



2025

ANNUAL REPORT 年報

SHIMAO GROUP HOLDINGS LIMITED

世茂集團控股有限公司


(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 813

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# CORPORATE INFORMATION

## Board of Directors

### Executive Directors

Hui 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  
Hui Mei Mei, Carol

### 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](http://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](mailto:ir@shimaogroup.com)

## Financial Calendar

Annual General Meeting: 25 June 2026 11:00 a.m.  
Record date for  
Annual General Meeting: 18 June 2026

# FIVE YEARS FINANCIAL SUMMARY

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	<b>28,417,773</b>	59,975,062	59,463,712	63,040,148	107,797,269
Cost of sales	<b>(57,194,154)</b>	(65,843,636)	(53,615,805)	(57,758,774)	(105,179,409)
<b>Gross (loss)/profit</b>	<b>(28,776,381)</b>	(5,868,574)	5,847,907	5,281,374	2,617,860
Fair value losses on investment properties – net	<b>(4,491,331)</b>	(2,812,958)	(5,878,296)	(631,445)	(601,614)
Other income/other gains or (losses) – net	<b>63,348,982</b>	(13,608,820)	(3,848,781)	3,561,859	132,360
Selling and marketing costs	<b>(1,037,353)</b>	(901,207)	(1,419,774)	(2,813,377)	(5,376,840)
Administrative expenses	<b>(3,370,063)</b>	(3,921,977)	(4,703,318)	(5,718,667)	(6,002,605)
Provision for impairment on financial assets	<b>(6,095,497)</b>	(1,108,622)	(2,031,610)	(318,703)	(4,360,195)
Impairment losses on property and equipment	<b>(2,322,791)</b>	(8,170)	(6,457)	–	–
Impairment losses on right-of-use assets	<b>(234,573)</b>	–	–	–	–
Impairment losses on investment in joint ventures	<b>(63,402)</b>	–	–	–	–
Impairment losses on intangible assets	<b>(65,027)</b>	(45,829)	(121,316)	–	(2,533,022)
Other operating expenses	<b>(1,433,996)</b>	(1,052,030)	(1,088,070)	(1,661,053)	(2,391,803)
<b>Operating profit/(loss)</b>	<b>15,458,568</b>	(29,328,187)	(13,249,715)	(2,300,012)	(18,515,859)
Finance costs – net	<b>(7,273,667)</b>	(12,075,337)	(7,972,173)	(15,118,417)	(2,768,337)
Fair value changes of convertible bonds	–	–	–	57	144,746
Share of results of associated companies and joint ventures accounted for using the equity method	<b>(1,049,006)</b>	(633,935)	(1,022,291)	(131,724)	(432,927)
<b>Profit/(loss) before income tax</b>	<b>7,135,895</b>	(42,037,459)	(22,244,179)	(17,550,096)	(21,572,377)
Income tax expenses	<b>(2,658,801)</b>	(1,648,189)	(1,355,238)	(3,109,210)	(6,804,501)
<b>Profit/(loss) for the year</b>	<b>4,477,094</b>	(43,685,648)	(23,599,417)	(20,659,306)	(28,376,878)
<b>Profit/(loss) for the year attributable to equity holders of the Company</b>	<b>14,473,362</b>	(35,905,060)	(21,030,181)	(21,492,478)	(27,092,790)
Non-current assets	<b>72,198,146</b>	87,417,271	115,518,303	131,010,397	138,221,256
Current assets	<b>285,016,814</b>	349,011,726	427,732,092	485,200,542	489,882,813
<b>Total assets</b>	<b>357,214,960</b>	436,428,997	543,250,395	616,210,939	628,104,069
Non-current liabilities	<b>71,781,512</b>	48,848,803	72,132,923	91,177,398	132,671,890
Current liabilities	<b>272,793,691</b>	384,234,258	419,866,442	445,528,456	381,432,496
<b>Total liabilities</b>	<b>344,575,203</b>	433,083,061	491,999,365	536,705,854	514,104,386
<b>Net assets</b>	<b>12,639,757</b>	3,345,936	51,251,030	79,505,085	113,999,683
Equity attributable to equity holders of the Company	<b>(166,897)</b>	(21,654,333)	14,715,951	36,525,481	57,817,957
Non-controlling interests	<b>12,806,654</b>	25,000,269	36,535,079	42,979,604	56,181,726
<b>Total equity</b>	<b>12,639,757</b>	3,345,936	51,251,030	79,505,085	113,999,683

# 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 2025.

## Market and Outlook

In 2025, the property market of China continued its deep adjustment in general. Policywise, the central and local governments established a long-term coordinated mechanism for regulation. It had been centering on “precise policy implementation and categorized guidance” and improving the policy system of “demand stimulation + supply optimization + risk mitigation” throughout the year. Such trends were reflected in the market. As shown in the data from the National Bureau of Statistics, in 2025, nationwide investment in property development totaled RMB8,278.8 billion, representing a year-on-year decrease of 17.2%; the gross floor area under construction by property developers amounted to 6,598.90 million square meters, representing a year-on-year decrease of 10.0%; and the sales area of newly-built commodity properties reached 881.01 million sq.m., representing a year-on-year decrease of 8.7%. As market demand remained subdued and the industry landscape became more divergent, property developers were generally facing dual challenges from liquidity and recovery.

At the start of 2026, an article titled “Improve and Stabilize the Expectations in the Property Market” in the journal “Qiushi” clarified the importance of the property industry in the national economy and emphasized the need to prioritize stability while seeking progress. It called for stabilizing market expectations, unleashing the potential of both rigid and upgraded housing demand, and promoting the transition toward high-quality development, to accelerate the formation of a new model for property development. This has charted a clear course for the industry’s development in 2026 and provided fundamental guidance for real estate companies seeking breakthroughs and growth. Looking ahead to 2026, adjustment and transformation of the property market will continue. While the recovery path may still be bumpy, positive factors that signal an overall upward trend are mounting. “Control the amount of new housing, reduce inventory, and optimize supply” will become the main direction of regulatory measures. The construction of “quality houses” and urban renewal are set to be new driving forces behind supply and demand.

## Debt Pressure Eased and Financial Conditions Improved

Under policy guidance and regulatory support, the Group made remarkable progress in debt resolution as the offshore debt restructuring scheme officially took effect on 21 July 2025, involving total principal amounts of approximately US\$11.5 billion. Such successful implementation of the offshore debt restructuring has optimized the Group’s debt structure and substantially alleviated its future debt obligations pressure, creating more favorable conditions for the Group’s sound operations and sustainable development ahead.

As debt reduction efforts proceed, the Group’s balance sheet has been further strengthened and improved. As of 31 December 2025, the Group’s total borrowings amounted to approximately RMB182.266 billion, representing a significant decrease of approximately RMB69.785 billion compared to the end of the last year, a year-on-year decline of 28%. During the reporting period, the Group posted a profit of approximately RMB4.477 billion, with net cash flow from operating activities turning from negative to positive, signaling that financial operations have entered a more sustainable trajectory. Going forward, the Group will continue to uphold a prudent and pragmatic business philosophy. A multi-pronged approach will be employed to consolidate debt resolution gains and lay a solid financial foundation for sound operations.

## The Real Estate Businesses

Based on actual operating conditions and future development plans, the Group did not acquire any land in 2025. Instead, we focused on core business objectives, with an accurate grasp of market and customer needs by prioritizing refined development, sales, and high-quality delivery of existing projects. During the reporting period, the Group's contracted sales amounted to RMB23.953 billion, with a total contracted area of 1.9646 million sq.m.. The average selling price for the year was RMB12,192 per sq.m.. The Group seized, with precision, market opportunities from the ongoing recovery and strong momentum in the Hong Kong property market. Its residential project in the city, BEACON PEAK, achieved outstanding performance this year, fully demonstrating the Group's product competitiveness and brand appeal in the local residential market. In the future, the Group will continue to flexibly seize market opportunities, striving for steady growth in sales performance.

With respect to production and operation, the Group adhered to the business policy of seeking progress while maintaining stability, and coordinated resource allocation to ensure the gradual advancement of all business operations. Against the backdrop of a slowdown in property sales in recent years, the Group actively raised funds through various means such as asset revitalization and price adjustment for higher sales volume, making every effort to ensure project completion and delivery. From 2022 to 2025, the Group has delivered approximately 281,000 units of 278 projects in 93 cities, protecting the rights and interests of owners and fulfilling its corporate responsibility with concrete actions.

## Collaborative Development of Diversified Businesses

In 2025, under the development model of "One Core with Two Wings", Shimao fully leveraged its advantage of distribution in diverse industries, strengthened synergy across business segments, and fostered common growth in boosting the comprehensive development.

In respect of property management business, Shimao Services has maintained steady operations while improving quality and efficiency. In 2025, Shimao Services deepened engagement in the existing property market by proactively expanding its service offerings. It expanded into the non-residential property sector, capturing the market-oriented and professional development trend, and upgraded services through the development of digital and intelligent systems. Shimao Services also developed community value-added services by rebranding itself as comprehensive integrated service providers for large communities. During the reporting period, Shimao Services achieved revenue of RMB7,880.0 million, gross profit of RMB1,400.1 million, net profit of RMB134.6 million and core net profit of RMB572.1 million. As at 31 December 2025, Shimao Services had businesses presence in 145 cities and provided a wide variety of services for 1,428 projects, with gross floor area ("GFA") under management of 221.2 million sq.m. and contracted GFA of 334.6 million sq.m.. In 2026, premium services will serve as the cornerstone, upon which Shimao Services will deepen its commitment to core sectors, including residential properties, universities and colleges and industrial parks. By enhancing project fulfilment capabilities, increasing customer satisfaction and strengthening customer loyalty, thereby solidifying the foundations for healthy growth in the long run.

In terms of hotel business, Shimao hotels anchored medium- to long-term growth through product innovation and quality enhancement. On 30 September 2025, Le Méridien Shanghai Sheshan reopened after a renovation to offer global travellers with premium service and creative experiences, writing a new chapter of "upscale lifestyle" hospitality experience. In terms of digital marketing innovations, Shimao hotels kept pace with changing consumer demands by continuously upgrading its online marketing platform, "Shi You Pin (世有品)". Through collaboration among the Group's diversified business segments, which span commercial, office, cultural and entertainment spaces, Shimao hotels have been optimizing its membership ecosystem, thereby building long-term competitive edges.

## CHAIRMAN'S STATEMENT

In terms of commercial and entertainment business, amidst an environment of oversupply in the national commercial market and evolving consumer trends, Shimao commercial closely followed trends of consumption upgrading and scenario innovation, continuously optimizing its business mix and operational services, and actively collaborating with tenants to conduct joint marketing and customer acquisition, demonstrating a degree of operational resilience. Footfalls of commercial projects under management increased by 3% year-over-year during the reporting period. Shimao commercial recorded nearly 90% for the overall occupancy rate of commercial projects under management, which was approximately the same as that of the previous year. In the office sector, Shimao commercial leveraged its prime locations' advantages to continuously improve occupancy rates through flexible leasing policies, enhanced customer service, and refined operations. During the reporting period, Shimao commercial recorded an overall occupancy rate of 73% for office buildings under management, a slight increase from the end of the previous year. In the future, Shimao commercial will seize the opportunities arising from government policies to revitalize existing resources, strengthen internal coordination and resource integration, continuously enhance operational efficiency and facilitate business transformation.

### Social Responsibility

The Group has been actively responding to the national policy by persisting with the idea of green and low-carbon development and is dedicated to fulfilling its corporate environmental responsibilities, so as to continuously promote the high-quality development of green buildings. In 2025, the Group added 438,900 sq.m. of green building area in aggregate, comprising 224,900 sq.m. of basic level, 95,000 sq.m. of one-star, and 119,000 sq.m. of two-star.

Adhering to the concept of low-carbon development, the Group focuses on increasing efficiency and reducing energy consumption. Through improved processes and technological innovation, the Group minimizes waste of resources and drives the transformation of its operational model toward green sustainability. The Group also applies green and low-carbon principles to all stages in the lifecycle of project design, development and construction, operations management, and asset renewal. The Group proactively aligns with the national goal of "Peak Carbon by 2030 and Carbon Neutral by 2060" by adhering to all environmental laws, regulations, and standards, and responding to international sustainability initiatives. By doing so, the Group endeavors to ensure that every building serves as a vehicle for green practices and every community becomes a model of ecological livability.

### Appreciation

On behalf of the Board, I would like to thank our shareholders, customers, partners and government departments at all levels for their unwavering support. I would also like to extend my sincerest gratitude and deepest respect to our directors, management and staff who have stood shoulder to shoulder with Shimao through thick and thin, and for all their understanding and assistance and walking with Shimao. In 2026, the Group will keep focused on the three core tasks of debt resolution, cash flow management, and asset revitalization. Upholding strategic resolve and adhering to the "One Core with Two Wings" business strategy, we will remain down-to-earth and diligent in our efforts. With renewed enthusiasm, a more pragmatic approach and unwavering belief, we will live up to the trust and expectations of all parties as we embark together on a new journey toward high-quality development in the industry.

**Hui Sai Tan, Jason**

*Chairman and President*

Hong Kong, 27 March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

In 2025, the property market of China continued its overall adjustment. Policywise, the central and local governments established a long-term coordinated mechanism for regulation. It had been centering on “precise policy implementation and categorized guidance” and improving the policy system of “demand stimulation + supply optimization + risk mitigation” throughout the year. The policies regarding supply and timely delivery of properties continued to take effect for the long run, and the industry, as a whole, maintained a rational development pace marked by “sales-driven production”. In the land market, as leading real estate companies focused on high-quality plots in core cities, the market was characterized by “higher quality, lower quantity, and scattered hot spots” in general, with competition for high-quality plots continued to intensify. Faced with this complex industry environment, the Group adhered to prudent operations and a steady, progressive approach, comprehensively promoting the smooth operation of its core businesses.

## 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, property management, hotel operation and commercial properties operation business. For the year ended 31 December 2025, revenue of the Group reached RMB28.418 billion. During the year, revenue from property sales amounted to RMB16.539 billion, accounting for 58.2% of the total revenue and the recognized sales area was 1.652 million sq.m..

### 2) *Contracted Sales Performance*

As the overall size of the real estate industry continued to shrink, product competitiveness and refined operations have become core drivers of development. Insisted on accurate grasp of market and customer needs, the Group focused on improving product quality and creating customer value. It continuously strengthened the refined management throughout the entire process and kept up sales momentum through multi-dimensional promotion and efficient implementation. The Group’s contracted sales for 2025 amounted to RMB23.953 billion, with a total contracted area of 1.9646 million sq.m.. The average selling price for the year was RMB12,192 per sq.m..

The Group seized, with precision, market opportunities from the ongoing recovery and strong momentum in Hong Kong property market. Its residential project in the city, BEACON PEAK, achieved outstanding performance this year. By the end of the year, the cumulative sales have reached approximately RMB1 billion since its launch in September 2025, fully demonstrating the Group’s product competitiveness and brand appeal in the local residential market. The Group remains prudently optimistic about the outlook of Hong Kong market and will continue to flexibly seize market opportunities, striving for steady growth in sales performance.

### 3) *Ensuring delivery, stabilizing operation, and restoring financial structure*

Adhering to the business policy of seeking progress while maintaining stability, the Group coordinated resource allocation to ensure the gradual advancement of all business operations. Against the backdrop of a slowdown in property sales in recent years, the Group actively raised funds through various means such as asset revitalization and price adjustment for higher sales volume, making every effort to ensure project completion and delivery. From 2022 to 2025, the Group has delivered approximately 281,000 units of 278 projects in 93 cities, protecting the rights and interests of owners and fulfilling its corporate responsibility with concrete actions. Benefiting from the orderly progress of delivery work and the successful implementation of offshore debt restructuring, the Group’s net cash flow from operating activities recorded a turnaround during the reporting period, its gearing structure was also optimized and restored, and its overall financial condition steadily improved.

### 4) *Ensuring future supply through prudent land reserve management*

As of the end of 2025, the Group had an area under construction of approximately 9.18 million sq.m. and an area completed of approximately 2.46 million sq.m. for the year. As at 31 December 2025, the Group had about 192 projects and a total area of approximately 34.16 million sq.m. (before interests) land bank, providing necessary support for the future supply of salable resources. Having taken into account the market conditions, current land bank, and operating liquidity, the Group did not acquire any land in 2025. Going forward, the Group will adhere to prudent and rational investment criteria, focusing on core resources to consolidate the foundation for its business development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Property Management

In respect of property management business, Shimao Group engaged in property management business through its subsidiary, Shimao Services Holdings Limited (“Shimao Services”).

Over the past few years, the real estate industry in China underwent profound adjustment, transitioning gradually towards a new phase characterized by “improving the quality of existing capacity and fostering sustainable development”. Against this backdrop, players in the property management services industry have also repositioned themselves as lifetime property managers and comprehensive urban services providers, rather than merely community stewards, and are poised for transformation of the traditional property management towards modern services.

In 2025, Shimao Services achieved revenue of RMB7,880.0 million, gross profit of RMB1,400.1 million, net profit of RMB134.6 million, and core net profit of RMB572.1 million. As of 31 December 2025, the operations of Shimao Services covered 145 cities, providing a wide range of services for 1,428 projects, and the gross floor area (GFA) under management amounted to 221.2 million sq.m. and the contracted GFA reached 334.6 million sq.m..

Looking ahead to 2026, Shimao Services will adhere to the principle of “pragmatism and innovation-driven development”, strengthen operational capabilities, boost efficiency, and fortify the foundation for growth; enhance cost control, strengthen the supply chain, and deepen strategic supplier partnerships; increase management effectiveness and invigorate digital intelligence management; and increase brand promotion to elevate brand influence. With premium service offerings serving as the cornerstone, Shimao Services will deepen its commitment to core sectors, including residential properties, universities and colleges and industrial parks. By enhancing project fulfilment capabilities, increasing customer satisfaction and strengthening customer loyalty, thereby solidifying the foundations for healthy growth in the long run.

### Hotel Operation

As of 31 December 2025, 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, Le Méridien Shanghai Sheshan, InterContinental Fuzhou, Hilton Nanjing Riverside, Hilton Shenyang, Hilton Changsha Riverside and Yuluxe Hotel Chengdu, offering nearly 8,000 hotel guest rooms. In addition, the Group has three directly managed leased hotels, offering more than 600 hotel guest rooms.

In 2025, demand in the hotel market in China was relatively weak. Overall occupancy rate index declined by 3% year-on-year, and the Average Daily Rate (ADR) index fell by 1%. Although faced with industry pressures, with flexible pricing strategies, enhanced holiday operations and expansion of overseas customer base, Shimao hotels has taken proactive measures to mitigate the impact of market fluctuations. Shimao hotels achieved an occupancy rate of 68% and total revenue of RMB2.18 billion for the year.

While improving service quality, Shimao hotels also anchored medium- to long-term growth through product innovation. On 30 September 2025, Le Méridien Shanghai Sheshan reopened after a renovation to offer global travellers with premium service and creative experiences, writing a new chapter of “upscale lifestyle” hospitality experience. In terms of digital marketing innovations, Shimao hotels kept pace with changing consumer demands by continuously upgrading its online marketing platform, “Shi You Pin (世有品)”. Through collaboration among the Group’s diversified business segments, which span commercial, office, cultural and entertainment spaces, Shimao hotels have been optimizing its membership ecosystem, thereby building long-term competitive edges.

## MANAGEMENT DISCUSSION AND ANALYSIS

**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 2025, amidst an environment of oversupply in the national commercial market and evolving consumer trends, Shimao commercial closely followed trends of consumption upgrading and scenario innovation, continuously optimizing its business mix and operational services, and actively collaborating with tenants to conduct joint marketing and customer acquisition, demonstrating a degree of operational resilience. Sales to tenants of commercial projects under management increased by 3% year-over-year during the reporting period. Shimao commercial recorded nearly 90% for the overall occupancy rate of commercial projects under management, which was approximately the same as that of the previous year. In the office sector, against a backdrop of intensifying “price-for-volume” competition in the office market and sustained pressure on Grade A office rents in major cities nationwide, Shimao commercial leveraged its prime locations’ advantages to stabilize occupancy rates through flexible leasing policies, enhanced customer service, and refined operations. During the reporting period, Shimao commercial recorded an overall occupancy rate of 73% for office buildings under management, a slight increase from the end of the previous year.

Looking ahead to 2026, Shimao commercial will seize the opportunities arising from government policies to revitalize existing resources, strengthen internal coordination and resource integration, continuously enhance operational efficiency and facilitate business transformation.

