	26 April 2011	Domestic enterprise	Registered capital US$692,000,000	100.00%	Property development
平潭海峽如意城開發建設有限公司 (Pingtan Straits Ruyi City Development Construction Co., Ltd.)	31 May 2011	Domestic enterprise	Registered capital RMB615,630,000	100.00%	Property development
武漢世茂新城房地產開發有限公司 (Wuhan Shimao New City Real Estate Development Co., Ltd.)	23 March 2010	Domestic enterprise	Registered capital RMB526,000,000	100.00%	Property development
杭州世融匯盈置業有限公司 (Hangzhou Shirong Huiying Property Co., Ltd.)	29 May 2013	Foreign investment enterprise	Registered capital US$150,000,000	51.00%	Property development
杭州世茂嘉年華置業有限公司 (Hangzhou Shimao Carnival Property Co., Ltd.)	16 October 2013	Domestic enterprise	Registered capital RMB2,000,000,000	100.00%	Property development
大連世茂新領域置業有限公司 (Dalian Shimao New Domain Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US$136,000,000	100.00%	Property development
大連世茂新體驗置業有限公司 (Dalian Shimao New Experience Property Co., Ltd.)	29 October 2013	Foreign investment enterprise	Registered capital US$120,000,000	100.00%	Property development
濟南世茂天城置業有限公司 (Jinan Shimao Tiancheng Property Co., Ltd.)	7 January 2014	Domestic enterprise	Registered capital RMB2,911,110,000	66.18%	Property development
上海容承企業管理有限公司 (Shanghai Rongcheng Enterprises Management Co., Ltd.)	21 January 2014	Domestic enterprise	Registered capital RMB200,000,000	100.00%	Investment holding
南寧世茂新紀元房地產開發有限公司 (Nanning Shimao New Era Real Estate Development Co., Ltd.)	2 July 2014	Domestic enterprise	Registered capital RMB120,000,000	100.00%	Property development
上海益碧房地產開發有限公司 (Shanghai Yibi Real Estate Development Co., Ltd.)	19 January 2017	Domestic enterprise	Registered capital RMB10,000,000	51.00%	Property development

36. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2024	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
濟南世茂新陽置業有限公司 (Jinan Shimao Xinyang Property Co., Ltd)	23 March 2018	Domestic enterprise	Registered capital RMB50,000,000	70.00%	Property development
青島世茂世悦置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd)	7 August 2018	Domestic enterprise	Registered capital RMB200,000,000	100.00%	Property development
湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd)	27 August 2018	Domestic enterprise	Registered capital RMB50,000,000	42.20%	Property development
湖北長荊上河置業有限公司 (Hubei Changjing Shanghe Property Co., Ltd)	12 April 2013	Domestic enterprise	Registered capital RMB50,000,000	60.00%	Property development
合肥世茂欣源茂房地產開發有限公司 (Hefei Shimao Xinyuan Real Estate Development Co., Ltd.)	10 May 2019	Domestic enterprise	Registered capital RMB10,000,000	100.00%	Property development
肇慶四會悦盈房地產開發經營有限公司 (Zhaoqing Sihui Yueying Real Estate Development Co., Ltd)	15 April 2019	Domestic enterprise	Registered capital RMB5,000,000	100.00%	Property development
茂名世茂悦盈房地產開發有限公司 (Maoming Shimao Yueying Real Estate Development Co., Ltd)	10 April 2019	Domestic enterprise	Registered capital RMB100,000,000	100.00%	Property development
天水世唐房地產開發有限公司 (Tianshui Shitang Real Estate Development Co., Ltd.)	5 December 2019	Domestic enterprise	Registered capital RMB1,083,000,000	51.00%	Property development
荊州長盈置業有限公司 (Jingzhou Changying Property Co., Ltd)	6 December 2019	Domestic enterprise	Registered capital RMB10,000,000	51.00%	Property development
福州世茂鹿馳置業有限公司 (Fuzhou Shimao Luchi Property Co., Ltd)	28 November 2019	Domestic enterprise	Registered capital RMB210,000,000	100.00%	Property development
淮北世茂房地產開發有限公司 (Huaibei Shimao Real Estate Development Co., Ltd)	27 December 2019	Domestic enterprise	Registered capital RMB607,500,000	100.00%	Property development
南平光耀世隆房地產開發有限公司 (Nanping Guangyao Shilong Real Estate Development Co., Ltd)	20 January 2020	Domestic enterprise	Registered capital RMB50,000,000	60.00%	Property development
麗水世茂新紀元置業有限公司 (Lishui Shimao New Era Property Co., Ltd)	17 February 2020	Domestic enterprise	Registered capital RMB10,000,000	100.00%	Property development
海安市百俊房地產開發有限公司 (Haian Baijun Real Estate Development Co., Ltd)	27 February 2020	Domestic enterprise	Registered capital RMB747,225,550	51.00%	Property development

36. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2024	Principal activities
Principal subsidiaries – established and operation conducted in the PRC *(continued)*					
溫州世茂新騰飛房地產開發有限公司 (Wenzhou Shimao Xintengfei Real Development Co., Ltd)	9 March 2020	Domestic enterprise	Registered capital RMB20,000,000	100.00%	Property development
合肥梁佑置業有限公司 (Hefei Liangyou Property Co., Ltd)	25 March 2020	Domestic enterprise	Registered capital RMB335,288,328	51.00%	Property development
霞浦世茂金禾置業有限公司 (Xiapu Shimao Jinhe Property Co., Ltd)	7 April 2020	Domestic enterprise	Registered capital RMB416,500,000	51.00%	Property development
肇慶世茂悅桂房地產開發有限公司 (Zhaoqing Shimao Yuegui Real Estate Development Co., Ltd)	21 April 2020	Domestic enterprise	Registered capital RMB50,000,000	100.00%	Property development
三亞翔睿置業有限責任公司 (Sanya Xiangrui Property Co., Ltd)	21 May 2020	Domestic enterprise	Registered capital RMB1,200,000,000	66.18%	Property development
阜陽世茂房地產開發有限公司 (Fuyang Shimao Real Estate Development Co., Ltd.)	2 June 2020	Domestic enterprise	Registered capital RMB395,750,000	100.00%	Property development
南昌金駿房地產開發有限公司 (Nanchang Jinjun Real Estate Development Co., Ltd.)	16 June 2020	Domestic enterprise	Registered capital RMB185,460,000	51.00%	Property development
茂名世茂悅升房地產開發有限公司 (Maoming Shimao Yuesheng Real Estate Development Co., Ltd)	3 July 2020	Domestic enterprise	Registered capital RMB20,000,000	82.75%	Property development
瀋陽世茂新里程房地產開發有限公司 (Shenyang Shimao New Miles Real Estate Development Co., Ltd)	7 July 2020	Domestic enterprise	Registered capital RMB10,000,000	100.00%	Property development
世茂天成物業服務集團有限公司 (Shimao Tiancheng Property Services Group Co., Ltd.)	16 September 2005	Domestic enterprise	Registered capital RMB5,400,000	100.00%	Property management services
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands					
Vicking International Ltd.	19 January 1994	Limited liability company	50,000 ordinary shares of US$50,000	100.00%	Investment holding
Year Grant Investments Limited	3 September 2001	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding
Best Empire Investments Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding
Peak Castle Assets Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding

36. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2024	Principal activities
Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands *(continued)*					
Prime Master Holdings Limited	2 July 2002	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding
Shimao Property Holdings (BVI) Limited	23 August 2002	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding
Ease Reach Group Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding
Peak Gain International Limited	13 December 2006	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding
Straits Construction Investment (Holdings) Limited	17 November 2009	Limited liability company	45,000 ordinary shares of US$450,000,000	100.00%	Investment holding
Up Chance Holdings Limited	1 December 2016	Limited liability company	1 ordinary share of US$1	100.00%	Investment holding
Principal subsidiaries – incorporated and operation conducted in Hong Kong					
Shimao Investment Holdings Limited	3 February 1994	Limited liability company	395 million ordinary shares of HK$395 million	100.00%	Investment holding
Topwise Limited	29 March 2005	Limited liability company	1 ordinary share of HK$1	100.00%	Investment holding
Clear Rise Investments Limited	8 May 2007	Limited liability company	1 ordinary share of HK$1	100.00%	Investment holding
Rise Max International Limited	16 May 2007	Limited liability company	1 ordinary share of HK$1	100.00%	Investment holding
Global Square Investments Limited	29 October 2007	Limited liability company	1 ordinary share of HK$1	100.00%	Investment holding
Lion Kingdom Investments Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100.00%	Investment holding
Power One Holdings Limited	27 November 2007	Limited liability company	1 ordinary share of HK$1	100.00%	Investment holding
Brand Rise Limited	5 March 2013	Limited liability company	1 ordinary share of HK$1	100.00%	Hotel
Adventure Success Limited	25 November 2014	Limited liability company	1,837 ordinary shares of HK$4.85 billion	100.00%	Property development