**Outlook**

Looking ahead to 2026, China’s real estate industry has entered a new cycle of high-quality development, with the underlying logic of industry development shifting from scale expansion to quality enhancement and value creation. The Group will actively embrace market changes, adhere to the development model of “One Core with Two Wings”, and continue to return to the essence of its products and services. The Group will promote the collaborative development of diversified businesses, including property development, property management, hotel operation and commercial properties operation. In the future, the Group will remain steadfast in focusing on customer needs, consolidating its operational fundamentals, and striking balance between asset-heavy and asset-light businesses. By integrating online and offline platforms for mutual empowerment, the Group will place efforts on exploring new areas and unlocking new growth drivers, and be dedicated to achieving high-quality and sustainable development for the Group’s businesses.

## MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Analysis

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

	2025 RMB million	2024 RMB million
Revenue	<b>28,418</b>	59,975
Gross loss	<b>(28,776)</b>	(5,869)
Operating profit/(loss)	<b>15,459</b>	(29,328)
Profit/(Loss) for the year	<b>4,477</b>	(43,686)
Earnings/(Losses) per share – Basic (RMB)	<b>2.61</b>	(9.48)

## Revenue

For the year ended 31 December 2025, the revenue of the Group was approximately RMB28,418 million (2024: RMB59,975 million), representing a decrease of 52.6% over 2024. The decrease in revenue was mainly due to the decrease in revenue from sales of properties. New sales in properties have decreased in recent years, and construction paces of properties have slowed down due to the Group's liquidity pressures, collectively leading to a decline in delivered floor area. And 58.2% (2024: 79.9%) of the revenue was generated from the sales of properties and 41.8% (2024: 20.1%) from hotel operation, commercial properties operation, property management and others.

The components of the revenue are set out as follows:

	2025 RMB million	2024 RMB million
Sales of properties	<b>16,539</b>	47,911
Hotel operation income	<b>2,185</b>	2,225
Commercial properties operation income	<b>1,493</b>	1,667
Property management income and others	<b>8,201</b>	8,172
Total	<b>28,418</b>	59,975

\* The income does not include revenue from the Group.

## (i) Sales of Properties

Sales of properties for the years ended 31 December 2025 and 2024 are set out below:

	2025		2024	
	Area (sq.m.)	RMB million	Area (sq.m.)	RMB million
South and North Region	<b>531,816</b>	<b>4,980</b>	819,439	16,644
Zhejiang District	<b>231,061</b>	<b>4,406</b>	416,198	7,689
Midwest Region	<b>570,714</b>	<b>3,888</b>	1,460,324	13,593
Fujian District	<b>214,303</b>	<b>2,020</b>	628,450	6,212
Jiangsu and Shanghai Region	<b>103,628</b>	<b>1,245</b>	254,850	3,773
Total	<b>1,651,522</b>	<b>16,539</b>	3,579,261	47,911

## MANAGEMENT DISCUSSION AND ANALYSIS

**(ii) Hotel Income**

Hotel operation income slightly decreased by approximately 1.8% to RMB2,185 million in 2025 from RMB2,225 million in 2024.

Hotel operation income is set out as follows:

	<b>Date of Commencement</b>	<b>2025 RMB million</b>	2024 RMB million
Conrad Shanghai	September 2006	<b>362</b>	334
Four Points by Sheraton Hong Kong Tung Chung	January 2021	<b>280</b>	264
Sheraton Hong Kong Tung Chung Hotel	December 2020	<b>216</b>	210
Conrad Xiamen	August 2016	<b>137</b>	131
InterContinental Shanghai Wonderland	November 2018	<b>136</b>	138
Le Méridien Shanghai Sheshan	November 2005	<b>100</b>	103
Hilton Changsha Riverside	July 2021	<b>99</b>	102
Hilton Wuhan Riverside	July 2016	<b>94</b>	106
InterContinental Fuzhou	January 2014	<b>90</b>	92
Hilton Nanjing Riverside	December 2011	<b>85</b>	92
Hilton Shenyang	January 2018	<b>85</b>	87
Hilton Yantai	August 2017	<b>70</b>	75
Crowne Plaza Shaoxing	March 2014	<b>62</b>	77
Yuluxe Hotel Chengdu	August 2018	<b>54</b>	60
Le Méridien Hangzhou Binjiang	September 2018	<b>54</b>	53
DoubleTree by Hilton Ningbo Beilun	December 2016	<b>45</b>	50
DoubleTree by Hilton Ningbo Chunxiao	December 2015	<b>28</b>	25
Holiday Inn Mudanjiang	December 2010	<b>21</b>	25
Yuluxe Hotel Taizhou	August 2014	<b>20</b>	26
Minimax Hotel Chengdu Longquanyi	October 2021	<b>12</b>	13
Others		<b>135</b>	162
<b>Total</b>		<b>2,185</b>	2,225

## MANAGEMENT DISCUSSION AND ANALYSIS

**(iii) Commercial Properties Operation Income**

Commercial properties operation income decreased by approximately 10.4% to RMB1,493 million in 2025 from RMB1,667 million in 2024. The decrease in commercial properties operation income was primarily due to the challenges facing the overall economy and the slowdown in consumer market growth, which led to a drop in average rental levels, complied with a reduction in leasable area in certain office buildings and shopping malls as a result of indebtedness settlement with assets.

Commercial properties operation income is analysed as follows:

	Date of Commencement	2025 RMB million	2024 RMB million
<b>Rental Income</b>			
Shanghai Shimao Festival City	December 2004	250	245
Jinan Shimao Festival City	May 2014	170	146
Chengdu Shimao Festival City	April 2021	143	132
Beijing Shimao Tower	July 2009	104	132
Shanghai Shimao Tower	December 2018	80	91
Kunshan Shimao Plaza	April 2012	63	59
Changsha Shimao Global Financial Center	September 2020	62	72
Shenzhen Shimao Qianhai Center	July 2020	46	101
Nanjing Yuhua Shimao (Commercial)	December 2018	40	51
Shaoxing Shimao Dear Town (Commercial)	May 2010	37	51
Nanjing Straits City (Commercial)	December 2014	37	50
Xiamen Shimao Straits Mansion	January 2017	32	38
Xiamen Jimei Shimao Festival City	April 2021	31	36
Suzhou Shimao Canal Scene (Commercial)	June 2010	25	25
Quanzhou Shishi Shimao Skyscraper City	January 2017	21	23
Wuhu Shimao Riviera Garden (Commercial)	September 2009	9	8
Miscellaneous rental income		52	46
<b>Rental income sub-total</b>		<b>1,202</b>	1,306
Commercial properties operation related service income		<b>291</b>	361
<b>Total</b>		<b>1,493</b>	1,667

**(iv) Property Management Income, and Others**

Property management income, and others slightly increased by approximately 0.4% to RMB8,201 million in 2025 from RMB8,172 million in 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Cost of Sales**

Cost of sales decreased by 13.1% to approximately RMB57,194 million in 2025 from RMB65,844 million in 2024, which was in line with the decrease in recognized revenue. This decrease was partially offset by the increase in provision for impairment losses on properties.

**Gross Loss**

For the year ended 31 December 2025, the Group's gross loss was approximately RMB28,776 million (2024: RMB5,869 million). The increase in gross loss was due to 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 2025, the Group recorded aggregate fair value losses of approximately RMB4,491 million (2024: RMB2,813 million), mainly caused by the decrease in fair value of most investment properties due to the sustained slump in the commercial property market.

**Other Income/Other Gains or (losses) – Net**

For the year ended 31 December 2025, the Group recognized net other income and gains of approximately RMB63,349 million (2024: net other losses of RMB13,609 million), which mainly comprised gain on offshore debt restructuring of approximately RMB69,520 million, loss of approximately RMB3,558 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 2025, the Group's selling and marketing costs increased by 15.1% to approximately RMB1,037 million from approximately RMB901 million for the year ended 31 December 2024. This increase was mainly due to rising channel cost led by heightened sales challenge amid the market downturn.

For the year ended 31 December 2025, the Group's administrative expenses decreased by 14.1% to approximately RMB3,370 million from approximately RMB3,922 million for the year ended 31 December 2024, benefiting from the Group's continuous focus on organization and business efficiency improvement.

**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 RMB6,095 million during the year ended 31 December 2025.

**Impairment losses on property and equipment and right-of-use assets**

For the year ended 31 December 2025, impairment losses on property and equipment and right-of use were approximately RMB2,323 million (2024: RMB8 million) and RMB235 million (2024: Nil) respectively. The losses mainly compromised the impairment losses on hotel assets of the Group which was mainly due to the downturn of demand in the hotel market in China.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Costs – Net

For the year ended 31 December 2025, net finance costs decreased by 39.8% to approximately RMB7,274 million (2024: RMB12,075 million), which was mainly due to the following reasons: some of the borrowings achieved reduction of effective interest rate; some high-interest-cost borrowings were settled by disposal of assets or restructuring; and foreign exchange gains of borrowings was recorded due to the appreciation of RMB against USD in 2025 instead of foreign exchange losses recognized in 2024.

### Share of Results of Associated Companies and Joint Ventures

For the year ended 31 December 2025, share of results of associated companies and joint ventures was losses of approximately RMB1,049 million, representing an increase in loss of approximately RMB415 million compared with the year ended 31 December 2024, which was mainly due to the decrease in gross margin of recognized sales of properties and fair value losses on investment properties of certain of the Group's associated companies and joint ventures.

### Taxation

The Group's tax provisions amounted to approximately RMB2,659 million for the year ended 31 December 2025, in which PRC land appreciation tax ("LAT") was RMB3,349 million (2024: RMB1,648 million, in which LAT was RMB990 million). The increase in LAT was mainly due to additional provisions made for multiple projects that have reached liquidation, together with a change in estimates arising from the re-measurement of project final costs and value added.

### Profit/(Loss) Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year ended 31 December 2025 was approximately RMB14.473 billion, as compared to loss of RMB35.905 billion last year. The increase in profit was mainly due to the following reasons: gross loss increased by approximately RMB22.908 billion; and other income and gains increased by approximately RMB76.958 billion mainly due to gain on offshore debt restructuring in 2025.

### Liquidity and Financial Resources

As at 31 December 2025, the Group had aggregate cash and bank balances (including restricted cash) of approximately RMB12,070 million, representing a decrease of approximately RMB3,682 million as compared to approximately RMB15,752 million at 31 December 2024, of which restricted cash of approximately RMB3,622 million (31 December 2024: RMB4,399 million) and guarantee deposits for construction of pre-sale properties with an amount of approximately RMB3,590 million (31 December 2024: RMB5,318 million) were included.

As at 31 December 2025, the total amount of borrowings was approximately RMB182.266 billion, representing a significant decrease of approximately RMB69.785 billion as compared to approximately RMB252.051 billion at 31 December 2024. The decrease of amount of borrowings was mainly due to the accomplishment of offshore debt restructuring.

The Group's borrowings-to-assets ratio (total borrowings divided by total assets) was approximately 51.0% as at 31 December 2025 (31 December 2024: 57.8%). The Group's current ratio (current assets divided by current liabilities) was approximately 1.0 as at 31 December 2025 (31 December 2024: 0.9).

## MANAGEMENT DISCUSSION AND ANALYSIS

**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 2025, the Group's total secured borrowings of approximately RMB159.460 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 RMB112.251 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 2025, the Group had contracted capital and property development expenditure but not provided for amounted to RMB26.583 billion.

**Employees and Remuneration Policy**

As of 31 December 2025, the Group employed a total of 41,335 employees, among whom 621 were engaged in property development. Total remuneration for the year amounted to approximately RMB4.295 billion. The Group has adopted a performance-based rewarding system to motivate its staff. The board of directors of the Company (the "Board") adopted a share award scheme (the "Share Award Scheme") of the Company on 30 December 2011. The purpose of the 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. Further information regarding the Share Award Scheme is set out in the section headed "Share Award Schemes" of the Report of Directors in this annual report. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

**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*

The basis for the disclaimer of opinion on the going concern assumption is set out in the “Basis for Disclaimer of Opinion” section of the independent auditor’s report included in this annual report. The cash flow forecast (“Cash Flow Forecast”) prepared by management is dependent upon three key assumptions, each of which was addressed below.

## (i) In respect of the forecasted sales proceeds from pre-sale and sale of properties:

In assessing the appropriateness of the key assumption relating to the forecasted sales proceeds from pre-sale and sale of properties in the Cash Flow Forecast, ZHONGHUI ANDA CPA Limited (the “Auditor”) requested the management to provide, among other things:

- a) the detailed Cash Flow Forecast covering a period of not less than 12 months from 31 December 2025, including the underlying project-by-project budgeted sales;
- b) supporting evidence for the key assumptions used in formulating the forecasted sales proceeds, including but not limited to market comparable data, recent transacted prices in the relevant cities, and management’s assessment of the expected selling prices for individual property projects;
- c) historical pre-sale and sales data for the Group’s property projects for recent years (including the financial year 2024 and the financial year 2025), together with an analysis of the trends observed and management’s explanation for any significant variances between actual results and prior forecasts; and
- d) details of the Group’s current sales pipeline, including the status of unsold inventory, the estimated saleable area and the expected timeline for obtaining pre-sale permits for projects not yet launched.

The management provided the Auditor with the Cash Flow Forecast and the historical pre-sale data for recent years. However, the management was unable to provide concrete evidence to form a proper basis for the reasonableness of the expected sales and pre-sales of the property projects underpinning the Cash Flow Forecast. In particular:

- a) The Group’s revenue from the property development segment declined from approximately RMB47.9 billion for the financial year 2024 to approximately RMB16.5 billion for the financial year 2025. Contracted sales also declined from approximately RMB34.0 billion for the financial year 2024 to approximately RMB24.0 billion for the financial year 2025. The historical pre-sale data provided by the management showed a continuous declining trend over recent years, and no material rebound has been observed;
- b) The prevailing conditions in the PRC property market continued to exhibit persistent contraction throughout 2025, and the Group’s overall pre-sales continued to decline. Given these market conditions and the inherent uncertainties associated with forecasting property sales, the management’s representations and the historical data alone did not provide the Auditor with a sufficient basis to conclude on the appropriateness of the forecasted sales proceeds; and
- c) Accordingly, the Auditor was unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the assumptions underlying the forecasted sales proceeds.

## MANAGEMENT DISCUSSION AND ANALYSIS

## (ii) In respect of the continued forbearance by creditors:

In assessing the appropriateness of the key assumption relating to the continued forbearance by creditors, the Auditor requested the management to provide, among other things:

- a) a comprehensive schedule of all outstanding borrowings (both offshore and onshore), including the original contractual repayment dates, the amounts in default, and the current status of negotiations with each creditor or creditor group;
- b) copies of any signed extension agreements, standstill agreements, forbearance letters, or memoranda of understanding (“MOUs”) with individual creditors or creditor groups;
- c) details of the onshore debt restructuring plan (for the PRC corporate bonds, including the medium-term notes issued by Shanghai Shimao Co., Ltd. and the long-term bonds issued by Shanghai Shimao Jianshe Co., Ltd.) and other project-level borrowings, including the proposed terms, timetable and the status of negotiations;
- d) the basis and supporting evidence for the assumption in the Cash Flow Forecast that the forecasted payments of borrowings would be substantially lower than the contractual repayment obligations during the forecast period; and
- e) any written confirmation or indication from creditors that they would continue to forbear from demanding repayment within the next 12 months from 31 December 2025.

The Auditor noted the following:

- a) While the Group’s offshore debt restructuring was completed on 21 July 2025 pursuant to a Court-sanctioned Scheme of Arrangement, resulting in the discharge of existing offshore debts of approximately US\$12.6 billion (equivalent to approximately RMB89.2 billion) in exchange for new financial instruments, this restructuring related solely to the offshore indebtedness. The onshore debt position remains substantially unresolved;
- b) As at 31 December 2025, the Group had total borrowings of approximately RMB182.3 billion, of which approximately RMB118.6 billion was due for repayment within the next twelve months. The Group had not repaid borrowings of approximately RMB92.5 billion in aggregate according to their scheduled repayment dates;
- c) The restructuring or extension plans for the onshore debts, including the medium-term notes (with an outstanding principal of RMB3.04 billion) and the long-term bonds (with an outstanding principal of approximately RMB18.9 billion) issued by PRC subsidiaries, as well as other individual project-level borrowings, had not yet commenced substantially as at 31 December 2025;
- d) The management expected the forecasted payments of borrowings in the Cash Flow Forecast to be substantially lower than the contractual repayment obligations. However, formal extension or restructuring agreements had not been signed for the majority of these onshore liabilities, and no written confirmation of forbearance had been obtained from the relevant creditors. The management’s expectation alone did not provide a proper basis for the Auditor to conclude on the reasonableness of this assumption; and
- e) Accordingly, the Auditor was unable to obtain sufficient appropriate audit evidence to conclude that creditors would continue to forbear from demanding repayment within the next 12 months from 31 December 2025.

## MANAGEMENT DISCUSSION AND ANALYSIS

(iii) In respect of the deferral of supplier payments:

In assessing the appropriateness of the key assumption relating to the successful negotiation with suppliers to defer settlement of outstanding payables, the Auditor requested the management to provide, among other things:

- a) a summary of the Group's outstanding trade payables as at 31 December 2025 and the ageing profile thereof;
- b) the basis and supporting evidence for the assumption in the Cash Flow Forecast that the forecasted payments to suppliers during the forecast period would be substantially lower than the outstanding trade payables balance;
- c) copies of any written confirmations, MOUs, or formal agreements with major suppliers regarding the deferral of settlement of outstanding payables; and
- d) details of any discussions or negotiations with major suppliers regarding payment deferrals, including the proposed terms and the status of such negotiations.

The Auditor noted the following:

- a) As at 31 December 2025, the Group had outstanding trade payables of approximately RMB29.4 billion, of which approximately RMB17.3 billion was aged over 90 days. The management assumed in the Cash Flow Forecast that the forecasted payments to suppliers during the forecast period would be substantially lower than the current trade payables balance;
- b) Similar to the assumption for the forecasted payments to creditors discussed in section (ii) above, no written confirmation, MOU or formal agreement from the suppliers was provided to support the assumption that payments could be deferred or that the forecasted payment amounts were achievable;
- c) In the absence of formal agreements with suppliers regarding payment deferrals, the Auditor had no independent basis upon which to evaluate whether the Group would be able to successfully negotiate the deferrals assumed in the Cash Flow Forecast; and
- d) Accordingly, the Auditor was unable to obtain sufficient appropriate audit evidence to conclude that the Group would be able to successfully negotiate deferrals of payments to its suppliers as assumed in the Cash Flow Forecast.

Conclusion:

In view of the above scope limitations in respect of the three key assumptions underlying the Cash Flow Forecast, there were no other alternative audit procedures that the Auditor could perform to satisfy themselves that the Group would be able to implement its plans and measures. As a result, the Auditor was unable to obtain sufficient appropriate audit evidence considered necessary to conclude whether the use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate, and accordingly issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2025.

## MANAGEMENT DISCUSSION AND ANALYSIS

*(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) In respect of the forecasted sales proceeds from pre-sale and sale of properties:
  - a) The Company has provided the targets of year 2026 in respect of contracted sales, and construction payment by projects. However, due to the significant influence and frequent changes of various factors such as macroeconomic conditions, government policies, and housebuyer sentiment on the domestic real estate consumer market, it is difficult for the Company to provide very accurate forecasts. The Company will provide updated forecast data to the Auditor in due course during 2026.
  - b) Although due to the ongoing downturn in the domestic real estate market, contracted sales and cash inflows from contracted sales in 2025 fell short of expectations, the Group reduced cash outflows and achieved net positive cash flow from operating activities through measures such as debt restructuring, "debt-for-asset" settlement, extension of debt maturities, and interest reductions, thereby sustaining its going concern capability.
- (ii) In respect of the continued forbearance by creditors:
  - a) The Company has provided the 2026 plans for onshore public market debt restructuring and for the extension or restructuring of certain other onshore debts. However, these plans have not yet been formally launched to the market or formal agreements signed. The Company will continuously update the information to the Auditor during 2026 based on the progress of the debt restructuring.
  - b) Although formal extension agreements have not yet been signed for some of the current borrowings, the Group's debt restructuring is progressing steadily. Breakthroughs have been achieved in the debt restructuring of the Group in 2025. As a result, the structure of the consolidated statement of financial position as at 31 December 2025 has been improved during the past 12 months. The borrowings recorded in current liabilities amounted to RMB118.6 billion, representing a significant decrease of approximately RMB91.6 billion as compared to approximately RMB210.2 billion at 31 December 2024. The decrease amount accounted for 44% of the borrowings recorded in current liabilities amounted to RMB210.2 billion and accounted for 24% of current liabilities amounted to RMB383.0 billion as at 31 December 2024. These circumstances demonstrate that the Group's efforts with its creditors to defer or resolve debts are progressing as planned and achieving results.
- (iii) In respect of the deferral of supplier payments:
  - a) Because the supplier payments runs through the entire construction process of each project and involves numerous construction stages and contracts, the Company is unable to sign agreements with suppliers to delay construction payments. The Company has provided the Auditor with the 2026 construction payment targets by projects, as well as the principles for the refined management and control of construction payments.
  - b) The Group's sales collections are regulated to ensure reasonable payments to suppliers. The Group's efforts in ensuring property deliveries have been recognized by local governments and regulatory authorities, laying a solid foundation for its continued stable operations. From 2022 to 2024, the Group prioritized housing delivery assurance for three consecutive years, completing the delivery of over 260,000 housing units. Besides, in terms of funding for delivery assurance, the Group also drew down over RMB450 million in aggregate under special financing arrangements included in the government's white list. These circumstances indicate that the Group has no issues with supplier payments that would affect its ability to continue as a going concern.

Since some of the major onshore debt restructuring is yet to be completed, and the overall economic environment has not resumed, the Auditor's view is different from that of the management.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The audit committee of the Company ("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 Company has completed the offshore debt restructuring as planned in 2025, which materially improved its balance sheet structure.

The Audit Committee has quarterly assessed the Company's actions to improve its going concern since 2025, in order to understand whether there is any material deviations from the plan and the reasons for such deviations. 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's onshore public debt amounts to approximately RMB25.2 billion. The Company is currently assessing available resources and has discussed its onshore public debt restructuring plan with relevant regulatory authorities. A relatively comprehensive restructuring plan with high market acceptance is expected to be formally introduced in 2026.
- (ii) The Company will progressively address its other onshore debt through measures such as extension of debt maturities and "debt-for-asset" settlement with its creditors. It is planned to settle or extend debts exceeding RMB30.0 billion in 2026.
- (iii) The Group will continuously achieve net cash inflow from operating activities:
  - a) As the domestic real estate sales market has not yet recovered, the Group expects its contracted sales in 2026 to decline further compared to 2025.
  - b) As of the end of 2025, the Group had completed the vast majority of its guaranteed delivery tasks, and therefore expects construction payments in 2026 to decrease significantly. The Group will, through reasonable payment planning, control the ratio of construction payments to sales collections within 40%.
  - c) The Group has continued to optimise and integrate its organisational structure, effectively enhancing operational efficiency and management precision. These initiatives have not only facilitated a more rational allocation of resources, but also achieved further cost reductions, thereby laying a more solid foundation for the Company's sustainable development. The Group's administrative expenses in 2025 decreased by approximately 14% as compared with 2024.
  - d) The Group has implemented a targeted incentive scheme to collect and revitalize various receivables. The Group has also actively responded to various supportive policies of the national and local governments, revitalized resources through all kinds of acquisition and reserve policies, in order to improve cash flow. Those resources mainly include funds in government-regulated accounts, land prepayments and various types of deposits. The revitalized funds are used to settle or offset project construction costs, taxes payables and other expenses in accordance with the existing financing agreements of the Group.

**2. Limitation of scope on the comparative figures – loss on settlement of debts relating to a property project**

This audit issue was resolved in 2024. The Auditor qualified the comparative figures of consolidated financial statements of 2025, and it had no impact on the Group's consolidated financial position as at 31 December 2025 or the profit or loss for the year then ended. There is no different views between the Auditor and management in respect of the financial influence of this audit issue on the Group's consolidated financial position at the end of 2025 or the profit or loss for the year then ended. The Audit Committee agrees with the management's position and basis.

# 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 2025.

## Principal Activities

The Company is an investment holding company. The Group is principally engaged in property development, commercial properties operation, property management and hotel operation in the People’s Republic of China (the “PRC”). The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

## Results and Dividends

The results of the Group for the year ended 31 December 2025 are set out on pages 54 to 158 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 2025 (2024: Nil).

## Business Review

A business review of the Group for the year ended 31 December 2025, 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 20 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 page 47 and note 42 to the consolidated financial statements on page 156 of this annual report. Discussions on the Group’s environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group’s key relationships with its employees, suppliers and customers that have a significant impact on the Group are shown in the “Sustainability Report” published on the Company’s website. The above discussions form part of this Report of the Directors.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 44 and 23 to the consolidated financial statements.

## Major Customers and Suppliers

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

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the number of 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 2025 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

During the year, the Group made no charitable and other donations (2024: RMB5,135,000).

## REPORT OF THE DIRECTORS

### 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 2025 are set out in note 22 to the consolidated financial statements.

### Financial Highlights

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

### Pre-Emptive Rights

There are no provisions for pre-emptive rights over 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*)  
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

In accordance with Article 84 of the Articles of Association, three Directors, namely, Mr. Hui Sai Tan, Jason, Mr. Lyu Hong Bing and Mr. Lam Ching Kam shall retire from office by rotation respectively at the forthcoming annual general meeting of the Company (the "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 ("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 2025, 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 2025 are set out below:

## REPORT OF THE DIRECTORS

Name of grantees	Date of grant	Number of Shimao Group Shares				Outstanding as at 31 December 2025
		Outstanding as at 1 January 2025	Granted during the year	Vested during the year	Lapsed/cancelled during the year	
<b>Directors</b> <sup>(Note 1)</sup>						
Hui Sai Tan, Jason	15 April 2020 <sup>(Note 2)</sup>	64,168	–	–	–	64,168
	15 April 2021 <sup>(Note 3)</sup>	55,325	–	–	–	55,325
		119,493	–	–	–	119,493
Xie Kun	15 April 2020 <sup>(Note 2)</sup>	48,445	–	–	–	48,445
	15 April 2021 <sup>(Note 3)</sup>	208,059	–	–	–	208,059
		256,504	–	–	–	256,504
Shao Liang	15 April 2020 <sup>(Note 2)</sup>	32,680	–	–	–	32,680
	15 April 2021 <sup>(Note 3)</sup>	28,708	–	–	–	28,708
		61,388	–	–	–	61,388
Sub-total		437,385	–	–	–	437,385
Two highest paid individual (excluding Directors as disclosed above) <sup>(Note 1)</sup>	15 April 2020 <sup>(Note 2)</sup>	45,718	–	–	–	45,718
	15 April 2021 <sup>(Note 3)</sup>	200,254	–	–	–	200,254
Other Employees of the Group	15 April 2020 <sup>(Note 2)</sup>	300,222	–	–	(17,070)	283,152
	15 April 2021 <sup>(Note 3)</sup>	1,529,511	–	–	(139,209)	1,390,302
Sub-total		2,075,705	–	–	(156,279)	1,919,426
<b>Total</b>		<b>2,513,090</b>	<b>–</b>	<b>–</b>	<b>(156,279)</b> <sup>(Note 4)</sup>	<b>2,356,811</b>

## Notes:

- The five highest paid individuals of the Group for the year include three Directors and two individuals. For details, please refer to notes 31(c) and 32 to the consolidated financial statements. Therefore, the Shimao Group Shares granted under the 2011 Shimao Group Share Award Scheme to the five highest paid individuals in aggregate are not disclosed separately.
- 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.
- 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.
- 156,279 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 0.22% of the total number of issued Shimao Group Shares as at the date of this report.

## REPORT OF THE DIRECTORS

## 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 2025, no Shimao Services Share was granted, vested 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 2025 are set out below:

Name of grantees	Date of grant <sup>(Note 1)</sup>	Number of Shimao Services Shares				Outstanding as at 31 December 2025
		Outstanding as at 1 January 2025	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	
Employees of the Group (including the employees of Shimao Services Group)	10 May 2021	33,381	–	–	(33,381) <sup>(Note 2)</sup>	–

Notes:

- 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.
- 33,381 Shimao Services Shares were lapsed during the year.

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.

## REPORT OF THE DIRECTORS

**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 2025, 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 2025 are set out below:

Name of grantees	Date of grant	Number of Shimao Services Shares				Outstanding as at 31 December 2025
		Outstanding as at 1 January 2025	Granted during the year	Vested during the year	Lapsed/ cancelled during the year	
<b>Directors of Shimao Services</b>						
Cao Shiyang	16 November 2022 <sup>(Note 1)</sup>	96,945	–	–	(96,945)	–
(resigned on 31 August 2025)	19 June 2023 <sup>(Note 2)</sup>	127,907	–	–	(127,907)	–
Sub-total		224,852	–	–	(224,852)	–
Four highest paid individuals of Shimao Services Group <sup>(Note 3)</sup>	16 November 2022 <sup>(Note 1)</sup>	9,532	–	–	–	9,532
	19 June 2023 <sup>(Note 2)</sup>	44,144	–	–	–	44,144
Other Employees of Shimao Services Group	16 November 2022 <sup>(Note 1)</sup>	1,237,979	–	–	–	1,237,979
	19 June 2023 <sup>(Note 2)</sup>	2,109,212	–	–	(55,390)	2,053,822
Sub-total		3,400,867	–	–	(55,390)	3,345,477
<b>Total</b>		<b>3,625,719</b>	<b>–</b>	<b>–</b>	<b>(280,242)</b> <sup>(Note 4)</sup>	<b>3,345,477</b>

## REPORT OF THE DIRECTORS

## Notes:

1. 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.
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 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.
3. One of the five highest paid individuals for the financial year ended 31 December 2025 is an executive director of Shimao Services, namely, Mr. Shao Liang. However, no Shimao Services Shares were granted to him.
4. 280,242 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 22(b) to the consolidated financial statement.

### Equity-Linked Agreements

Save for the convertible bonds issued in connection with the offshore debt restructuring of the Company as set out in note 24 to the consolidated financial statements, 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.

## REPORT OF THE DIRECTORS

**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 2025, 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 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**

<b>Name of Directors</b>	<b>Capacity/Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of issued share capital</b>
Hui Sai Tan, Jason	Beneficial owner	3,682,198 <sup>(Note 1)</sup>	0.043%
Xie Kun	Beneficial owner	332,804 <sup>(Note 2)</sup>	0.004%
Shao Liang	Beneficial owner	61,388 <sup>(Note 3)</sup>	0.001%

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**

<b>Name of Directors</b>	<b>Capacity/Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of issued share capital</b>
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.

## REPORT OF THE DIRECTORS

**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 2025, 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
<b>Long position</b>			
Hui Wing Mau	Note 1	2,941,252,584	34.191%
Gemfair Investments Limited ("Gemfair")	Beneficial owner	2,564,158,314	29.808%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	2,564,158,314	29.808%
GIC Private Limited ("GIC")	Note 3	634,880,159	7.380%
Deltavest Pte. Ltd. ("Deltavest")	Note 4	480,522,044	5.586%
Eurovest Pte Ltd ("Eurovest")	Note 5	480,522,044	5.586%
Gamstar Pte. Ltd.	Beneficial owner	480,522,044	5.586%

Notes:

- The interests disclosed represent 2,564,158,314 Shimao Group Shares held by Gemfair and 377,094,270 Shimao Group Shares held by Shiyang Finance Limited ("Shiyang Finance"). Both Gemfair and Shiyang 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 Shiyang Finance.
- The interests disclosed represent the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of the Company, pursuant to a deed dated 12 June 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his close associates (directly or indirectly) hold not less than 30% interest in the Company.
- The interests disclosed represent 154,358,115 Shimao Group Shares held by GIC as an investment manager and 480,522,044 Shimao Group Shares held by GIC through its controlled corporation.
- The interests disclosed represent the interest in the Company held by Deltavest through its controlled corporation.
- The interests disclosed represent the interest in the Company held by Eurovest through its controlled corporation.

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

## REPORT OF THE DIRECTORS

**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 2025:

1. The Company decreased its holdings of 110,000,000 Shimao Services Shares through its wholly-owned subsidiary, with an average consideration of HK\$0.76 per share; and
2. The Company decreased its holdings of 85,500,000 Shimao Services Shares through its wholly-owned subsidiary, with services as consideration.

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 2025.

**Mandatory Convertible Bonds**

The Company's offshore debt restructuring scheme (the "Offshore Debt Restructuring") became effective on 21 July 2025 (the "Scheme Effective Date").

On 21 July 2025, the Company issued zero coupon mandatory convertible bonds due 2026 ("MCB") in the aggregate principal amount of US\$4,999,668,072, including the Controlling Shareholder MCB (as defined below), as part of the consideration for the Offshore Debt Restructuring. Further details of the Offshore Debts Restructuring and the MCB are set out in the announcements and circular of the Company from 25 March 2024 to 21 July 2025.

During the period from 21 July 2025 to 31 December 2025, MCB in the aggregate principal amount of US\$3,686,323,700, was converted at the conversion price of HK\$6.00 per Shimao Group Share, and the agreed exchange rate of US\$1 = HK\$7.82. A total of 4,804,508,201 Shimao Group Shares were allotted and issued to the holders of the MCB upon conversion.

**Dilutive Impact of the Conversion of the MCB**

As at 31 December 2025, US\$1,313,344,372 in aggregate principal amount of the MCB remained outstanding. Assuming there is full conversion of the MCB, based on the conversion price of HK\$6.00 per Shimao Group Share, and the agreed exchange rate of US\$1 = HK\$7.82, the MCB can be converted into a maximum aggregate of 1,711,725,498 Shimao Group Shares, representing approximately 19.898% of the total number of Shimao Group Shares in issue as at 31 December 2025 (i.e. 8,602,340,089 shares) and approximately 16.596% of the total number of Shimao Group Shares in issue as enlarged by the allotment and issue of such conversion shares (i.e. 10,314,065,587 shares) (assuming no other change in the issued share capital of the Company).

## REPORT OF THE DIRECTORS

Set out below is the dilutive impact on the respective shareholdings of the substantial shareholders (within the meaning of the Listing Rule) of the Company if there had been full conversion of the MCB as at 31 December 2025:

Name	As at 31 December 2025		Assume upon full conversion of the outstanding MCB as at 31 December 2025	
	Number of Shimao Group Shares held	Approximate percentage of shareholding	Number of Shimao Group Shares held	Approximate percentage of shareholding
Hui Wing Mau <sup>(Note)</sup>	2,941,252,584	34.191%	2,941,252,584	28.517%
Gemfair <sup>(Note)</sup>	2,564,158,314	29.808%	2,564,158,314	24.861%
Overseas Investment <sup>(Note)</sup>	2,564,158,314	29.808%	2,564,158,314	24.861%

Note: Details of the nature of the shareholding of the substantial shareholder are set out in the "Interests of Substantial Shareholders" section of this report.

As calculated based on the profit attributable to the equity holders of the Company of approximately RMB14,473 million for the year ended 31 December 2025, basic earnings per Shimao Group Share amounted to RMB2.61, and diluted earnings per Shimao Group Share amounted to RMB1.92 on the assumption of full conversion of the MCB. The MCB will be mandatorily convertible into Shimao Group Shares upon maturity and will not be redeemed by cash.

## Connected Transactions

Mr. Hui Wing Mau and his associates, the controlling shareholder of the Company (the "Controlling Shareholder"), holding approximately 32.065% of the issued share capital of the Company as at the date of this report. 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.

On the Scheme Effective Date, such shareholder loans have been 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 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 have shared (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.

## REPORT OF THE DIRECTORS

On 4 September 2025, Controlling Shareholder MCB in the total principal amount of US\$397,758,567 was converted in full at the conversion price of HK\$6.00 per Shimao Group Share, and the agreed exchange rate of US\$1 = HK\$7.82. A total of 518,411,998 Shimao Group Shares were allotted and issued to the Controlling Shareholder upon conversion.

The Controlling Shareholder is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the issuance 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 extraordinary general meeting of the Company held on 15 January 2025, the Independent Shareholders approved the issues of the Controlling Shareholder Notes and the Controlling Shareholder MCB to the Controlling Shareholder.

Further details of the 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 41 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted connected transactions or continuing connected transactions for the Company which is discloseable pursuant to Chapter 14A of the Listing Rules.

### Deed of Non-Competition

On 16 October 2020, the Company and Mr. Hui 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 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 Shimao Services Shares with voting rights or if the Shimao Services Shares cease to be listed on HKEx.

The Company has confirmed to Shimao Services that during the year ended 31 December 2025, the Group and its close associates (save for members of Shimao Services Group) have complied with the terms of the Deed of Non-Competition.

REPORT OF THE DIRECTORS

### **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 2025 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 2025 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, 27 March 2026

# 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 “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the financial year ended 31 December 2025, except for the following deviations:

- (a) Code provision C.1.7 sets out that the Company should arrange appropriate insurance cover for legal action against its directors (the “Directors”). The Company has not yet made this insurance arrangement as director liability insurance with a reasonable insurance premium while providing adequate suitable security to the Directors has not yet been identified on the market.
- (b) Under code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company believes that Mr. Hui Sai Tan, Jason’s (“Mr. Hui”) dual roles as Chairman of the board of Directors (the “Board”) and President of the Company 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.
- (c) Under code provision F.1.3, the Chairman of the Board should attend the annual general meeting. Mr. Hui did not attend the annual general meeting of the Company held on 12 June 2025 (the “2025 AGM”) due to other commitments.

## 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 2025 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 throughout 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 2025, 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 CG Code. This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

### D.2 Chairman and President

The responsibilities of the Chairman and the President of the Company 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.

## CORPORATE GOVERNANCE REPORT

**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 2025 and up to the date of this report:

**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

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 2025, other than Mr. Xie Kun, Ms. Hui Mei Mei, Carol, Mr. Shao Liang and Mr. Fung Tze Wa, each of the Directors has entered into a service contract with the Company for a specific term. However, such term is subject to his 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.

## CORPORATE GOVERNANCE REPORT

**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.

The current board diversity mix is shown below:

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

## CORPORATE GOVERNANCE REPORT

	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
<b>Executive Directors</b>					
Mr. Hui Sai Tan, Jason (Chairman and President)	✓	✓	✓		
Mr. Xie Kun	✓	✓	✓		
Mr. Zhao Jun	✓	✓	✓	✓	
<b>Non-executive Directors</b>					
Ms. Hui Mei Mei, Carol	✓	✓	✓	✓	
Mr. Shao Liang	✓	✓	✓		
<b>Independent Non-executive Directors</b>					
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.

Our Board currently has one female Director out of eight Directors, and the target has been achieved.

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.

## CORPORATE GOVERNANCE REPORT

**D.6 Directors' Induction and Continuous Professional Development**

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

The Directors are continually updated with corporate governance and environmental, social and governance, risk management and internal controls, board and directors' duties, 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	✓
Ms. Hui Mei Mei, Carol	✓
Mr. Shao Liang	✓
Mr. Lyu Hong Bing	✓
Mr. Lam Ching Kam	✓
Mr. Fung Tze Wa	✓

**D.7 Board and Committee Meetings**

Individual attendance records of the Directors at board meetings, board committees' meetings, 2025 AGM and the Company's extraordinary general meeting held on 15 January 2025 (the "2025 EGM") during the financial year ended 31 December 2025, are set out below:

Directors	Attendance/Number of Meeting(s)					2025 AGM	2025 EGM
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting			
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A		0/1	1/1
Mr. Xie Kun	4/4	N/A	N/A	N/A		1/1	1/1
Mr. Zhao Jun	4/4	N/A	N/A	N/A		1/1	1/1
Ms. Hui Mei Mei, Carol	4/4	N/A	1/1	N/A		1/1	1/1
Mr. Shao Liang	4/4	N/A	N/A	N/A		1/1	1/1
Mr. Lyu Hong Bing	4/4	3/3	1/1	1/1		1/1	1/1
Mr. Lam Ching Kam	4/4	3/3	1/1	1/1		1/1	1/1
Mr. Fung Tze Wa	4/4	3/3	1/1	1/1		1/1	1/1

## CORPORATE GOVERNANCE REPORT

### 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](http://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 four members, being three Independent Non-executive Directors and one Non-executive Director, namely, Mr. Lam Ching Kam, Mr. Lyu Hong Bing, Mr. Fung Tze Wa and Ms. Hui Mei Mei, Carol. The Nomination Committee is chaired by Mr. Lam Ching Kam.

There was one Nomination Committee meeting held during the financial year ended 31 December 2025. 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 2025 is summarized below:

- (a) review of the structure, size and composition (including the mix of skills, knowledge and experience) of the Board;
- (b) review and update of the terms of reference of the Nomination Committee for the purpose of being in line with new requirement of the CG Code;
- (c) review of the implementation of the Board Diversity Policy; and
- (d) recommendation to the Board for approval of the appointment of a female member of the Nomination Committee to comply with the revised CG Code.

## CORPORATE GOVERNANCE REPORT

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 appointments of new Directors, re-appointments 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 the candidate for the appointment of its female member 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 2025. 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 2025 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 32 to the consolidated financial statements of this annual report.