36. Principal subsidiaries, associated companies and joint ventures *(CONTINUED)*

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2024	Principal activities
Associated companies – established and operation conducted in the PRC					
成都市恒裕房地產開發有限公司 (Chengdu Hengyu Real Estate Development Co., Ltd.)	7 May 2010	Domestic enterprise	Registered capital RMB130,000,000	33.33%	Property development
南京明茂置業有限公司 (Nanjing Mingmao Property Co., Ltd.)	5 February 2015	Domestic enterprise	Registered capital RMB10,000,000	49.00%	Property development
蘇州孚元置業有限公司 (Suzhou Fuyuan Property Co., Ltd.)	12 July 2017	Domestic enterprise	Registered capital RMB2,875,000,000	33.00%	Property development
宣城世茂卓盈房地產開發有限公司 (Xuancheng Shimao Zhuoying Real Estate Development Co., Ltd)	20 August 2019	Domestic enterprise	Registered capital RMB20,000,000	49.00%	Property development
南寧金盛泓房地產開發有限公司 (Nanning Jinshenghong Real Estate Development Co., Ltd)	10 April 2019	Domestic enterprise	Registered capital RMB205,000,000	40.00%	Property development
巢湖市世巽置業有限公司 (Chaohu Shixun Property Co., Ltd)	24 July 2019	Domestic enterprise	Registered capital RMB20,000,000	40.00%	Property development
福州融檸置業有限公司 (Fuzhou Rongning Property Co., Ltd)	30 April 2020	Domestic enterprise	Registered capital RMB900,000,000	33.00%	Property development
Joint ventures – established and operation conducted in the PRC					
濟南碧世榮光房地產開發有限公司 (Jinan Bishi Rongguang Real Estate Development Co., Ltd.)	19 June 2017	Domestic enterprise	Registered capital RMB10,000,000	33.00%	Property development
南平世茂新紀元置業有限公司 (Nanping Shimao New Era Property Co., Ltd.)	15 May 2018	Domestic enterprise	Registered capital RMB100,000,000	42.00%	Property development
滄鑾(廈門)置業有限公司 (Cangluan (Xiamen) Property Co., Ltd)	29 June 2018	Domestic enterprise	Registered capital RMB1,455,000,000	25.00%	Property development
滎陽市雅恒置業有限公司 (Xingyang Yaheng Property Co., Ltd)	25 June 2019	Domestic enterprise	Registered capital RMB30,303,030	33.00%	Property development
Joint ventures – established and operation conducted in Hong Kong					
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK$2	50.00%	Investment holding

37. Contingencies and financial guarantee contract

(a) The Group had the following contingent liabilities:

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	**30,503,172**	39,635,718

Note:

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

(b) At 31 December 2024, the Group provided financial guarantees for certain joint ventures and associated companies in respect of their bank and other borrowings in the amount of approximately RMB23,653,532,000 (2023: approximately RMB23,161,228,000) with maturity in or before 2026. These guarantees are not expected to result in a significant outflow of the Group's resources and no financial liability is recognised in this connection as the estimated fair value on financial guarantee contract loss is insignificant.