## CORPORATE GOVERNANCE 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 2025. 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 2025 is summarized below:

- (a) discussion with the external auditor on the tasks performed by them, including 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 2025 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 2025 is set out as follows:

<b>Services rendered</b>	RMB'000
Audit services	6,300
Other services	–
<b>Total</b>	<b>6,300</b>

## 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 2025 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 2025.

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 implemented the offshore debt restructuring and have proactively promoted the onshore 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 2025. 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. Please refer to "Management Discussion and Analysis" section of this annual report for additional information on modified audit opinions.

## CORPORATE GOVERNANCE 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 comparative figures – loss on settlement of debts relating to a property project", the Company improves 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. Workforce Diversity**

The Group is committed to creating a diverse and inclusive working environment for all employees. The workforce diversity policy is already explicitly embedded in Shimao Group Policy on Human Rights, which emphasizes that all employees will have equal opportunities in recruitment, training, promotion, transfer, remuneration and benefits, regardless of their nationality, race, religion, gender or age.

The Group will strive to maintain a gender-balanced workforce. As at 31 December 2025, all members of the senior management, being three Executive Directors, were male while the workforce (excluding the senior management) maintained a gender ratio of 55.9% male and 44.1% female. More details on workforce diversity can be found in 2025 Sustainability Report.

## 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](http://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 general meetings to answer the questions of the Shareholders.

Details of attendance of the Directors in the 2025 AGM and the 2025 EGM are set out in the table on page 39. The Auditor attended the 2025 AGM, during which its representative was available to answer questions raised by the Shareholders. In addition, all members of the independent board committee (being three Independent Non-executive Directors), representatives of financial adviser and legal adviser to the Company attended the 2025 EGM and were 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 2025 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 laws, 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.

## CORPORATE GOVERNANCE REPORT

**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.

## CORPORATE GOVERNANCE REPORT

**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@shimao.com](mailto:ir@shimao.com).

**K. Significant Amendments to Constitutional Documents**

During the financial year ended 31 December 2025, there is no significant change in the constitutional documents of the Company.

**L. Events After the Reporting Period**

On 21 January 2026, the Company issued an aggregate of 570,575,127 new shares at the conversion price of HK\$6 per share pursuant to the conversion of the zero coupon mandatory convertible bonds due 2026 issued on 21 July 2025, representing approximately 6.6% of the total number of issued shares of the Company immediately before completion of the conversion.

Save as disclosed above, as at the date of this annual report, the Group did not have any significant event subsequent to 31 December 2025.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## Executive Directors

### Hui Sai Tan, Jason (Chairman and President)

Mr. Hui Sai Tan, Jason, aged 49, 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 27 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 ("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 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 57, 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 25 years of experience in senior corporate management and project development and operation management in the real estate industry.

### Zhao Jun

Mr. Zhao Jun, aged 50, 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 26 years of experience in audit and risk management.

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

**Non-Executive Directors****Hui Mei Mei, Carol**

Ms. Hui Mei Mei, Carol, aged 50, 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 26 years' experience in property development, and more than 19 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 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 48, was appointed a Non-executive Director of the Company since 26 April 2024. Mr. Shao was 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 25 years of experience in sales and operation management.

**Independent Non-Executive Directors****Lyu Hong Bing**

Mr. Lyu Hong Bing, aged 59, 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 33 years' experience in corporate and securities laws in China. Mr. Lyu currently serves as an independent director of Shandong Airlines Co., Ltd. (a company delisted on 10 July 2023 from main board of the Shenzhen Stock Exchange). Mr. Lyu was an independent director of Shanghai New Huang Pu Industrial Group Co., Ltd. (a company listed on the main board of the Shanghai Stock Exchange) from August 2020 to October 2025 and Cambricon Technologies Corporation Limited (a company listed on the STAR Market of the Shanghai Stock Exchange) from November 2019 to November 2025. 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, and a concurrent professor of East China University of Political Science and Law and other higher education institutions.

## DIRECTORS AND SENIOR MANAGEMENT PROFILES

### Lam Ching Kam

Mr. Lam Ching Kam (Alias: Jacob Lam), aged 65, 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 24 years. Mr. Lam has been in the property development and construction industry for 42 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 69, 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 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 2025 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of Changes
Mr. Lyu Hong Bing	Retired 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) and Cambricon Technologies Corporation Limited (a company listed on the STAR Market of the Shanghai Stock Exchange) in October and November 2025 respectively

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".

# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF SHIMAO GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Shimao Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 158, which comprise the consolidated statement of financial position as at 31 December 2025, 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, as at 31 December 2025, the Group had borrowings in a total of approximately RMB182.3 billion, out of which approximately RMB118.6 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 RMB12.1 billion. As at 31 December 2025, the Group had not repaid borrowings of RMB92.5 billion in aggregate according to their scheduled repayment dates. In addition, the Group was involved in various litigation and arbitration cases for various reasons, as disclosed in note 38(c) to the consolidated financial statements. The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis. The directors of the Company (the "Directors") devised a number of plans and measures to mitigate the liquidity pressure and to improve its financial position, details of which are set out in note 2(a) to the consolidated financial statements. To assess the appropriateness of the going concern basis, the management of the Group prepared a cash flow forecast ("Cash Flow Forecast"), which takes into account the effects of the success in implementing and completing the aforesaid plans and measures as scheduled, notwithstanding the inherent uncertainties associated with the outcome of these plans and measures. In particular, the positive outcome of the Cash Flow Forecast is dependent upon the following key assumptions: (a) the timely realisation of forecasted sales proceeds from pre-sale and sale of properties; (b) the continued forbearance by creditors in not demanding repayment within the next 12 months from the end of the reporting period; and (c) the successful negotiation with suppliers to defer settlement of outstanding payables. Based on the result of the Cash Flow Forecast, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the foreseeable future and therefore, the Group has the ability to continue as a going concern and will continue its operations for at least 12 months from 31 December 2025. Accordingly, the Directors are of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

In respect of the forecasted sales proceeds from pre-sale and sale of properties, we were unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the assumptions underlying the forecasted sales proceeds given the prevailing conditions in the PRC property market and the inherent uncertainties associated with forecasting property sales, together with the significant decrease in the Group's pre-sale and revenue from the property development segment compared to the prior year.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In respect of the continued forbearance by creditors, we were advised by management that the Group is engaging in ongoing negotiations with its creditors to seek extensions of repayment terms. However, formal extension agreements have not been signed for the majority of these liabilities. Accordingly, we were unable to obtain sufficient appropriate audit evidence to conclude that creditors will continue to forbear from demanding repayment within the next 12 months from the end of the reporting period.

In respect of the deferral of supplier payments, we were unable to obtain sufficient appropriate audit evidence to conclude that the Group will be able to successfully negotiate deferrals of payments to its suppliers due to the absence of formal agreements with suppliers regarding payment deferrals.

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 comparative figures – loss on settlement of debts relating to a property project**

As described in the Basis for Qualified Opinion section of our auditor's report dated 28 March 2025 on the consolidated financial statements of the Group for the year ended 31 December 2024, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness and appropriateness of the significant unobservable inputs and assumptions used in the valuation of a portfolio of investment properties and inventories relating to one of the Group's major property projects in the PRC as at 31 December 2023.

Pursuant to a court judgement received in June 2024, the Group mandatorily transferred the aforesaid investment properties and inventories to a creditor in settlement of a portion of outstanding borrowings and accrued interests. A 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. As the carrying amounts of the investment properties and inventories at the date of transfer were affected by the abovementioned scope limitation, we were unable to determine whether the loss on settlement of approximately RMB9.7 billion for the year ended 31 December 2024 was free from material misstatement.

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2024, and the related disclosures thereof in the consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**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"), as applicable to audits of financial statements of public interest entities. We have also 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, 27 March 2026

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>Revenue</b>	6	<b>28,417,773</b>	59,975,062
Cost of sales	29	<b>(57,194,154)</b>	(65,843,636)
<b>Gross loss</b>		<b>(28,776,381)</b>	(5,868,574)
Fair value losses on investment properties – net	9	<b>(4,491,331)</b>	(2,812,958)
Other income/other gains or (losses) – net	28	<b>63,348,982</b>	(13,608,820)
Selling and marketing costs	29	<b>(1,037,353)</b>	(901,207)
Administrative expenses	29	<b>(3,370,063)</b>	(3,921,977)
Provision for impairment losses on financial assets	29	<b>(6,095,497)</b>	(1,108,622)
Impairment losses on property and equipment	29	<b>(2,322,791)</b>	(8,170)
Impairment losses on right-of-use assets	29	<b>(234,573)</b>	–
Impairment losses on investment in joint ventures	29	<b>(63,402)</b>	–
Impairment losses on intangible assets	29	<b>(65,027)</b>	(45,829)
Other operating expenses	29	<b>(1,433,996)</b>	(1,052,030)
<b>Operating profit/(loss)</b>		<b>15,458,568</b>	(29,328,187)
Finance income		<b>54,128</b>	121,990
Finance costs		<b>(7,327,795)</b>	(12,197,327)
Finance costs – net	30	<b>(7,273,667)</b>	(12,075,337)
Share of results of associated companies and joint ventures accounted for using the equity method		<b>(1,049,006)</b>	(633,935)
<b>Profit/(loss) before income tax</b>		<b>7,135,895</b>	(42,037,459)
Income tax expenses	33	<b>(2,658,801)</b>	(1,648,189)
<b>Profit/(loss) for the year</b>		<b>4,477,094</b>	(43,685,648)
<b>Other comprehensive (loss)/income for the year</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		<b>(50)</b>	(12)
Share of other comprehensive (loss)/income of joint ventures accounted for using the equity method		<b>(23,921)</b>	17,908
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(2,378)</b>	(7,213)
<b>Total comprehensive income/(loss) for the year</b>		<b>4,450,745</b>	(43,674,965)
<b>Profit/(loss) for the year attributable to:</b>			
– Equity holders of the Company		<b>14,473,362</b>	(35,905,060)
– Non-controlling interests		<b>(9,996,268)</b>	(7,780,588)
		<b>4,477,094</b>	(43,685,648)
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
– Equity holders of the Company		<b>14,455,104</b>	(35,900,434)
– Non-controlling interests		<b>(10,004,359)</b>	(7,774,531)
		<b>4,450,745</b>	(43,674,965)
<b>Earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company</b>			
– Basic (RMB)	34	<b>2.61</b>	(9.48)
– Diluted (RMB)	34	<b>1.92</b>	(9.48)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	10,999,451	13,904,656
Right-of-use assets	8	3,985,682	4,349,689
Investment properties	9	31,464,433	41,735,180
Intangible assets	10	2,186,296	2,155,161
Investments accounted for using the equity method	12	14,419,370	16,132,916
Amounts due from related parties	13	5,353,577	5,644,798
Financial assets at fair value through other comprehensive income	14	260,009	260,059
Financial assets at fair value through profit or loss	15	582,120	–
Deferred income tax assets	16	609,471	1,060,771
Other non-current assets		2,337,737	2,174,041
		<b>72,198,146</b>	87,417,271
<b>Current assets</b>			
Inventories	17	163,002,829	218,513,766
Trade and other receivables and prepayments	18	37,304,277	40,838,595
Prepayment for acquisition of land use rights	19	2,791,837	3,775,484
Prepaid income taxes		1,086,169	1,429,828
Amounts due from related parties	13	66,195,130	67,480,889
Financial assets at fair value through profit or loss	15	110,000	–
Restricted cash	20	3,621,845	4,398,874
Cash and cash equivalents	20	8,448,072	11,352,828
		<b>282,560,159</b>	347,790,264
Assets of a disposal group classified as held for sale	21	2,456,655	1,221,462
		<b>285,016,814</b>	349,011,726
<b>Total assets</b>		<b>357,214,960</b>	436,428,997
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital	22	820,994	384,165
Reserves	23	(987,891)	(22,038,498)
		<b>(166,897)</b>	(21,654,333)
<b>Non-controlling interests</b>		<b>12,806,654</b>	25,000,269
<b>Total equity</b>		<b>12,639,757</b>	3,345,936

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	24	63,704,774	41,835,621
Lease liabilities	8	19,433	25,628
Deferred income tax liabilities	16	6,027,312	6,987,554
Amounts due to related parties	27	2,029,993	–
		<b>71,781,512</b>	48,848,803
<b>Current liabilities</b>			
Trade and other payables	26	79,872,455	83,083,588
Contract liabilities		36,896,450	48,355,145
Dividend payable		–	892,268
Income tax payable		22,244,935	20,015,870
Borrowings	24	118,561,395	210,215,789
Derivative financial instruments	25	277,921	–
Lease liabilities	8	14,532	31,531
Amounts due to related parties	27	12,931,593	20,425,864
		<b>270,799,281</b>	383,020,055
Liabilities of a disposal group classified as held for sale	21	1,994,410	1,214,203
		<b>272,793,691</b>	384,234,258
<b>Total liabilities</b>		<b>344,575,203</b>	433,083,061
<b>Total equity and liabilities</b>		<b>357,214,960</b>	436,428,997

Approved and authorised for issue by the Board of Directors on 27 March 2026.

**Hui Sai Tan, Jason**  
Director

**Zhao Jun**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Notes	Attributable to the equity holders of the Company			Total RMB'000
		Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	
<b>Balance as at 1 January 2025</b>		<b>384,165</b>	<b>(22,038,498)</b>	<b>25,000,269</b>	<b>3,345,936</b>
<b>Comprehensive (loss)/income</b>					
Profit for the year		–	14,473,362	(9,996,268)	4,477,094
<b>Other comprehensive loss for the year</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		–	(50)	–	(50)
Share of other comprehensive loss of joint ventures accounted for using the equity method		–	(15,830)	(8,091)	(23,921)
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		–	(2,378)	–	(2,378)
<b>Total comprehensive (loss)/income for the year</b>		<b>–</b>	<b>14,455,104</b>	<b>(10,004,359)</b>	<b>4,450,745</b>
Capital contribution from non-controlling interests of subsidiaries		–	–	20,340	20,340
Changes in ownership interests in subsidiaries without change of control	40(c)	–	216,969	(1,399,719)	(1,182,750)
Loss of controls of subsidiaries	40(a), (b)	–	(10,162)	(605,957)	(616,119)
Deregistration of subsidiaries		–	–	(145,551)	(145,551)
Equity-settled share-based payment – Value of employee services	22(b)	–	(292)	–	(292)
Dividends paid to non-controlling interests		–	–	(58,369)	(58,369)
Effect on offshore debt restructuring		–	4,877,015	–	4,877,015
Shares issued upon the conversion of the mandatory convertible bonds	22(a)	436,829	1,511,973	–	1,948,802
<b>Total transactions with owners</b>		<b>436,829</b>	<b>6,595,503</b>	<b>(2,189,256)</b>	<b>4,843,076</b>
<b>Balance at 31 December 2025</b>		<b>820,994</b>	<b>(987,891)</b>	<b>12,806,654</b>	<b>12,639,757</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2025

	Attributable to the equity holders of the Company		Perpetual capital instruments RMB'000	Other non- controlling interests RMB'000	Total RMB'000	
	Notes	Share capital RMB'000				Reserves RMB'000
<b>Balance as at 1 January 2024</b>		384,165	14,331,786	1,541,000	34,994,079	51,251,030
<b>Comprehensive loss</b>						
Loss for the year		-	(35,905,060)	(178,698)	(7,601,890)	(43,685,648)
<b>Other comprehensive (loss)/income for the year</b>						
<i>Items that will not be reclassified to profit or loss</i>						
Fair value losses on financial assets at fair value through other comprehensive income, net of tax		-	(12)	-	-	(12)
Share of other comprehensive loss of joint ventures accounted for using the equity method		-	11,851	-	6,057	17,908
<i>Items that may be reclassified to profit or loss</i>						
Exchange differences on translation of foreign operations		-	(7,213)	-	-	(7,213)
<b>Total comprehensive loss for the year</b>		-	(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		-	(471,009)	-	(1,045,611)	(1,516,620)
Loss of controls of subsidiaries		-	-	-	(1,115,315)	(1,115,315)
Equity-settled share-based payment – Value of employee services		-	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)
<b>Total transactions with owners</b>		-	(469,850)	(1,362,302)	(2,397,977)	(4,230,129)
<b>Balance at 31 December 2024</b>		384,165	(22,038,498)	-	25,000,269	3,345,936

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	36	<b>3,642,766</b>	958,670
Interest received		<b>54,128</b>	121,990
Interest paid		<b>(373,993)</b>	(575,229)
PRC income tax paid		<b>(874,720)</b>	(749,404)
<b>Net cash generated from/(used in) operating activities</b>		<b>2,448,181</b>	(243,973)
<b>Cash flows from investing activities</b>			
Additions of property and equipment and investment properties		<b>(383,136)</b>	(552,780)
Disposal of property and equipment		<b>56,749</b>	79,578
Disposal of investment properties		<b>6,203</b>	285,000
Purchase of intangible assets		<b>(609,928)</b>	(239,150)
Disposal of intangible assets		<b>668</b>	4,043
Net cash (outflow)/inflow on disposal of subsidiaries		<b>(156,782)</b>	325,227
Net cash outflow on liquidation of subsidiaries		<b>(91,531)</b>	(123,840)
Capital injections to associated companies		<b>(99,810)</b>	(59,437)
Capital injections to joint ventures		–	(382,741)
Disposal of shares of joint ventures		<b>490</b>	–
Disposal of shares of associated companies		–	5,000
Dividends received from associated companies and joint ventures		<b>67,328</b>	158,966
Repayments from joint ventures and associated companies		<b>355,740</b>	131,599
Increase of financial assets at fair value through profit or loss		<b>(692,120)</b>	–
<b>Net cash used in investing activities</b>		<b>(1,546,129)</b>	(368,535)

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	637,953	1,355,595
Repayments of borrowings	(4,041,372)	(4,469,714)
Capital contribution from non-controlling interests of subsidiaries	4,340	3,644
Net cash inflow/(outflow) on transaction with non-controlling interests	135,942	(443,551)
Dividends paid to non-controlling interests	(17,283)	(84,038)
Repayments to non-controlling interests	(611,131)	(141,090)
Repayments to joint ventures and associated companies	(388,779)	(257,321)
Lease payment	(31,577)	(56,748)
Decrease in restricted cash pledged for borrowings	496,202	856,778
<b>Net cash used in financing activities</b>	<b>(3,815,705)</b>	<b>(3,236,445)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,913,653)</b>	<b>(3,848,953)</b>
Cash and cash equivalents at the beginning of the year	11,372,355	15,186,591
Effect of foreign exchange rate changes	(5,984)	34,717
<b>Cash and cash equivalents at the end of the year</b>	<b>8,452,718</b>	<b>11,372,355</b>
<b>Analysis of balance of cash and cash equivalents:</b>		
Cash and cash equivalents	8,448,072	11,352,828
Cash and cash equivalents included in assets of a disposal group classified as held for sale	4,646	19,527
	<b>8,452,718</b>	<b>11,372,355</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Main Board of The Stock Exchange and by the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income (“FVOCI”), derivative financial instruments and financial assets at fair value through profit or loss (“FVTPL”) which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards 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

As at 31 December 2025, the Group had borrowings in a total of approximately RMB182.3 billion, out of which approximately RMB118.6 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 RMB12.1 billion. As at 31 December 2025, the Group had not repaid borrowings of RMB92.5 billion in aggregate according to their scheduled repayment dates. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

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

- (i) On 21 July 2025, all the conditions precedent to the Group's proposed offshore indebtedness restructuring scheme (the "Restructuring Scheme") have been satisfied and the Restructuring Scheme became effective. As a result, 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, has been 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;
- (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 were discharged in exchange for the controlling shareholder notes and controlling shareholder mandatory convertible bonds in 2025;
- (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) Up to the date of these consolidated financial statements, a total of approximately RMB451 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 continuously focus on the acceleration of sales and delivery of its existing inventory of properties;
- (vi) 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
- (vii) 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 2025. 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 2025. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 2025, 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 HKFRS Accounting Standards**

In the current year, the Group has adopted all the new and revised HKFRS Accounting Standards issued by the HKICPA, that are relevant to its operations and effective for its accounting year beginning on 1 January 2025. HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

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

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

**Joint venture**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Building improvements	10 to 20 years
Furniture and equipment	5 to 12 years
Motor vehicles	5 to 8 years

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 8 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

**Modification of financial liabilities**

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liabilities. Accordingly, such modification of terms is accounted for as an extinguishment, and any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent. For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liabilities is recognised in consolidated profit or loss at the date of modification.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**3. Material accounting policies** (CONTINUED)**Financial assets**

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

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

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

**(i) Financial assets at amortised cost**

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

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

**(iii) Financial assets at fair value through profit or loss**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**3. Material accounting policies** (CONTINUED)**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.

**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.

**Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**3. Material accounting policies (CONTINUED)****Convertible bonds**

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and derivative components. At the date of issue, the fair values of the derivative components are determined using an option pricing model. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

**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 other 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 stand-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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

### 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 associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**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;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

*(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

**(vii) Fair value of derivative financial instruments and financial instruments recognised as at the date of debt restructuring**

The fair value of new financial liabilities and derivative financial instruments recognised as at the date of debt restructuring are determined by using valuation techniques. Details of the judgement and assumptions have been disclosed in note 24(i) to the consolidated financial statements.

**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 2025, 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 profit (2024: loss) for the year would have been RMB2,328,579,000 (2024: RMB5,152,698,000) lower/higher (2024: 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 2025, borrowings with a total carrying amount of RMB28,209,656,000 (2024: RMB65,629,749,000) are denominated in US dollar and borrowings with a total carrying amount of RMB18,554,323,000 (2024: RMB37,729,988,000) are denominated in HK dollar.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 2025, 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 RMB26,001,000 (2024: RMB26,006,000) 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 2025, the Group did not convert borrowings from fixed rate to floating rate through interest rate swaps (2024: 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 profit (2024: loss) for the year would have been RMB100,120,000 (2024: RMB111,466,000) lower/higher (2024: higher/lower) mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2025. 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 profit (2024: loss) for the year would have been RMB200,584,000 (2024: RMB546,121,000) lower/higher (2024: higher/lower) mainly as a result of higher/lower interest expenses on borrowings with variable rates as at 31 December 2025.

**(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 2025.

Counterparty	Rating (Note)	2025 RMB'000	2024 RMB'000
Bank A	A	2,905,079	3,319,604
Bank B	BBB	1,022,840	1,086,543
Bank C	A-	765,782	756,000
Bank D	A	755,151	586,584
Bank E	A	670,422	420,288

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 2025 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 2025 and 31 December 2024 was determined as follows for trade receivables and other receivables and amounts due from related parties:

31 December 2025	Current and within 6 months RMB'000	7 months to 12months RMB'000	Over 1 year RMB'000	Total RMB'000
<b>Trade receivables</b>				
Gross carrying amount	5,836,053	1,256,329	1,594,418	8,686,800
Expected loss rate	7.00%	9.31%	60.77%	
Loss allowance	408,534	117,025	968,862	1,494,421
<b>31 December 2025</b>				
		Expected Loss Rate	Gross Carrying Amount RMB'000	Loss allowance provision RMB'000
<b>Other receivables and amounts due from related parties</b>				
Loan receivables		5.00% – 16.88%	359,903	55,563
Other receivables		0.50% – 100.00%	32,069,547	2,261,989
Amounts due from related parties		0.50% – 11.02%	78,467,409	6,918,702
			<b>110,896,859</b>	<b>9,236,254</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

## 5. Financial risk management (CONTINUED)

## (b) Credit risk (continued)

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

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
<b>Trade receivables</b>				
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
<hr/>				
31 December 2024		Expected Loss Rate	Gross Carrying Amount RMB'000	Loss allowance provision RMB'000
<hr/>				
<b>Other receivables and amounts due from related parties</b>				
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

The closing loss allowances for trade receivables and other receivables and amounts due from related parties as at 31 December 2025 and 2024 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 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 and 1 January 2025	856,960	4,587,885	5,444,845
Increase in loss allowance recognised in profit or loss during the year	650,677	4,918,006	5,568,683
Write-off during the year	(13,216)	(20,823)	(34,039)
Disposal of subsidiaries	–	(248,814)	(248,814)
<b>As at 31 December 2025</b>	<b>1,494,421</b>	<b>9,236,254</b>	<b>10,730,675</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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
<b>At 31 December 2025</b>					
Borrowings and interest payments	126,171,120	23,824,311	61,081,486	16,189,539	227,266,456
Trade and other payables (excluding other taxes payables)	74,068,026	–	–	–	74,068,026
Amounts due to related parties – others	12,931,593	–	–	–	12,931,593
– controlling shareholder notes	–	292,568	2,728,779	1,698,311	4,719,658
Lease liabilities and interest payments	15,964	10,589	7,218	3,452	37,223
	<b>213,186,703</b>	<b>24,127,468</b>	<b>63,817,483</b>	<b>17,891,302</b>	<b>319,022,956</b>
<b>At 31 December 2024</b>					
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 and interest payments	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

Note:

The interest on borrowings is calculated based on borrowings outstanding as at 31 December 2025 and 2024 without taking into account of future issues. Floating-rate interest is estimated using the applicable interest rate as at 31 December 2025 and 2024, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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:*

Description	Fair value measurement using:			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 31 December 2025</b>				
<b>Financial assets</b>				
Financial assets at FVOCI				
– investment in listed equity securities	9	–	–	9
– investment in structured products	–	–	260,000	260,000
Financial assets at FVTPL				
– wealth management products	–	110,000	–	110,000
– investment in unlisted equity investments	–	–	582,120	582,120
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	277,921	277,921
<b>At 31 December 2024</b>				
<b>Financial assets</b>				
Financial assets at FVOCI				
– investment in listed equity securities	59	–	–	59
– investment in structured products	–	–	260,000	260,000

Financial assets at FVOCI included in Level 1 as at 31 December 2025 and 2024 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 2025 and 2024 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

Financial assets at FVTPL as at 31 December 2025 included in Level 2 is the wealth management products, the fair value of which are based on net assets value quoted by financial institution.

Financial assets at FVTPL as at 31 December 2025 included in Level 3 are the unlisted equity investments, 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.

Derivative financial instruments included as at 31 December 2025 in Level 3 is option embedded in the mandatory convertible bonds ("MCB(s)") under the Restructuring Scheme. The fair value of which are determined using the valuation model for which not all inputs are market observable, such as discount rate. The higher the discount rates, the lower the fair value of the derivative financial instruments.

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

	2025 RMB'000	2024 RMB'000
Opening balances of assets	260,000	384,179
Disposals	–	(124,179)
Closing balances of assets	260,000	260,000

**Financial assets at FVTPL:**

	2025 RMB'000	2024 RMB'000
Opening balances of assets	–	–
Addition	582,120	–
Closing balances of assets	582,120	–

**Derivative financial instruments at FVTPL:**

	2025 RMB'000	2024 RMB'000
Opening balances of liabilities	–	–
Addition	3,825,035	–
Conversion of MCBs	(1,948,802)	–
Fair value gain on derivative financial instruments	(1,595,101)	–
Exchange difference	(3,211)	–
Closing balances of liabilities	277,921	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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**

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
Sales of properties	<b>16,539,177</b>	47,911,418
Hotel operation income	<b>2,184,546</b>	2,224,745
Commercial properties operation income	<b>1,493,484</b>	1,666,670
Property management income, and others	<b>8,200,566</b>	8,172,229
	<b>28,417,773</b>	59,975,062

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

## 6. Segment information (CONTINUED)

## (b) Segment information

Year ended 31 December 2025

	Property development and investment		Shimao Services**	Unallocated***	Total
	Shanghai Shimao Co., Ltd. ("Shanghai Shimao")*	Others			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
– Sales of properties					
– Recognised at a point in time	3,683,376	12,855,801	–	–	16,539,177
– Hotel operation income	226,002	1,958,544	–	–	2,184,546
– Commercial properties operation income	1,093,575	399,909	–	–	1,493,484
– Property management income, and others	271,446	304,043	7,880,037	–	8,455,526
Total revenue before elimination	5,274,399	15,518,297	7,880,037	–	28,672,733
Elimination					(254,960)
Total revenue					28,417,773
Operating (loss)/profit	(11,076,938)	(44,697,409)	161,531	71,071,384	15,458,568
Finance income	4,301	23,922	23,383	2,522	54,128
Finance costs	(1,615,472)	(3,472,281)	(1,477)	(2,238,565)	(7,327,795)
Share of results of associated companies and joint ventures accounted for using the equity method	(5,886)	(1,044,875)	1,755	–	(1,049,006)
(Loss)/profit before income tax	(12,693,995)	(49,190,643)	185,192	68,835,341	7,135,895
Income tax expense					(2,658,801)
Profit for the year					4,477,094
Other segment items are as follows:					
Capital expenditures	2,892	67,296	411,781	162	482,131
Fair value (losses) on investment properties – net	(3,266,118)	(1,225,213)	–	–	(4,491,331)
Fair value gain on derivative financial instruments	–	–	–	1,595,101	1,595,101
Depreciation and amortisation charge	88,179	466,202	196,643	10,572	761,596
Amortisation of right-of-use assets	9,381	105,561	18,159	–	133,101
Provision for impairment on financial assets	3,592,790	2,167,231	335,476	–	6,095,497
Impairment losses on property and equipment	399,378	1,923,413	–	–	2,322,791
Impairment losses on right-of-use assets	–	234,573	–	–	234,573
Impairment losses on investment in joint ventures	63,402	–	–	–	63,402
Impairment losses on intangible assets	–	–	65,027	–	65,027
Provision for impairment losses on properties under development and completed properties held for sale	2,900,852	23,112,159	1,184	–	26,014,195

\* The Group owns an effective equity interest of 66.18% in Shanghai Shimao as at 31 December 2025

\*\* The Group owns an effective equity interest of 54.95% in Shimao Services as at 31 December 2025

\*\*\* Unallocated mainly represent corporate level activities

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

The segment assets and liabilities at 31 December 2025 are as follows:

	Property development and investment			Total RMB'000
	Shanghai Shimao* RMB'000	Others RMB'000	Shimao Services** RMB'000	
Investments accounted for using the equity method	696,728	13,132,200	590,442	14,419,370
Intangible assets	1,382	30,980	2,153,934	2,186,296
Other segment assets	48,206,252	278,948,287	9,113,076	336,267,615
<b>Total segment assets</b>	<b>48,904,362</b>	<b>292,111,467</b>	<b>11,857,452</b>	<b>352,873,281</b>
Deferred income tax assets				609,471
Financial assets at FVOCI				260,009
Financial assets at FVTPL				692,120
Assets of a disposal group classified as held for sale				2,456,655
Other assets				323,424
<b>Total assets</b>				<b>357,214,960</b>
Borrowings	25,810,854	130,282,095	4,495	156,097,444
Other segment liabilities	37,461,464	109,464,495	4,882,487	151,808,446
<b>Total segment liabilities</b>	<b>63,272,318</b>	<b>239,746,590</b>	<b>4,886,982</b>	<b>307,905,890</b>
Corporate borrowings				26,168,725
Deferred income tax liabilities				6,027,312
Derivative financial instruments				277,921
Liabilities of a disposal group classified as held for sale				1,994,410
Other liabilities				2,200,945
<b>Total liabilities</b>				<b>344,575,203</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

Year ended 31 December 2024

	Property development and investment		Shimao Services**	Unallocated***	Total
	Shanghai Shimao*	Others			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
– Sales of properties					
– 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)	(7,603,439)	(30,879)	(13,214)	(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)	(27,747,819)	(147,744)	(204,139)	(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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

The segment assets and liabilities at 31 December 2024 are as follows:

	Property development and investment		Shimao Services** RMB'000	Total RMB'000
	Shanghai Shimao*	Others		
	RMB'000	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
<b>Total segment assets</b>	<b>72,266,261</b>	<b>350,227,605</b>	<b>10,573,506</b>	<b>433,067,372</b>
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
<b>Total assets</b>				<b>436,428,997</b>
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
<b>Total segment liabilities</b>	<b>73,768,777</b>	<b>254,732,825</b>	<b>2,780,268</b>	<b>331,281,870</b>
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
<b>Total liabilities</b>				<b>433,083,061</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

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

	2025 RMB'000	2024 RMB'000
Related to development and sales of properties contracts Contract liabilities (Note)	<b>36,896,450</b>	48,355,145

Note: Contract liabilities have been disclosed with the value-added tax of approximately RMB2.4 billion deducted in 2025 (2024: approximately RMB3.1 billion).

Revenue from sales of properties totalled approximately RMB14.5 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 RMB6.6 billion as of 31 December 2025 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
<b>Cost</b>						
At 1 January 2025	2,003,939	16,928,539	606,492	40,936	1,402,010	20,981,916
Additions	52,624	15,156	133,106	8,172	113	209,171
Disposal of subsidiaries	-	-	(8,360)	-	-	(8,360)
Disposals	(2,457)	(60,036)	(31,219)	(26,998)	(97,426)	(218,136)
Liquidation of subsidiaries	-	-	(3,467)	-	-	(3,467)
Transfer to inventories	(110,838)	(428)	-	-	-	(111,266)
Transfer to other non-current assets	(13,919)	-	-	-	-	(13,919)
Transfer to assets of disposal group classified as held for sale	-	-	(1,462)	-	-	(1,462)
Transfer	(927)	-	-	927	-	-
At 31 December 2025	<b>1,928,422</b>	<b>16,883,231</b>	<b>695,090</b>	<b>23,037</b>	<b>1,304,697</b>	<b>20,834,477</b>
<b>Accumulated depreciation and impairment loss</b>						
At 1 January 2025	8,170	5,502,986	545,610	32,989	987,505	7,077,260
Charge for the year	-	426,793	62,977	6,853	89,142	585,765
Disposal of subsidiaries	-	-	(7,316)	-	-	(7,316)
Disposals	-	(36,987)	(30,220)	(23,257)	(48,733)	(139,197)
Liquidation of subsidiaries	-	-	(3,062)	-	-	(3,062)
Impairment loss recognised	552,034	1,729,555	41,202	-	-	2,322,791
Transfer to assets of disposal group classified as held for sale	-	-	(1,215)	-	-	(1,215)
At 31 December 2025	<b>560,204</b>	<b>7,622,347</b>	<b>607,976</b>	<b>16,585</b>	<b>1,027,914</b>	<b>9,835,026</b>
<b>Carrying amount</b>						
At 31 December 2025	<b>1,368,218</b>	<b>9,260,884</b>	<b>87,114</b>	<b>6,452</b>	<b>276,783</b>	<b>10,999,451</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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
<b>Cost</b>						
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
<b>Accumulated depreciation and impairment loss</b>						
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
<b>Carrying amount</b>						
At 31 December 2024	1,995,769	11,425,553	60,882	7,947	414,505	13,904,656

Depreciation charge of approximately RMB585,765,000 for the year ended 31 December 2025 (2024: RMB697,167,000) has been recorded in cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (note 29).

An impairment loss on certain property and equipment of approximately RMB2,322,791,000 was recognised for the year (2024: RMB8,170,000) as the management of the Group determined that the recoverable amount of these assets exceeded their carrying amounts.

As at 31 December 2025, assets under construction and buildings of the Group with a total carrying amount of approximately RMB10,413,877,000 (2024: RMB10,607,607,000) were pledged as collateral for certain borrowings of the Group (note 24).

For the year ended 31 December 2025, the Group has capitalised borrowing costs amounting to approximately RMB3,281,000 (2024: RMB1,383,000) in assets under construction. Borrowing costs were capitalised at the weighted average rate of 6.65% (2024: 4.37%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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	
	2025 RMB'000	2024 RMB'000
<b>Right-of-use assets</b>		
Land use rights and leasehold land	4,184,947	4,292,924
Buildings	35,061	56,169
Vehicles	247	596
	4,220,255	4,349,689
Impairment losses	(234,573)	–
	3,985,682	4,349,689
<b>Lease liabilities</b>		
Current	14,532	31,531
Non-current	19,433	25,628
	33,965	57,159

**(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	
	2025 RMB'000	2024 RMB'000
<b>Amortisation charge of right-of-use assets</b>		
Land use rights and leasehold land	102,038	102,845
Buildings	30,714	49,547
Vehicles	349	622
	133,101	153,014
Interest expense (included in finance cost) (note 30)	2,227	4,198

The total cash outflow for leases in 2025 was approximately RMB31,577,000 (2024: RMB56,748,000). As at 31 December 2025, land use rights of approximately RMB3,491,496,000 (2024: RMB3,430,513,000) were pledged as collateral for the Group's borrowings (note 24).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**9. Investment properties**

	2025 RMB'000	2024 RMB'000
Opening balance at 1 January	41,735,180	60,847,476
Additions – Construction cost and others	70	378,408
Transfer from inventories	704,257	–
Transfer to assets of a disposal group classified as held for sale	(1,459,397)	–
Disposals	(732,760)	(2,174,371)
Settlement of indebtedness	–	(13,360,000)
Settlement of certain PRC on-shore debts	(2,729,686)	–
Disposals of subsidiaries	(1,074,000)	(1,143,375)
Liquidation of subsidiaries	(487,900)	–
Fair value losses – net	(4,491,331)	(2,812,958)
Closing balance at 31 December	31,464,433	41,735,180

As at 31 December 2025, 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 2024: 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	
	2025 RMB'000	2024 RMB'000
Commercial properties operation income	1,493,484	1,666,670
Direct operating expenses from properties that generated rental income	15,252	17,106
Direct operating expenses from properties that did not generate rental income	4,291	4,776

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 2025 and 2024.

Description	Fair value measurements at 31 December 2025 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	–	–	<b>30,999,070</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

	Year ended 31 December 2025		
	Significant unobservable Inputs-Commercial buildings-China (Level 3)		
	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
Opening balance	33,947,929	7,321,888	41,269,817
Additions – Construction cost and others	–	70	70
Transfer from inventories	704,257	–	704,257
Transfer to assets of a disposal group classified as held for sale	(1,052,832)	(406,565)	(1,459,397)
Disposals	(477,474)	(255,286)	(732,760)
Disposals of subsidiaries	(368,000)	(706,000)	(1,074,000)
Liquidation of subsidiaries	(487,900)	–	(487,900)
Settlement of certain PRC on-shore debts	(2,729,686)	–	(2,729,686)
Net losses from fair value adjustment	(4,148,224)	(343,107)	(4,491,331)
Closing balance	25,388,070	5,611,000	30,999,070
	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 28)	–	(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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**9. Investment properties** (CONTINUED)**(b) Valuation** (continued)*Valuation processes of the Group*

The Group's investment properties were valued at 31 December 2025 and 2024 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

Description	Fair value at 31 Dec 2025 (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	25,388,070	Term and reversionary method	Market prices	RMB3,376-RMB47,475 per square meter (RMB13,486 per square meter)	The higher the market prices, the higher the fair value
			Market rents	RMB5-RMB91 per square meter (RMB23 per square meter)	The higher the market rents, the higher the fair value
			Term yields	1.90%-9.14% (5.06%)	The higher the term yields, the lower the fair value
			Reversionary yields	4.50%-8.50% (5.62%)	The higher the reversionary yields, the lower the fair value
Commercial buildings – China (under development)	5,611,000	Discounted cash flows with estimated costs to complete	Market prices	RMB3,766-RMB13,654 per square meter (RMB9,097 per square meter)	The higher the market prices, the higher the fair value
			Estimated costs to be incurred	RMB3,495-RMB9,434 per square meter (RMB7,595 per square meter)	The higher the estimated costs to be incurred, the lower the fair value
			Yields	5.00%-6.10% (4.44%)	The higher the capitalisation rate, the lower the fair value
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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

As at 31 December 2025, 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 RMB25,358,067,000 (2024: RMB33,395,664,000) 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	
	2025 RMB'000	2024 RMB'000
Within one year	<b>680,879</b>	848,418
Between one to two years	<b>404,755</b>	572,166
Between two to three years	<b>277,029</b>	338,377
Between three to four years	<b>164,069</b>	217,255
Between four to five years	<b>118,320</b>	115,061
Later than five years	<b>190,206</b>	157,521
	<b>1,835,258</b>	2,248,798

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

## 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
<b>Year ended 31 December 2024</b>						
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)
<b>Closing net book amount</b>	<b>376,799</b>	<b>1,307,788</b>	<b>461,241</b>	<b>-</b>	<b>9,333</b>	<b>2,155,161</b>
<b>As at 31 December 2024</b>						
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)
<b>Net book amount</b>	<b>376,799</b>	<b>1,307,788</b>	<b>461,241</b>	<b>-</b>	<b>9,333</b>	<b>2,155,161</b>
<b>Year ended 31 December 2025</b>						
Opening net book amount	<b>376,799</b>	<b>1,307,788</b>	<b>461,241</b>	<b>-</b>	<b>9,333</b>	<b>2,155,161</b>
Additions	<b>272,890</b>	-	-	-	-	<b>272,890</b>
Disposals	<b>(668)</b>	-	-	-	-	<b>(668)</b>
Disposal of subsidiaries	<b>(209)</b>	-	-	-	-	<b>(209)</b>
Amortisation charge	<b>(75,281)</b>	-	<b>(98,550)</b>	-	<b>(2,000)</b>	<b>(175,831)</b>
Impairment loss recognised	-	<b>(65,027)</b>	-	-	-	<b>(65,027)</b>
Transfer to assets of disposal group classified as held for sale	<b>(20)</b>	-	-	-	-	<b>(20)</b>
<b>Closing net book amount</b>	<b>573,511</b>	<b>1,242,761</b>	<b>362,691</b>	<b>-</b>	<b>7,333</b>	<b>2,186,296</b>
<b>As at 31 December 2025</b>						
Cost	<b>1,149,689</b>	<b>4,807,439</b>	<b>1,038,800</b>	<b>-</b>	<b>16,000</b>	<b>7,011,928</b>
Accumulated amortisation and impairment	<b>(576,178)</b>	<b>(3,564,678)</b>	<b>(676,109)</b>	<b>-</b>	<b>(8,667)</b>	<b>(4,825,632)</b>
<b>Net book amount</b>	<b>573,511</b>	<b>1,242,761</b>	<b>362,691</b>	<b>-</b>	<b>7,333</b>	<b>2,186,296</b>

Amortisation charge of approximately RMB175,831,000 for the year ended 31 December 2025 (2024: RMB183,265,000) has been recorded in the cost of sales and administrative expenses in the consolidated statement of profit or loss and other comprehensive income (note 29).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 2025, 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 2025 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 RMB65,027,000 (2024: RMB45,566,000) was recognised for CGU – Shimao Services for the year.