(c) Contingencies for litigation

Up to the date of approval of the consolidated financial statements, the Group was in the progress of various legal litigations related to its consolidated borrowing or financial guarantees and other matters. The Directors have assessed the impact of the above litigation matters on the consolidated financial statements for the year ended 31 December 2024. As the Group was actively negotiating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

38. Commitments

Commitments for capital and property development expenditure

	At 31 December	
	2024	2023
	RMB'000	RMB'000
Contracted but not provided for		
– Property and equipment	**516,707**	517,780
– Land use rights (including those related to associated companies and joint ventures)	**5,897,469**	5,939,529
– Properties being developed by the Group for sale	**21,199,167**	24,465,634
	27,613,343	30,922,943

39. Significant disposal and liquidation of subsidiaries and transactions with NCI

During the year ended 31 December 2024, the Group has the following significant disposal or liquidation of subsidiaries and transactions with NCI.

(a) Disposal of subsidiaries with loss of control

For the year ended 31 December 2024, the Group lost control of certain subsidiaries. The disposal resulted in a total net cash inflow of approximately RMB325,227,000 and net loss of approximately RMB556,857,000.

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

	RMB'000
Cash and cash equivalents	142,606
Inventories	6,674,742
Property and equipment	207,179
Other non-current assets	15,198
Right-of-use assets	12,718
Investment properties	1,143,375
Intangible assets other than goodwill	206,641
Goodwill	371,555
Deferred income tax assets	272,789
Trade and other receivables and prepayments	5,534,711
Trade and other payables	(2,666,840)
Contract liabilities	(1,071,305)
Income tax payable	(725,100)
Borrowings	(5,090,503)
Deferred income tax liabilities	(17,283)
Lease liabilities	(4,438)
Total identifiable net assets	5,006,045
Non-controlling interests	(135,865)
Net assets attributable to the equity holders of the Company	4,870,180
Cash consideration	467,833
Consideration receivables	45,990
Effective settlement of other payables	3,799,500
Net assets disposed	(4,870,180)
Net losses on disposal of subsidiaries (note 27)	(556,857)
Cash consideration	467,833
Less: cash and cash equivalents in the entities disposed	(142,606)
Net cash inflow from the disposals	325,227

39. Significant disposal and liquidation of subsidiaries and transactions with NCI
(CONTINUED)

(b) Liquidation of subsidiaries

For the year ended 31 December 2024, the PRC courts adjudged the liquidation of the Group's certain subsidiaries applied by certain creditors and have proceeded with receivership procedures. The Directors considered that the Group lost control over the subsidiaries upon the commencement of the receivership and deconsolidated the subsidiaries thereafter. The liquidation resulted in a total net cash outflow of approximately RMB123,840,000 and net loss of approximately RMB430,818,000.

Net assets deconsolidated and reconciliation of loss and cash outflow on liquidation are as follow:

	RMB'000
Cash and cash equivalents	123,840
Inventories	1,050,103
Property and equipment	81
Deferred income tax assets	22,821
Amounts due from the Group	2,707,090
Amounts due from related parties	850,689
Trade and other receivables and prepayments	92,828
Prepaid income taxes	116,520
Trade and other payables	(1,601,344)
Contract liabilities	(1,401,116)
Borrowings	(210,000)
Income tax payable	(341,244)
Total identifiable net assets	1,410,268
Non-controlling interests	(979,450)
Net assets attributable to the equity holders of the Company deconsolidated	430,818
Net cash outflow due to the deconsolidation	(123,840)

(c) Transaction with non-controlling interests

Changes in ownership interests in subsidiaries without change of control

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

	The date of acquisitions RMB'000
Carrying amount of non-controlling interests acquired	1,045,611
Effective settlement of amounts due from non-controlling interests	(1,073,069)
Consideration paid and payables to non-controlling interests in the current period	(443,551)
Decrease in equity due to the loss on acquisition of non-controlling interests	(471,009)

Note:

During the year ended 31 December 2024, the Group acquired additional interests in subsidiaries for a total consideration of approximately RMB1,516,620,000. The Group recognised a decrease in non-controlling interests of approximately RMB1,045,611,000 and an decrease in the equity attributable to the equity holders of the Company of approximately RMB471,009,000.

40. Related party transactions

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 53.87% of the Company's shares. The ultimate controlling party of the Group is Mr. Hui Wing Mau.