The key assumptions used in the value-in-use calculation in 2025 and 2024 are as follows:

	2025	2024
Revenue growth rate during the forecast period	<b>-29% to 34%</b>	3% to 15%
Gross profit margin during the forecast period	<b>5% to 32%</b>	6% to 40%
Pre-tax discount rate	<b>15% to 18%</b>	15% to 18%

Notes:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**11. Financial instruments by category**

	At 31 December	
	2025 RMB'000	2024 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost:		
– Trade and other receivables	<b>27,614,051</b>	31,085,740
– Amounts due from related parties	<b>71,548,707</b>	73,125,687
– Restricted cash	<b>3,621,845</b>	4,398,874
– Cash and cash equivalents	<b>8,448,072</b>	11,352,828
Financial assets at FVOCI	<b>260,009</b>	260,059
Financial assets at FVTPL	<b>692,120</b>	–
<b>Total</b>	<b>112,184,804</b>	120,223,188
<b>Financial liabilities</b>		
Other financial liabilities at amortised cost:		
– Borrowings	<b>182,266,169</b>	252,051,410
– Trade and other payables (excluding other taxes payable)	<b>74,068,026</b>	76,672,682
– Amounts due to related parties	<b>14,961,586</b>	20,425,864
Derivative financial instruments	<b>277,921</b>	–
Lease liabilities	<b>33,965</b>	57,159
<b>Total</b>	<b>271,607,667</b>	349,207,115

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**12. Investments accounted for using the equity method**

	At 31 December	
	2025 RMB'000	2024 RMB'000
Investments accounted for using the equity method comprise:		
Associated companies (Note (a))	<b>2,800,140</b>	3,239,266
Joint ventures (Note (b))	<b>11,619,230</b>	12,893,650
	<b>14,419,370</b>	16,132,916

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	
	2025 RMB'000	2024 RMB'000
Carrying amounts of interests	<b>2,800,140</b>	3,239,266

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Loss for the year	<b>(297,738)</b>	(96,563)
Other comprehensive loss	<b>(23,921)</b>	–
Total comprehensive loss	<b>(321,659)</b>	(96,563)

Details of the principal associated companies of the Group as at 31 December 2025 are set out in note 37 to the consolidated financial statements.

There was no individually material associated company of the Group as at 31 December 2025 and 2024.

The Group provided guarantees to associated companies for their borrowings from banks and other financial institutions amounting to RMB667,510,000 as at 31 December 2025 (2024: RMB842,726,000) (note 38(b)).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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	
	2025 RMB'000	2024 RMB'000
Gross amounts of interests before impairment losses	11,682,632	12,893,650
Impairment losses	(63,402)	–
Carrying amounts of interests	11,619,230	12,893,650
	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Loss for the year	(751,268)	(537,372)
Other comprehensive income	–	17,908
Total comprehensive loss	(751,268)	(519,464)

Details of the principal joint ventures of the Group as at 31 December 2025 are set out in note 37 to the consolidated financial statements.

There was no individually material joint ventures of the Group as at 31 December 2025 and 2024.

The Group provided guarantees to joint ventures for their borrowings from banks and other financial institutions amounting to RMB20,925,127,000 as at 31 December 2025 (2024: RMB22,810,806,000) (note 38(b)).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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	
	2025 RMB'000	2024 RMB'000
Included in non-current assets		
– Joint ventures	<b>4,853,801</b>	4,904,456
– Associated companies	<b>581,302</b>	826,303
	<b>5,435,103</b>	5,730,759
Provision for impairment	<b>(81,526)</b>	(85,961)
	<b>5,353,577</b>	5,644,798

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	
	2025 RMB'000	2024 RMB'000
Included in current assets		
– Associated companies	<b>4,582,698</b>	1,213,536
– Joint ventures	<b>49,790,849</b>	51,583,154
– Non-controlling interest	<b>18,658,759</b>	17,337,333
	<b>73,032,306</b>	70,134,023
Provision for impairment	<b>(6,837,176)</b>	(2,653,134)
	<b>66,195,130</b>	67,480,889

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 RMB4,179,607,000 to approximately RMB6,918,702,000 for amounts due from related parties during the current reporting period.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**14. Financial assets at fair value through other comprehensive income**

Equity investments at FVOCI comprise the following individual investments:

	At 31 December	
	2025 RMB'000	2024 RMB'000
Non-current assets		
– Listed securities	9	59
– Structured products	260,000	260,000
	<b>260,009</b>	260,059

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. Financial assets at fair value through profit or loss**

Financial assets at FVOCI comprise the following individual investments:

	At 31 December	
	2025 RMB'000	2024 RMB'000
Unlisted equity investments – non-current assets (note (i))	582,120	–
Wealth management products – current assets (note (ii))	110,000	–

Notes:

- (i) During the year ended 31 December 2025, a subsidiary as a limited partner, and three independent third parties to the Group, being the general and executive partner, entered into limited partnership, namely Liaoning Province Qicheng Project Management Consulting Partnership (Limited Partnership) (“Liaoning Qicheng”), Nanjing Maoxing Project Management Partnership (Limited Partnership) (“Nanjing Maoxing”) and Shanghai Tianji Xinghe Project Management Partnership (Limited Partnership) (“Shanghai Tianji”), respectively. Pursuant to the partnership agreements, the total capital contribution of Liaoning Qicheng, Nanjing Maoxing and Shanghai Tianji are RMB283,000,000, RMB240,000,000 and RMB65,000,000, respectively. As at 31 December 2025, the Group contributed RMB280,170,000, RMB237,600,000 and RMB64,350,000, representing equity interest of 99%, into Liaoning Qicheng, Nanjing Maoxing and Shanghai Tianji, respectively.

Notwithstanding the Group has the equity interest of 99%, pursuant to partnership agreements, the executive partner of respective partnerships has the exclusive right to make all decisions on the financial and operating policies. In addition, the limited partner of respective partnerships can only remove the general partner on the occurrence of an event that the executive partner causes losses to the partnership to the limited partner due to intentional act or gross negligence and therefore the removal right is not considered to have any substance. Based on the foregoing, the directors are of opinion that the Group has neither significant influence, joint control nor control over Liaoning Qicheng, Nanjing Maoxing and Shanghai Tianji and therefore the investments classified as financial assets at financial assets at fair value through profit or loss.

- (ii) The amounts represented financial products with no predetermined return which are principal protected investments. The financial products are with expected yield rates, depending on the market prices of underlying financial instruments, including bonds and other financial assets. Hence their contractual cash flows do not qualify for solely payments of principal and interest. The expected yield rate at 1.62% per annum as at 31 December 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**16. 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	
	2025 RMB'000	2024 RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	<b>460,771</b>	817,414
– to be recovered within 12 months	<b>148,700</b>	243,357
	<b>609,471</b>	1,060,771
Deferred income tax liabilities		
– to be recovered after more than 12 months	<b>4,944,805</b>	6,359,021
– to be recovered within 12 months	<b>1,082,507</b>	628,533
	<b>6,027,312</b>	6,987,554
Net deferred income tax liabilities	<b>5,417,841</b>	5,926,783

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

	2025 RMB'000	2024 RMB'000
Opening balance at 1 January	<b>5,926,783</b>	5,956,762
Disposal of subsidiaries (note 40(a))	<b>118,251</b>	255,506
Liquidation of subsidiaries (note 40(b))	<b>211,599</b>	22,821
Transfer to assets of disposal group classified as held for sale (note 21)	<b>442,594</b>	781
Transfer to liabilities of disposal group classified as held for sale (note 21)	<b>(46,878)</b>	(621)
Credited to the consolidated income statement (note 33)	<b>(1,234,508)</b>	(90,225)
Others	–	(218,241)
Closing balance at 31 December	<b>5,417,841</b>	5,926,783

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**16. Deferred income tax** (CONTINUED)

Movement in deferred income tax assets and liabilities for the year ended 31 December 2025 and 2024, 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 2024	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 a 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
Credited/(charged) to the consolidated income statement	<b>509,830</b>	<b>(47,167)</b>	<b>6,253</b>	<b>468,916</b>
Disposal of subsidiaries	<b>(266,023)</b>	–	–	<b>(266,023)</b>
Liquidation of subsidiaries	<b>(211,566)</b>	–	<b>(33)</b>	<b>(211,599)</b>
Transfer to assets of disposal group classified as held for sale	<b>(442,594)</b>	–	–	<b>(442,594)</b>
At 31 December 2025	<b>381,104</b>	<b>205,278</b>	<b>23,089</b>	<b>609,471</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**16. 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 2024	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)
Acquisition 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
Credited to the consolidated income statement	<b>(708,688)</b>	<b>(56,904)</b>	–	–	<b>(765,592)</b>
Disposal of subsidiaries	–	<b>(147,772)</b>	–	–	<b>(147,772)</b>
Transfer to liabilities of disposal group classified as held for sale	–	<b>(46,878)</b>	–	–	<b>(46,878)</b>
At 31 December 2025	<b>2,835,143</b>	<b>825,876</b>	<b>2,329,920</b>	<b>36,373</b>	<b>6,027,312</b>

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 RMB8,755,894,000 (2024: RMB7,568,329,000) in respect of accumulated losses amounting to RMB35,023,576,000 (2024: RMB30,273,316,000) that can be carried forward against future taxable income. All unrecognised tax losses will expire in the years ranging from 2026 to 2030 (2024: 2025 to 2029). During the year, the Group has deductible temporary differences arising from various impairments of the Group's assets in aggregate of approximately RMB34,795,485,000 (2024: RMB12,547,431,000). 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

## 17. Inventories

	At 31 December	
	2025 RMB'000	2024 RMB'000
Inventories comprise:		
Properties under development (Note (a))	108,366,134	173,092,768
Completed properties held for sale (Note (b))	54,636,695	45,420,998
	<b>163,002,829</b>	218,513,766

Notes:

(a) Properties under development

	At 31 December	
	2025 RMB'000	2024 RMB'000
Properties under development comprise:		
Land use rights and leasehold land	55,779,774	86,996,948
Construction costs and capitalised expenditures	36,308,539	56,248,349
Interests capitalised	41,705,410	43,937,341
	<b>133,793,723</b>	187,182,638
Provision for impairment loss	<b>(25,427,589)</b>	(14,089,870)
	<b>108,366,134</b>	173,092,768

	At 31 December	
	2025 RMB'000	2024 RMB'000
Land use rights and leasehold land, held on leases of:		
Over 50 years	51,368,018	72,863,292
Between 10 and 50 years	4,411,756	14,133,656
	<b>55,779,774</b>	86,996,948

As at 31 December 2025, properties under development of approximately RMB43,728,920,000 (2024: RMB79,222,387,000) were pledged as collateral for the Group's borrowings (note 24).

For the year ended 31 December 2025, the Group recognised impairment losses of approximately RMB16,255,732,000 (2024: RMB8,356,066,000) on properties under development (note 29).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**17. Inventories** (CONTINUED)

Notes: (continued)

## (a) Properties under development (continued)

The capitalisation rate of borrowings was 6.65% for the year ended 31 December 2025 (2024: 4.37%).

	At 31 December	
	2025 RMB'000	2024 RMB'000
Properties under development		
Expected to be completed and available for sale after more than 12 months	<b>92,111,214</b>	147,128,853
Expected to be completed and available for sale within 12 months	<b>16,254,920</b>	25,963,915
	<b>108,366,134</b>	173,092,768

## (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	
	2025 RMB'000	2024 RMB'000
Land use rights and leasehold land, held on leases of:		
Over 50 years	<b>4,089,315</b>	12,451,545
Between 10 and 50 years	<b>6,306,430</b>	464,917
	<b>10,395,745</b>	12,916,462

As at 31 December 2025, completed properties held for sale of RMB26,912,927,000 (2024: RMB22,691,256,000) were pledged as collateral for the Group's borrowings (note 24).

For the year ended 31 December 2025, the Group recognised impairment losses of approximately RMB9,758,463,000 (2024: RMB3,028,744,000) on completed properties held for sale (note 29).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**18. Trade and other receivables and prepayments**

	At 31 December	
	2025 RMB'000	2024 RMB'000
Trade receivables (Note (a))	8,686,800	8,684,777
Bidding deposits for land use rights (Note (b))	3,793,534	3,720,756
Prepayments for construction costs	9,030,740	9,010,356
Loan receivables (Note (c))	359,903	361,767
Prepaid tax and surcharges on pre-sale proceeds	659,486	742,499
Deposits paid	5,066,534	8,284,367
Receivables from disposals of equity interests	223,317	222,808
Payments on behalf of customers	449,664	417,086
Other receivables	12,846,272	12,099,929
	<b>41,116,250</b>	43,544,345
Provision for impairment	<b>(3,811,973)</b>	(2,705,750)
	<b>37,304,277</b>	40,838,595

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	
	2025 RMB'000	2024 RMB'000
Within 180 days	5,836,053	5,834,694
Over 180 days and within 365 days	1,256,329	1,256,036
Over 365 days	1,594,418	1,594,047
	<b>8,686,800</b>	8,684,777

As at 31 December 2025, receivables arising from sales of properties were approximately RMB2,952,231,000 (2024: RMB3,663,029,000).

- (b) Bidding deposits for land use rights mainly represented deposits placed by the Group to various governments related bodies for the acquisition of leasehold land.
- (c) As at 31 December 2025, loan receivables of RMB359,903,000 (31 December 2024: RMB361,767,000) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. As at 31 December 2025, 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 2025, a provision of approximately RMB1,494,421,000 (31 December 2024: RMB856,960,000) 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 2025, a provision of approximately RMB2,317,552,000 (31 December 2024: RMB1,848,790,000) 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 2025 and 31 December 2024, trade and other receivables of the Group were mainly denominated in RMB.

**19. Prepayment for acquisition of land use right**

Prepayments for acquisition of land use rights are related to acquisition of land for property development purposes, the ownership certificates of which have not been obtained as at 31 December 2025.

**20. Cash and cash equivalents and restricted cash**

	At 31 December	
	2025 RMB'000	2024 RMB'000
Bank balances and cash		
– denominated in RMB	<b>11,900,547</b>	15,445,919
– denominated in US dollar	<b>22,327</b>	120,819
– denominated in HK dollar	<b>146,675</b>	184,550
– denominated in other foreign currencies	<b>368</b>	414
Less: restricted cash	<b>(3,621,845)</b>	(4,398,874)
	<b>8,448,072</b>	11,352,828

As at 31 December 2025, the Group's restricted cash comprised approximately RMB1,276,185,000 (2024: RMB1,557,012,000) of guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the Group's properties (note 38(a)) and approximately RMB2,345,660,000 (2024: RMB2,841,862,000) 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 2025 was 0.05% (2024: 0.10%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**21. A disposal group classified as held for sale**

As at 31 December 2024, certain debt settlements entered before 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.

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. The transaction was completed during year ended 31 December 2025.

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
<b>Assets of a disposal group classified as held for sale</b>	<b>1,221,462</b>
Trade and other payables	20,843
Contract liabilities	7,739
Deferred income tax liabilities	621
Borrowings	1,185,000
<b>Liabilities of a disposal group classified as held for sale</b>	<b>1,214,203</b>

As at 31 December 2025, the completion of certain debt settlement arrangements entered into during 2024 was pending the Group's satisfaction of necessary conditions precedent. The investment properties associated with these arrangements were amounted to approximately RMB15.0 million as at that date. All other related assets and liabilities were disposed of by the Group during the year ended 31 December 2025.

In addition to the above, the Group entered into several equity transfer agreement and supplementary agreements with an independent third party, pursuant to which the Group conditionally agreed to sell and the independent third parties conditionally agreed to purchase 100% equity interest in a property development company, an indirectly non-wholly owned subsidiary of the Company, for a consideration of RMB596.3 million. The Group is currently in the process of clearance and settlement of certain liabilities, including project related payments with the independent third party. Such related matters remained outstanding as at 31 December 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

In these regards, the management of the Group classified the group of relevant assets and liabilities as assets and liabilities held for sale and is presented separately in the consolidated statement of financial position as at 31 December 2025. The major classes of assets and liabilities classified as held for sale are as follows:

	At 31 December 2025 RMB'000
Property and equipment	247
Investment properties	1,474,433
Intangible assets	20
Inventories	386,516
Trade and other receivables and prepayments	148,199
Deferred income tax assets	442,594
Cash and cash equivalents	4,646
<b>Assets of a disposal group classified as held for sale</b>	<b>2,456,655</b>
Trade and other payables	940,848
Contract liabilities	266,832
Deferred income tax liabilities	46,878
Borrowings	739,852
<b>Liabilities of a disposal group classified as held for sale</b>	<b>1,994,410</b>

**22. Share capital**

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

	Par value	Number of shares	Nominal value of ordinary shares	
	HK\$	'000	HK\$'000	Equivalent to RMB'000
Authorised:				
At 1 January 2024, 31 December 2024 and 1 January 2025	0.1	5,000,000	500,000	
Increase for the year ended 31 December 2025 (Note (i))	0.1	20,000,000	2,000,000	
<b>At 31 December 2025</b>	<b>0.1</b>	<b>25,000,000</b>	<b>2,500,000</b>	
Issued and fully paid:				
At 1 January 2024, 31 December 2024 and 1 January 2025		3,797,832	379,783	384,165
Shares issued upon the conversion of the MCBs (Note (ii))		4,804,508	480,451	436,829
<b>At 31 December 2025</b>		<b>8,602,340</b>	<b>860,234</b>	<b>820,994</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

Note:

- (i) The resolution of the increase of the authorised share capital of the Company from HK\$500,000,000 divided into 5,000,000,000 shares to HK\$2,500,000,000 divided into 25,000,000,000 shares by creating an additional 20,000,000,000 unissued shares was approved on 15 January 2025.
- (ii) During the year ended 31 December 2025, 73.7% holders of the MCBs have exercised the conversion options in multiple tranches to convert the respective bonds into a total of 4,804,508,201 ordinary shares of the Company. As a result, the Group's share capital and reserves increased by approximately RMB0.4 billion and approximately RMB1.5 billion, respectively, and the financial liabilities of the bonds of approximately RMB3.5 billion were derecognised.

**(b) Share Award Scheme**

- (1) The Board approved and adopted the Share Award Scheme on 30 December 2011 (the "2011 Shimao Group Share Award Scheme"). Unless terminated earlier by the Board, the 2011 Shimao Group 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 2011 Shimao Group 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 2011 Shimao Group Share Award Scheme and determine the number of awarded shares.

A Trust was constituted to manage the 2011 Shimao Group 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 2025, 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 2025, a total of 48,751,338 shares were granted to eligible employees according to the 2011 Shimao Group Share Award Scheme, among the shares granted, 36,764,063 shares were vested, and 9,630,464 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:

	2025	2024
Unvested shares, beginning	2,513,090	4,217,846
Lapsed	(156,279)	(1,704,756)
Unvested shares, ending	2,356,811	2,513,090

No shares were granted or vested during the year ended 31 December 2025. The weighted average fair value of the unvested shares granted at 31 December 2025 is approximately HK\$54,358,000, equivalent to approximately RMB49,097,000 (2024: approximately HK\$57,963,000, equivalent to approximately RMB53,676,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

- (2) The Board approved and adopted another share award scheme on 3 May 2021 (the “2021 Shimao Group Share Award Scheme”). Unless terminated earlier by the Board, the 2021 Shimao Group Share Award Scheme is valid and effective for a term of 3 years commencing on 3 May 2021. Under the 2021 Shimao Group 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 2021 Shimao Group Share Award Scheme and determine the number of awarded shares.

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 2021 Shimao Group Share Award Scheme before being transferred to the employees when vesting conditions are fully met.

The 2021 Shimao Group Share Award Scheme was terminated on 3 May 2024.

Movements in the number of unvested shares granted under the 2021 Shimao Group Share Award Scheme during the year are as follows:

	2025	2024
Unvested shares, beginning	<b>33,381</b>	33,381
Lapsed	<b>(33,381)</b>	–
Unvested shares, ending	–	33,381

The weighted average fair value of the unvested shares granted under the 2021 Shimao Group Share Award Scheme at 31 December 2024 is HK\$40,000, equivalent to RMB37,000.

On 28 June 2021, Shimao Services adopted another share award scheme (the “Shimao Services Share Award Scheme”). The purpose of the Shimao Services Share Award Scheme 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 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 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 2025, a total of 7,542,551 shares under the Shimao Services Share Award Scheme were granted to certain employees of Shimao Services at nil consideration. Pursuant to the Shimao Services Share Award Scheme, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

(2) (continued)

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

	2025	2024
Unvested shares, beginning	3,625,719	4,718,961
Lapsed	(280,242)	(1,093,242)
Unvested shares, ending	3,345,477	3,625,719

The weighted average fair value of the unvested shares granted under the Shimao Services Share Award Scheme at 31 December 2025 is HK\$1,974,000, equivalent to RMB1,783,000 (2024: HK\$3,336,000, equivalent to RMB3,089,000).

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

	2025 '000	2024 '000
Shares issued	8,602,340	3,797,831
Treasury shares for Share Award Scheme	(10,262)	(10,262)
Shares outstanding	8,592,078	3,787,569

**(d) Material non-controlling interests**

There is no individual material non-controlling interests of the Group as at 31 December 2025 and 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

## 23. Reserves

	Merger reserve RMB'000	Share premium RMB'000	Other reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2025	(185,787)	4,903,674	9,728,728	887,984	4,271,637	4,949	(1,673,359)	(39,976,324)	(22,038,498)
Loss for the year	-	-	-	-	-	-	-	14,473,362	14,473,362
Fair value losses on financial assets at FVOCI, net of tax	-	-	-	-	-	-	(50)	-	(50)
Share of other comprehensive income of joint ventures accounted for using the equity method	-	-	(15,830)	-	-	-	-	-	(15,830)
Exchange differences on translation of foreign operations	-	-	(2,378)	-	-	-	-	-	(2,378)
Changes in ownership interests in subsidiaries without change of control	-	216,969	-	-	-	-	-	-	216,969
Loss of controls of subsidiaries	(10,162)	-	-	-	(141,202)	-	-	141,202	(10,162)
Equity-settled share-based payment – Value of employee services	-	-	-	(292)	-	-	-	-	(292)
Profit appropriations	-	-	-	-	21,955	-	-	(21,955)	-
Effect on offshore debt restructuring	-	-	4,877,015	-	-	-	-	-	4,877,015
Shares issued upon the conversion of the MCBs	-	1,511,973	-	-	-	-	-	-	1,511,973
Balance at 31 December 2025	(195,949)	6,632,616	14,587,535	887,692	4,152,390	4,949	(1,673,409)	(25,383,715)	(987,891)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**23. Reserves** (CONTINUED)

	Merger reserve RMB'000	Share premium RMB'000	Other reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Capital redemption reserve RMB'000	Financial assets at FVOCI reserve RMB'000	Retained earnings/ (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 loss 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)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**24. Borrowings**

	At 31 December	
	2025 RMB'000	2024 RMB'000
<b>Borrowings included in non-current liabilities</b>		
Long-term borrowings – secured (Note (i))	<b>102,831,746</b>	128,455,339
Long-term borrowings – unsecured	<b>12,610,174</b>	14,932,852
Senior notes – secured (Note (i))	<b>18,959,386</b>	46,078,543
Medium-term notes – unsecured (Note (ii))	<b>3,040,000</b>	3,040,000
Long-term bonds – secured (Note (iii))	<b>18,863,234</b>	18,859,161
	<b>156,304,540</b>	211,365,895
Less: Portion of long-term borrowings due within one year	<b>(79,438,054)</b>	(116,167,348)
Portion of senior notes due within one year	–	(46,078,543)
Portion of medium-term notes due within one year	<b>(3,040,000)</b>	(3,040,000)
Portion of long-term bonds due within one year	<b>(10,121,712)</b>	(4,244,383)
Amounts due within one year	<b>(92,599,766)</b>	(169,530,274)
	<b>63,704,774</b>	41,835,621
<b>Borrowings included in current liabilities</b>		
Short-term borrowings – secured (Note (i))	<b>18,805,741</b>	21,969,590
Short-term borrowings – unsecured	<b>6,876,638</b>	15,748,609
Senior notes – secured (Note (i))	–	2,688,066
Private placement notes (Note (vi))	<b>279,250</b>	279,250
Current portion of non-current borrowings	<b>92,599,766</b>	169,530,274
	<b>118,561,395</b>	210,215,789

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**24. Borrowings** (CONTINUED)

Notes:

**(i) OFFSHORE DEBT RESTRUCTURING**

On 21 July 2025 (the "RED"), the offshore debt restructuring of the Company became effective pursuant to a Court-sanctioned Scheme of Arrangement under the laws of Hong Kong. Upon the RED, the offshore creditors fully discharged the existing debts of the Company amounting to approximately US\$12.6 billion (equivalent to approximately RMB89.2 billion), in exchange for the issuance of the new senior notes, short-term and long-term loans, and MCBs).

In addition, the existing shareholder loan of approximately HK\$7.8 billion owed to Mr. Hui Wing Mau (the Controlling Shareholder) was discharged, and long-term notes ("Controlling Shareholder Notes") and controlling shareholder mandatory convertible bond ("Controlling Shareholder MCB") were issued in exchange.

The following table summarises the key terms of the new instruments issued pursuant to the offshore debt restructuring:

Instrument	Principal amount (USD'million)	Key terms and features	Maturity date
Short-term Loan (2031)	726.9	It is secured by the shares of the Group's subsidiaries, and the interest is accrued and payable semi-annually in arrears on an amount equal to 50% of the outstanding principal amount in the following manner: <ul style="list-style-type: none"> <li>– for the first four years after the RED, the Company may elect either to fully pay in cash at the interest rate of 5.0% per annum or pay in kind at the interest rate of 6.0% per annum; and</li> <li>– fully pay in cash at the interest rate of 5.0% per annum starting from the fifth year after the RED.</li> </ul>	21 July 2031
Long-term Loan (2034)	1,232.3	It is secured by the shares of the Group's subsidiaries, and the interest is accrued and payable semi-annually in arrears on the outstanding principal amount in the following manner: <ul style="list-style-type: none"> <li>– for the first six years after the RED, the Company may elect either to fully pay in cash at the interest rate of 2.0% per annum or pay in kind at the interest rate of 3.0% per annum; and</li> <li>– fully pay in cash at the interest rate of 2.0% per annum starting from the seventh year after the RED.</li> </ul>	21 Jan 2034
Senior Notes (2031)	3,366.2	Sames as Short-term Loan (2031)	21 July 2031
Senior Notes-Series A	691.9	Sames as Long-term Loan (2034)	21 July 2032
Senior Notes-Series B	1,037.9	Sames as Long-term Loan (2034)	21 July 2033
Senior Notes-Series C	1,037.9	Sames as Long-term Loan (2034)	21 Jan 2034
MCBs (including Controlling Shareholder MCB)	4,999.7	All MCBs are unsecured and convertible into ordinary shares of the Company at a conversion price of HK\$6 per share, subject to mandatory conversion in four equal tranches at three, six, nine and twelve months after the RED.	21 July 2026
Controlling Shareholder Notes	600.0	They are secured by the shares of the Group's subsidiaries, and the interest is accrued and payable in kind semi-annually in arrears on the outstanding principal amount at the interest rate of 2.0% per annum.	21 Jan 2035

The offshore debt restructuring was accounted for as an extinguishment of existing financial liabilities under HKFRS 9. The Court-sanctioned Scheme of Arrangement resulted in legal discharge of the original contractual obligations. Accordingly, the existing debts were fully derecognised and the new financial instruments were recognised at their fair values at the RED.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**24. Borrowings** (CONTINUED)

Notes: (continued)

**(i) OFFSHORE DEBT RESTRUCTURING** (continued)

The following table summarises the valuation method adopted and the quantitative information about the significant unobservable inputs used in fair value measurements of the financial instruments recognised in the offshore debt restructuring at the RED.

Instrument	Fair value at RED (USD'million)	Valuation method	Significant unobservable inputs	Range of significant unobservable inputs
MCBs (including Controlling Shareholder MCB)	538.0	Binomial model	Discount rate (risk free)	4.07%
New loans and senior notes (including Controlling Shareholder Notes)	3,643.7	Discounted cash flow model	Discount rate	Range from 19.48% to 19.80%

The fair values of these instruments recognised were within level 3 of fair value hierarchy.

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;

As a result of the abovementioned, gain on offshore debt restructuring of approximately RMB69.5 billion was recognised in "other income and gains – net" of the consolidated profit or loss and increases in reserves attributable to owners of the Group were recognised in the consolidated statement of changes in equity for the year ended 31 December 2025.

Up to 31 December 2025, 73.7% holders of the MCBs have exercised the conversion options to convert the respective bonds into 4,804,508,201 ordinary shares of the Company. As a result, the Group's share capital and reserves increased by approximately RMB0.4 billion and approximately RMB1.5 billion, respectively, and the financial liabilities of the bonds of approximately RMB3.5 billion were derecognised.

As at 31 December 2025, the breakdown of outstanding senior notes and Controlling Shareholder Notes are shown as below:

	Carrying amount at amortised cost RMB'000	Outstanding principal amount USD'000	Remaining maturity
Senior Notes (2031)	8,725,163	3,366,207	5.6 years
Senior Notes-Series A	2,635,898	691,925	6.6 years
Senior Notes-Series B	3,827,112	1,037,888	7.6 years
Senior Notes-Series C	3,771,213	1,037,888	8.1 years
Controlling Shareholder Notes	2,029,993	600,000	9.1 years

As at 31 December 2025, the Company remeasured the remaining derivative components of the MCBs at their fair values. As a result, the Group recognised changes in fair value on derivative financial instruments of RMB1.6 billion in "other income and gains – net" for the year ended 31 December 2025. Refer to the abovementioned for the valuation techniques and significant inputs used in the fair value measurement of these derivative instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**24. Borrowings** (CONTINUED)

Notes: (continued)

**(i) OFFSHORE DEBT RESTRUCTURING** (continued)*Other information*

As at 31 December 2025, the Group's total secured bank and other borrowings of approximately RMB121,637,487,000 (2024: RMB126,562,672,000) 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.

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

	At 31 December	
	2025 RMB'000	2024 RMB'000
Property and equipment (note 7)	<b>10,413,877</b>	10,607,607
Land use rights (note 8)	<b>3,491,496</b>	3,430,513
Investment properties (note 9)	<b>25,358,067</b>	33,395,664
Properties under development (note 17(a))	<b>43,728,920</b>	79,222,387
Completed properties held for sale (note 17(b))	<b>26,912,927</b>	22,691,256
Restricted cash (note 20)	<b>2,345,660</b>	2,841,862
	<b>112,250,947</b>	152,189,289

**(ii) Medium-term notes**

Shanghai Shimao issued medium-term notes on the Shanghai Stock Exchange. The details of the outstanding medium-term notes are shown as below:

Issue dates	Interest rate	Outstanding principal amount RMB'000	Maturity date
21 October 2019	4.24%	930,000	October 2023 (defaulted)
9 January 2020	4.12%	25,000	May 2023 (defaulted)
	4.12%	25,000	November 2023 (defaulted)
	4.12%	450,000	January 2024 (defaulted)
15 March 2021	5.15%	31,040	December 2023 (defaulted)
	5.15%	938,960	March 2024 (defaulted)
30 April 2021	5.50%	44,800	December 2023 (defaulted)
	5.50%	595,200	May 2024 (defaulted)
		3,040,000	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**24. Borrowings** (CONTINUED)

Notes: (continued)

**(iii) Long-term bonds**

Shanghai Shimao Jianshe Co., Ltd. ("Shimao Jianshe"), a subsidiary of the Group, and Shanghai Shimao issued long-term bonds on the Shanghai Stock Exchange. The details of the outstanding long-term bonds are shown as below:

Issuer	Issue dates	Interest rate	Outstanding principal amount RMB'000	Maturity date
Shimao Jianshe	15 October 2015	4.15%	134,917	31 December 2025 (defaulted)
		4.15%	140,538	31 December 2026
		4.15%	286,699	Between 15 March 2027 and 15 September 2027
	18 September 2019	4.30%	253,744	31 December 2025 (defaulted)
		4.30%	264,316	31 December 2026
		4.30%	539,205	Between 15 March 2027 and 15 September 2027
	11 November 2019	4.30%/4.80%	482,088	31 December 2025 (defaulted)
		4.30%/4.80%	502,175	31 December 2026
		4.30%/4.80%	1,024,437	Between 15 March 2027 and 15 September 2027
	25 March 2020	3.23%/3.90%	680,333	31 December 2025 (defaulted)
		3.23%/3.90%	872,064	31 December 2026
		3.23%/3.90%	3,095,518	Between 15 March 2027 and 15 June 2028
	11 May 2020	3.20%	763,107	31 December 2025 (defaulted)
		3.20%	795,174	31 December 2026
		3.20%	1,622,154	Between 15 March 2027 and 15 September 2027
27 August 2020	3.90%	114,395	31 December 2025 (defaulted)	
	3.90%	571,976	31 December 2026	
	3.90%	2,173,509	Between 15 March 2027 and 15 September 2028	
Shanghai Shimao	22 May 2019	4.15%	194,753	31 December 2025 (defaulted)
		4.15%	288,720	28 December 2026
	5 March 2020	3.60%	823,106	31 December 2025 (defaulted)
		3.60%	1,235,270	28 December 2026
	8 July 2020	3.76%	386,843	31 December 2025 (defaulted)
		3.76%	580,265	28 December 2026
	1 September 2020	3.99%	205,240	31 December 2025 (defaulted)
		3.99%	307,860	28 December 2026
24 September 2020	3.94%	209,931	31 December 2025 (defaulted)	
	3.94%	314,897	28 December 2026	
			18,863,234	

The above long-term bonds, upon the extension of the due dates, are secured by pledges of the equity interests of certain subsidiaries.

- (iv) 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 2025, the principal amount of RMB279,250,000 (31 December 2024: RMB279,250,000) remained outstanding and was defaulted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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 2025	-	-	43,736,840	19,967,934	63,704,774
At 31 December 2024	-	3,154,958	29,286,020	9,394,643	41,835,621
Borrowings included in current liabilities:					
At 31 December 2025	111,027,309	7,534,086	-	-	118,561,395
At 31 December 2024	203,972,706	6,243,083	-	-	210,215,789

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

	At 31 December	
	2025 RMB'000	2024 RMB'000
Bank and other borrowings:		
Between 1 and 2 years	4,242,427	9,919,489
Between 2 and 5 years	30,752,891	7,906,712
Over 5 years	19,967,934	9,394,643
Long-term bonds:		
Between 1 and 2 years	5,804,088	5,873,255
Between 2 and 5 years	2,937,434	8,741,522
	63,704,774	41,835,621

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

	At 31 December	
	2025	2024
Bank and other borrowings	7.1%	6.1%
Senior notes	19.6%	4.9%
Medium-term notes	4.8%	4.8%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**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	50,856,635	50,667,174
Floating rate portion	12,848,139	12,792,416
At 31 December 2025	<b>63,704,774</b>	<b>63,459,590</b>
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

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 RMB26.4 billion (2024: RMB7.7 billion) are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. As at 31 December 2025, none of these covenants had been breached.

**25. Derivative financial instruments**

	At 31 December	
	2025 RMB'000	2024 RMB'000
Financial liabilities		
Mandatory convertible bonds (note 24(i))	<b>277,921</b>	–

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in consolidated profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives, refer to note 24 to the consolidated financial statements.

As at 31 December 2025, the outstanding principal amounts of mandatory convertible bonds amounted to US\$1.3 billion.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**26. Trade and other payables**

	At 31 December	
	2025 RMB'000	2024 RMB'000
Trade payables (Note (a))	<b>29,434,003</b>	33,928,563
Other payables (Note (b))	<b>19,568,548</b>	10,786,223
Other taxes payable	<b>5,804,429</b>	6,410,906
Accrued expenses	<b>25,065,475</b>	31,957,896
	<b>79,872,455</b>	83,083,588

Notes:

(a) As at 31 December 2025, the aging analysis of the trade payables based on invoice date is as follows:

	At 31 December	
	2025 RMB'000	2024 RMB'000
Within 90 days	<b>12,126,809</b>	14,240,868
Over 90 days and within 1 year	<b>15,452,852</b>	17,652,608
Over 1 year	<b>1,854,342</b>	2,035,087
	<b>29,434,003</b>	33,928,563

(b) Other payables comprise:

	At 31 December	
	2025 RMB'000	2024 RMB'000
Deposits received from customers	<b>2,815,408</b>	2,653,344
Deposits from contractors	<b>1,082,356</b>	860,000
Rental deposits from tenants and hotel customers	<b>940,460</b>	1,181,106
Payables for equity interest	<b>803,228</b>	991,860
Fees collected from customers on behalf of government agencies	<b>329,709</b>	318,979
Amount due to liquidated subsidiaries or disposed subsidiaries	<b>12,030,891</b>	3,798,845
Others	<b>1,566,496</b>	982,089
	<b>19,568,548</b>	10,786,223

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**27. Amounts due to related parties**

	At 31 December	
	2025 RMB'000	2024 RMB'000
Associated companies (Note (a))	<b>2,658,618</b>	2,747,359
Joint ventures (Note (a))	<b>8,137,427</b>	8,285,102
Non-controlling interests (Note (b))	<b>2,135,548</b>	3,061,797
Entities controlled by the Controlling Shareholder (Note (c))	–	6,331,606
Controlling Shareholder Notes (Note (c))	<b>2,029,993</b>	–
	<b>14,961,586</b>	20,425,864
Analysed as:		
Current liabilities	<b>12,931,593</b>	20,425,864
Non-current liabilities	<b>2,029,993</b>	–
	<b>14,961,586</b>	20,425,864

## Notes:

- (a) Amounts due to associated companies and joint ventures mainly represent advanced proceeds received for purchasing construction materials and other operating and financing activities.
- (b) Amounts due to non-controlling interests mainly represent funds injected by the non-controlling shareholders for the development of properties.
- (c) 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. Upon the Restructuring Scheme becoming effective, the amount was discharged, and Controlling Shareholder Notes was issued in exchange. The notes will mature in 2035 and the interest is accrued and payable in kind semi-annually in arrears on the outstanding principal amount at the interest rate of 2.0% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**28. Other income/other gains or (losses) – net**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
<b>Other income</b>		
Government grants received	29,840	46,499
<b>Other gains/(losses) – net</b>		
Gain on offshore debt restructuring	69,520,153	–
Gain on derivative financial instruments	1,595,101	–
Penalty income (note a)	38,099	7,075
Net losses on disposal of subsidiaries with loss of control (note 40(a))	(1,006,795)	(556,857)
Net losses on liquidation of subsidiaries	(3,558,412)	(430,818)
Net losses on deregistration of subsidiaries	(1,199)	(50,118)
Net losses on deemed disposal of joint ventures and associated companies	–	(813,853)
Net losses on disposal of joint ventures	(1,845,584)	–
Net losses on disposal of associated companies	(705,349)	(64,824)
Net losses on liquidation of associated companies	(65,763)	–
Loss on settlement of indebtedness	–	(9,653,825)
Loss on restructuring of certain PRC on-shore debts	(747,368)	(2,448,882)
Loss on impairment of assets of a disposal group classified as held for sale	(80,518)	(2,305)
Others	176,777	359,088
	<b>63,319,142</b>	<b>(13,655,319)</b>
	<b>63,348,982</b>	<b>(13,608,820)</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**29. Expenses by nature**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Cost of properties sold and others	<b>27,441,925</b>	50,402,382
Taxes and surcharges	<b>351,967</b>	309,744
Staff costs – including directors' emoluments (note 31)	<b>3,853,024</b>	4,361,650
Advertising, promotion and commission costs	<b>849,726</b>	623,889
Direct expenses arising from hotel operation	<b>807,335</b>	780,402
Corporate and office expenses	<b>856,508</b>	997,888
Consulting fee	<b>78,546</b>	234,243
Depreciation and amortisation (note 7) (note 10)	<b>761,596</b>	880,432
Amortisation of right-of-use assets (note 8)	<b>133,101</b>	153,014
Charitable donations	–	5,135
Penalties	<b>931,069</b>	887,774
Auditor's remuneration		
– Audit services	<b>6,300</b>	8,000
– Non-audit services	–	–
Provision for impairment losses on financial assets	<b>6,095,497</b>	1,108,622
Provision for impairment losses on properties under development and completed properties held for sale (note 17)	<b>26,014,195</b>	11,384,810
Impairment losses on property and equipment (note 7)	<b>2,322,791</b>	8,170
Impairment losses on right-of-use assets (note 8)	<b>234,573</b>	–
Impairment losses on investment in joint ventures (note 12)	<b>63,402</b>	–
Impairment losses on intangible assets (note 10)	<b>65,027</b>	45,829
Other expenses	<b>950,274</b>	689,487
<b>Total</b>	<b>71,816,856</b>	72,881,471

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**30. Finance costs – net**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Finance income		
– interest income on short-term bank deposits	<b>(54,128)</b>	(121,990)
Interest on bank and other borrowings	<b>15,365,725</b>	16,203,317
Interest charges paid/payable for lease liabilities (note 8)	<b>2,227</b>	4,198
	<b>15,367,952</b>	16,207,515
Net foreign exchange (gains)/losses (Note)	<b>(2,844,126)</b>	2,219,171
Less: interest and foreign exchange losses capitalised	<b>(5,196,031)</b>	(6,229,359)
Finance costs	<b>7,327,795</b>	12,197,327
Net finance costs	<b>7,273,667</b>	12,075,337

Note:

Net foreign exchange (gains)/losses is mainly derived from the translation of foreign currency borrowings.