(a) Other than those disclosed elsewhere in the consolidated financial statements, the Group entered into the following major related party transactions.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Brand management fee income	**5,877**	16,119
Construction material sold to related companies	**272**	11,949
	6,149	28,068

(b) Key management compensation

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Emoluments		
– Salaries and other short-term employee benefits	**11,862**	15,931
– Retirement scheme contributions	**461**	515
	12,323	16,446

41. Events after the reporting period

(a) The Company and its advisors have been actively pushed ahead in the restructuring of the Group's offshore debt. The major progress of the Restructuring Scheme subsequent to the year ended 31 December 2024 were as follows:

(i) The extraordinary general meeting of the Company was held on 15 January 2025. All of the four proposed resolutions of possible transactions in connection with the Restructuring Scheme were duly approved and passed by the Company's shareholders by way of poll. Involving: (1) issue of mandatory convertible bonds; (2) issue of long-term notes to the controlling shareholder of the Company; (3) issue of mandatory convertible bonds to the controlling shareholder of the Company; and (4) increase in the Company's authorised share capital by creating an additional 20,000,000,000 shares.

(ii) The meeting of the Restructuring Scheme was held on 24 February 2025 and 98.75% of the presented and voted creditors under the Restructuring Scheme voted in favour of the scheme. The Restructuring Scheme was approved by the requisite majorities of the creditors under the Restructuring Scheme.

(iii) The petition seeking sanction of the Restructuring Scheme was heard on 13 March 2025 at the High Court of the Hong Kong Special Administrative Region (the "High Court") and by an order made by the High Court, the Restructuring Scheme has been sanctioned.

(b) A winding-up petition against the Company (the "Petition") dated 10 January 2025 was filed by a third-party company at the High Court in connection with a guarantee provided by the Company for a cross border loan. The High Court has ordered that the Petition against the Company be withdrawn by consent by 25 February 2025.

42. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Company's board of directors on 28 March 2025.

43. Statement of financial position and reserve movement of the Company

Statement of financial position of the Company

	At 31 December	
	2024	2023
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**48,092,445**	50,793,857
	48,092,445	50,793,857
Current assets		
Other receivables	**3,950**	3,509
Dividends receivable from subsidiaries	**47,434,026**	43,789,834
Cash and cash equivalents	**1,326**	246,115
	47,439,302	44,039,458
Total assets	**95,531,747**	94,833,315
EQUITY		
Equity attributable to the equity holders of the Company		
Share capital	**384,165**	384,165
Reserves	**(577,923)**	4,480,149
Total equity	**(193,758)**	4,864,314
LIABILITIES		
Current liabilities		
Borrowings	**79,770,213**	78,405,990
Other payables and accrued expenses	**12,251,064**	7,551,968
Amounts due to subsidiaries	**33,960**	33,960
Amounts due to controlling entities	**2,778,000**	3,103,894
Dividend payable	**892,268**	873,189
	95,725,505	89,969,001
Total liabilities	**95,725,505**	89,969,001
Total equity and liabilities	**95,531,747**	94,833,315
Net current liabilities	**(48,286,203)**	(45,929,543)
Total assets less current liabilities	**(193,758)**	4,864,314

43. Statement of financial position and reserve movement of the Company *(CONTINUED)*

Reserve movement of the Company

	Share premium RMB'000 (Note (i))	Share-based compensation reserve RMB'000 (Note (ii))	Capital redemption reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2023	6,773,702	778,431	4,949	2,002,664	9,559,746
Loss for the year	–	–	–	(5,079,597)	(5,079,597)
Balance at 31 December 2023	6,773,702	778,431	4,949	(3,076,933)	4,480,149
Balance 1 January 2024	**6,773,702**	**778,431**	**4,949**	**(3,076,933)**	**4,480,149**
Loss for the year	**–**	**–**	**–**	**(5,058,072)**	**(5,058,072)**
Balance at 31 December 2024	**6,773,702**	**778,431**	**4,949**	**(8,135,005)**	**(577,923)**

Notes:

(i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

(ii) Share-based compensation reserve represents the value of employee services in respect of shares granted under the Share Award Scheme (note 21(b)).

SHIMAO GROUP HOLDINGS LIMITED
世茂集團控股有限公司