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

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Wages and salaries	<b>3,205,536</b>	3,641,326
Pension costs – statutory pension (Note (b))	<b>294,780</b>	314,469
Other allowances and benefits	<b>352,708</b>	405,855
	<b>3,853,024</b>	4,361,650

**(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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**31. Employee benefit expense** (CONTINUED)**(c) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three (2024: four) directors whose emoluments are reflected in the analysis shown in note 32 to the consolidated financial statements. The emoluments of the remaining two (2024: one) individuals is set out below:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Wages and salaries	4,204	1,111
Pension costs – statutory pension	337	29
Other allowances and benefits	27	229
	<b>4,568</b>	<b>1,369</b>

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

The remuneration of each of the Directors for the year ended 31 December 2025 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 Sai Tan, Jason	-	2,732	-	-	16	-	2,748
Mr. Xie Kun	-	1,872	225	-	168	-	2,265
Mr. Zhao Jun	-	1,525	417	60	168	-	2,170
Non-executive directors							
Mr. Shao Liang	-	-	-	-	-	-	-
Ms. Hui Mei Mei, Carol	-	-	-	-	-	-	-
Independent non-executive directors							
Mr. Fung Tze Wa	329	-	-	-	-	-	329
Mr. Lyu Hong Bing	329	-	-	-	-	-	329
Mr. Lam Ching Kam	329	-	-	-	-	-	329
	<b>987</b>	<b>6,129</b>	<b>642</b>	<b>60</b>	<b>352</b>	<b>-</b>	<b>8,170</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**32. Benefits and interests of directors** (CONTINUED)**(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.

**(f) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**33. Income tax expense**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Current income tax		
– PRC enterprise income tax	543,833	748,224
– PRC land appreciation tax	3,349,476	990,190
	<b>3,893,309</b>	1,738,414
Deferred income tax		
– PRC enterprise income tax (note 16)	(1,234,508)	(90,225)
	<b>2,658,801</b>	1,648,189

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**33. Income tax expense** (CONTINUED)

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	
	2025 RMB'000	2024 RMB'000
Loss before income tax	7,135,895	(42,037,459)
Add: Share of results of associated companies and joint ventures	1,049,006	633,935
Less: Land appreciation tax	(3,349,476)	(990,190)
	<b>4,835,425</b>	(42,393,714)
Calculated at PRC enterprise income tax rate of 25% (2024: 25%)	1,208,856	(10,598,429)
Tax effects of:		
– Different tax rates in other countries or regions	(323,446)	1,437,336
– Expenses and losses not deductible for income tax purposes	9,891,725	4,635,897
– Income not taxable for tax purpose	(17,842,749)	(695,833)
– Tax losses and temporary differences not recognised	6,374,939	5,879,028
PRC enterprise income tax charge	(690,675)	657,999
PRC land appreciation tax charge	3,349,476	990,190
	<b>2,658,801</b>	1,648,189

**Hong Kong profits tax**

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits.

**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%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**34. Earnings/(losses) per share**

Basic earnings/(losses) per share is calculated by dividing the profit/(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	
	2025	2024
Profit/(loss) attributable to the equity holders of the Company (RMB'000)	<b>14,473,362</b>	(35,905,060)
Weighted average number of ordinary shares (thousands)	<b>5,552,763</b>	3,787,569
Basic earnings/(losses) per share (RMB)	<b>2.61</b>	(9.48)

Diluted earnings/(losses) 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 and the shares converted under the MCB assuming they were exercised. No diluted losses per share for the year ended 31 December 2024 is presented as the effects caused by the shares granted under the Share Award Scheme is anti-dilutive. The calculation of the diluted earnings per share for the year ended 31 December 2025 is based on the following:

	Year ended 31 December 2025
Profit attributable to the equity holders of the Company for the purpose of calculating basic earnings per share (RMB'000)	<b>14,473,362</b>
Less: Fair value gain on MCBs	<b>(1,595,101)</b>
Profit attributable to the equity holders of the Company for the purpose of calculating diluted earnings per share (RMB'000)	<b>12,878,261</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (thousands)	<b>5,552,763</b>
Effect of dilutive potential ordinary shares arising from the MCBs and the Share Award Scheme (thousands)	<b>1,165,005</b>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share (thousands)	<b>6,717,768</b>
Diluted earnings per share (RMB)	<b>1.92</b>

**35. Dividends**

The board of Directors does not recommend the payment of the final dividend for the year ended 31 December 2025 (2024: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Profit/(loss) before income tax	<b>7,135,895</b>	(42,037,459)
Adjustments for:		
Interest income	<b>(54,128)</b>	(121,990)
Interest expense	<b>10,171,921</b>	9,978,156
Provision of impairment losses on financial assets	<b>6,095,497</b>	1,108,622
Provision for impairment losses on properties under development and completed properties held for sale	<b>26,014,195</b>	11,384,810
Provision for impairment losses on property and equipment	<b>2,322,791</b>	8,170
Impairment losses on right-of-use assets	<b>234,573</b>	–
Impairment losses on investment in joint ventures	<b>63,402</b>	–
Loss on impairment of assets of a disposal group classified as held for sale	<b>80,518</b>	2,305
Loss on settlement of indebtedness	–	9,653,825
Loss on restructuring on certain PRC on-shore debts	<b>747,368</b>	2,448,882
Impairment losses on intangible assets	<b>65,027</b>	45,829
Depreciation and amortisation	<b>761,596</b>	880,432
Share of results of associated companies and joint ventures accounted for using the equity method	<b>1,049,006</b>	633,935
Net losses on disposal of subsidiaries with loss of control	<b>1,006,795</b>	556,857
Net losses on deemed disposal of joint ventures and associated companies	–	813,853
Net losses on liquidation of subsidiaries	<b>3,558,412</b>	430,818
Net losses on deregistration of subsidiaries	<b>1,199</b>	50,118
Net losses on disposal of joint ventures	<b>1,845,584</b>	–
Losses from disposal of associated companies	<b>705,349</b>	64,824
Net losses on liquidation of associated companies	<b>65,763</b>	–
Amortisation of right-of-use assets	<b>133,101</b>	153,014
Gain on offshore debt restructuring	<b>(69,520,153)</b>	–
Gains on derivative financial instruments	<b>(1,595,101)</b>	–
Fair value losses on investment properties – net	<b>4,491,331</b>	2,812,958
Value of employee services arising from equity-settled share based payment scheme	<b>(292)</b>	1,159
Net exchange (gain)/loss	<b>(2,844,126)</b>	2,219,171
	<b>(7,464,477)</b>	1,088,289
Changes in working capital:		
Properties under development, completed properties held for sale and prepayment for acquisition of land use rights	<b>21,821,699</b>	45,779,762
Other non-current assets	<b>(149,777)</b>	70,335
Restricted cash	<b>280,827</b>	990,238
Trade and other receivables and prepayments	<b>(1,630,117)</b>	(1,879,597)
Trade and other payables	<b>637,183</b>	(9,108,271)
Contract liabilities	<b>(9,852,572)</b>	(35,982,086)
Net cash generated from operations	<b>3,642,766</b>	958,670

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**36. Notes to the consolidated statement of cash flows** (CONTINUED)**(b) Reconciliation of liabilities arising from financing activities**

	Liabilities from financing activities			
	Amounts due to related parties RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
<b>At 1 January 2024</b>	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	–	(5,385,891)	–	(5,385,891)
Other non-cash movements	1,277,250	(5,154,719)	16,187	(3,861,282)
<b>At 31 December 2024</b>	20,425,864	252,051,410	57,159	272,534,433
Financing cash flows	<b>(999,910)</b>	<b>(3,403,419)</b>	<b>(31,577)</b>	<b>(4,434,906)</b>
Foreign exchange adjustments	–	<b>(2,218,211)</b>	–	<b>(2,218,211)</b>
Settlement of certain PRC on-shore debts	–	<b>(2,205,347)</b>	–	<b>(2,205,347)</b>
Effect on offshore debt restructuring	–	<b>(57,440,253)</b>	–	<b>(57,440,253)</b>
Other non-cash movements	<b>(4,464,368)</b>	<b>(4,518,011)</b>	<b>8,383</b>	<b>(8,973,996)</b>
<b>At 31 December 2025</b>	<b>14,961,586</b>	<b>182,266,169</b>	<b>33,965</b>	<b>197,261,720</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**37. Principal subsidiaries, associated companies and joint ventures**

Particulars of the principal subsidiaries, associated companies and joint ventures of the Group as at 31 December 2025 are as follows:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2025	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b>					
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

## 37. Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2025	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
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 Shiyong 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**37. Principal subsidiaries, associated companies and joint ventures** (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2025	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b> (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 RMB1,310,000,000	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

## 37. Principal subsidiaries, associated companies and joint ventures (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2025	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC (continued)</b>					
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
青島世茂世悅置業有限公司 (Qingdao Shimao Shiyue Property Co., Ltd)	7 August 2018	Domestic enterprise	Registered capital RMB200,000,000	100.00%	Property development
湖北長建茂房地產開發有限公司 (Hubei Changjianmao Real Estate Development Co., Ltd)	27 August 2018	Domestic enterprise	Registered capital RMB50,000,000	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
肇慶四會悅盈房地產開發經營有限公司 (Zhaoqing Sihui Yueying Real Estate Development Co., Ltd)	15 April 2019	Domestic enterprise	Registered capital RMB5,000,000	100.00%	Property development
茂名世茂悅盈房地產開發有限公司 (Maoming Shimao Yueying Real Estate Development Co., Ltd)	10 April 2019	Domestic enterprise	Registered capital RMB100,000,000	100.00%	Property development
天水世唐房地產開發有限公司 (Tianshui Shitang Real Estate Development Co., Ltd.)	5 December 2019	Domestic enterprise	Registered capital RMB1,083,000,000	51.00%	Property development
荊州長盈置業有限公司 (Jingzhou Changying Property Co., Ltd)	6 December 2019	Domestic enterprise	Registered capital RMB10,000,000	51.00%	Property development
福州世茂鹿馳置業有限公司 (Fuzhou Shimao Luchi Property Co., Ltd)	28 November 2019	Domestic enterprise	Registered capital RMB210,000,000	100.00%	Property development
淮北世茂房地產開發有限公司 (Huabei Shimao Real Estate Development Co., Ltd)	27 December 2019	Domestic enterprise	Registered capital RMB607,500,000	100.00%	Property development
南平光耀世隆房地產開發有限公司 (Nanping Guangyao Shilong Real Estate Development Co., Ltd)	20 January 2020	Domestic enterprise	Registered capital RMB50,000,000	60.00%	Property development
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**37. Principal subsidiaries, associated companies and joint ventures** (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2025	Principal activities
<b>Principal subsidiaries – established and operation conducted in the PRC</b> (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
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	54.95%	Property management services
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands</b>					
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**37. Principal subsidiaries, associated companies and joint ventures (CONTINUED)**

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2025	Principal activities
<b>Principal subsidiaries – incorporated and operation conducted in the British Virgin Islands (continued)</b>					
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
<b>Principal subsidiaries – incorporated and operation conducted in Hong Kong</b>					
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**37. Principal subsidiaries, associated companies and joint ventures** (CONTINUED)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered capital	Effective interest held as at 31 December 2025	Principal activities
<b>Associated companies – established and operation conducted in the PRC</b>					
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
巢湖世巽置業有限公司 (Chaohu Shixun Property Co., Ltd.)	24 July 2019	Domestic enterprise	Registered capital RMB20,000,000	40.00%	Property development
福州融寧置業有限公司 (Fuzhou Rongning Property Co., Ltd.)	30 April 2020	Domestic enterprise	Registered capital RMB900,000,000	33.00%	Property development
<b>Joint ventures – established and operation conducted in the PRC</b>					
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
<b>Joint ventures – established and operation conducted in Hong Kong</b>					
Kingtron Enterprises Limited	14 June 2007	Limited liability company	2 ordinary shares of HK\$2	50.00%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

	At 31 December	
	2025 RMB'000	2024 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers	<b>23,471,257</b>	30,503,172

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 2025, 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 RMB21,592,637,000 (2024: approximately RMB23,653,532,000) 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 2025. 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.

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

	At 31 December	
	2025 RMB'000	2024 RMB'000
Contracted but not provided for		
– Property and equipment	<b>476,598</b>	516,707
– Land use rights (including those related to associated companies and joint ventures)	<b>3,457,820</b>	5,897,469
– Properties being developed by the Group for sale	<b>22,648,661</b>	21,199,167
	<b>26,583,079</b>	27,613,343

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**40. Significant disposal and liquidation of subsidiaries and transactions with NCI**

During the year ended 31 December 2025, 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 2025, the Group lost control of certain subsidiaries. The disposal resulted in a total net cash outflow of approximately RMB156,782,000 and net losses of approximately RMB1,006,795,000.

Net assets disposed and reconciliation of disposal losses and cash outflow on disposal are as follows:

	RMB'000
Cash and cash equivalents	191,199
Inventories	11,120,966
Property and equipment	1,188
Investment properties	1,074,000
Intangible assets other than goodwill	1,946
Deferred income tax assets	266,804
Amounts due from the Group	725,917
Amounts due from related parties	217,143
Trade and other receivables and prepayments	1,006,130
Trade and other payables	(7,869,473)
Contract liabilities	(95,158)
Amounts due to related parties	(1,343,435)
Income tax payable	(318,312)
Borrowings	(2,875,124)
Deferred income tax liabilities	(148,393)
Lease liabilities	(1,351)
<b>Total identifiable net assets</b>	<b>1,954,047</b>
Non-controlling interests	(750,607)
<b>Net assets attributable to the equity holders of the Company</b>	<b>1,203,440</b>
Cash consideration	34,417
Consideration receivables	50,050
Effective settlement of other payables	112,178
Net assets disposed	(1,203,440)
<b>Net losses on disposal of subsidiaries (note 28)</b>	<b>(1,006,795)</b>
Cash consideration	34,417
Less: cash and cash equivalents in the entities disposed	(191,199)
<b>Net cash outflow from the disposals</b>	<b>(156,782)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**40. Significant disposal and liquidation of subsidiaries and transactions with NCI***(CONTINUED)***(b) Liquidation of subsidiaries**

For the year ended 31 December 2025, 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 RMB91,531,000 and net losses of approximately RMB3,558,412,000.

Net assets deconsolidated and reconciliation of losses and cash outflow on liquidation are as follows:

	RMB'000
Cash and cash equivalents	91,531
Inventories	2,190,409
Property and equipment	405
Investment properties	487,900
Deferred income tax assets	211,599
Amounts due from the Group	4,620,497
Amounts due from related parties	352,657
Trade and other receivables and prepayments	1,501,970
Prepaid income taxes	36,288
Trade and other payables	(2,748,935)
Contract liabilities	(1,251,872)
Borrowings	(1,090,395)
Amounts due to related parties	(824,451)
Income tax payable	(163,841)
<b>Total identifiable net assets</b>	<b>3,413,762</b>
Non-controlling interests	144,650
<b>Net assets attributable to the equity holders of the Company deconsolidated</b>	<b>3,558,412</b>
<b>Net cash outflow due to the deconsolidation</b>	<b>(91,531)</b>

**(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	1,399,719
Effective settlement of amounts due from non-controlling interests	(1,318,692)
Consideration received in the current period	135,942
<b>Increase in equity due to the gain on acquisition of non-controlling interests</b>	<b>216,969</b>

Notes:

During the year ended 31 December 2025, the Group acquired additional interests in subsidiaries for a total consideration of approximately RMB1,182,750,000. The Group recognised a decrease in non-controlling interests of approximately RMB1,399,719,000 and an increase in the equity attributable to the equity holders of the Company of approximately RMB216,969,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**41. Related party transactions**

The Group is controlled by Gemfair Investments Limited (Incorporated in the British Virgin Islands), which owns 29.81% 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	
	2025 RMB'000	2024 RMB'000
Brand management fee income	7,392	5,877
Construction material sold to related companies	1,139	272
	<b>8,531</b>	6,149

**(b) Key management compensation**

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Emoluments		
– Salaries and other short-term employee benefits	6,831	11,862
– Retirement scheme contributions	352	461
	<b>7,183</b>	12,323

**42. Events after the reporting period**

- (a) Subsequent to the reporting period and up to the date of approval of these consolidated financial statements, a total number of 570,575,127 new shares were issued at the conversion price of HK\$6 per share pursuant to the conversion of the Zero Coupon Mandatory Convertible Bonds due 2026 issued on 21 July 2025, which accounted for 6.6% of the total number of issued shares before the relevant event.

**43. Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Company's board of directors on 27 March 2026.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

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

	At 31 December	
	2025 RMB'000	2024 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	54,793,715	48,092,445
	<b>54,793,715</b>	48,092,445
<b>Current assets</b>		
Other receivables	4,106	3,950
Dividends receivable from subsidiaries	47,325,904	47,434,026
Cash and cash equivalents	640	1,326
	<b>47,330,650</b>	47,439,302
<b>Total assets</b>	<b>102,124,365</b>	95,531,747
<b>EQUITY</b>		
<b>Equity attributable to the equity holders of the Company</b>		
Share capital	820,994	384,165
Reserves	72,409,218	(577,923)
<b>Total equity</b>	<b>73,230,212</b>	(193,758)
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	26,163,420	–
Controlling shareholder notes	2,029,993	28,193,413
	<b>28,193,413</b>	–
<b>Current liabilities</b>		
Borrowings	5,305	79,770,213
Other payables and accrued expenses	383,554	12,251,064
Amounts due to subsidiaries	33,960	33,960
Amounts due to controlling entities	–	2,778,000
Derivative financial instruments	277,921	–
Dividend payable	–	892,268
	<b>700,740</b>	95,725,505
<b>Total liabilities</b>	<b>28,894,153</b>	95,725,505
<b>Total equity and liabilities</b>	<b>102,124,365</b>	95,531,747
<b>Net current assets/(liabilities)</b>	<b>46,629,910</b>	(48,286,203)
<b>Total assets less current liabilities</b>	<b>101,423,625</b>	(193,758)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**44. Statement of financial position and reserve movement of the company** (CONTINUED)**Reserve movement of the Company**

	Share premium RMB'000 (Note (i))	Other reserve RMB'000	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 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)
Balance 1 January 2025	<b>6,773,702</b>	–	<b>778,431</b>	<b>4,949</b>	<b>(8,135,005)</b>	<b>(577,923)</b>
Profit for the year	–	–	–	–	<b>66,598,153</b>	<b>66,598,153</b>
Effect on offshore debt restructuring	–	<b>4,877,015</b>	–	–	–	<b>4,877,015</b>
Shares issued upon the conversion of the mandatory convertible bonds	<b>1,511,973</b>	–	–	–	–	<b>1,511,973</b>
Balance at 31 December 2025	<b>8,285,675</b>	<b>4,877,015</b>	<b>778,431</b>	<b>4,949</b>	<b>58,463,148</b>	<b>72,409,218</b>

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 22(b)).



SHIMAO GROUP HOLDINGS LIMITED  
世茂集團控股有限公司

