世茂服務
SHIMAO SERVICE

SHIMAO SERVICES HOLDINGS LIMITED
世茂服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 873)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS HIGHLIGHTS

1. Revenue amounted to RMB8,636.8 million, representing an increase of 3.5% as compared to RMB8,343.4 million for the same period of 2021.

2. Revenue of the Group was derived from our four business lines: (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owners; and (iv) city services. During the year, (i) revenue from property management services was approximately RMB5,042.0 million, accounting for approximately 58.4% of the total revenue, and representing a year-on-year increase of 20.9% as compared to RMB4,169.6 million for the same period of last year; (ii) revenue from community value-added services amounted to RMB1,688.3 million, accounting for 19.5% of the overall revenue and representing a year-on-year decrease of 31.0% as compared to RMB2,448.2 million for the same period of last year; (iii) revenue from value-added services to non-property owners amounted to RMB525.1 million, accounting for 6.1% of the overall revenue and representing a year-on-year decrease of 39.7% as compared to RMB870.5 million for the same period of last year; and (iv) revenue from city services amounted to RMB1,381.4 million, accounting for 16.0% of the total revenue, and representing a year-on-year increase of 61.5% as compared to RMB855.1 million for the same period of last year.

3. Gross profit reached RMB1,943.0 million, representing a year-on-year decrease of 18.7% as compared to RMB2,390.1 million for the same period of 2021.

4. Operating loss amounted to RMB809.8 million, as compared to operating profit of RMB1,505.3 million for the same period of 2021.

5. Loss for the year amounted to RMB876.7 million, as compared to profit for the year of RMB1,216.8 million for the same period of 2021. Loss attributable to the equity holders of the Company was RMB927.1 million, as compared to profit attributable to the equity holders of RMB1,110.4 million for the same period of 2021. The core net profit[*(Note)*] attributable to the equity holders of the Company was RMB499.6 million.

6. During the year, basic loss per share amounted to approximately RMB0.38, while basic earnings per share was RMB0.46 for the same period of 2021.

7. The Group's cash and cash equivalents amounted to RMB2,307.3 million as of 31 December 2022, representing a decrease of 76.6% as compared to RMB9,842.1 million as of 31 December 2021.

8. As of 31 December 2022, the Group's GFA under management to which we offered property management services reached 261.6 million sq.m., representing an increase of approximately 8.8% as compared to approximately 240.5 million sq.m. for the same period of 2021; the Group's contracted GFA was approximately 341.3 million sq.m., representing an increase of approximately 10.8% as compared to approximately 308.0 million sq.m. for the same period of 2021.

Note: It represents the core net profit attributable to equity holders of the Company by excluding provision of impairment of receivables, expenses of the Share Award Scheme, actual interest generated by convertible bonds, fair value changes in derivative embedded in convertible bonds, amortisation costs of intangible assets (brands, contracts and customer relationships) brought by mergers and acquisitions ("M&A"), impairment losses on goodwill and performance compensation for acquired companies.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of Shimao Services Holdings Limited ("Shimao Services", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2022.

Market and Industry

In the past year, the property services industry faced a number of challenges and was hit by various unexpected factors. The overall downturn in the real estate industry caused an impact on the development of the property services industry, easing the overall growth rate of the industry significantly. The national economy was under downward pressure and property owners were less willing to spend, which affected the development of community value-added services. The recurrence of COVID-19 pandemic and city closures made property management difficult and costly. The performance of the capital market was also quite volatile, with the Hang Seng Property Service and Management Index dropped to its historical low.

From the listing of the first property services company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 2014 to the launch of the Hang Seng Property Service and Management Index in April 2021, over the past eight years, the property services sector has undergone significant changes from being insignificant to the capital market, to becoming a sector highly sought after by the market and gone through a comprehensive restructuring.

The property services industry has been actively developing its business despite the everchanging market. Eight years on, the industry has achieved a leapfrog development that was never seen in the previous 30 years. The leading enterprises have grown considerably, establishing a rich and complete business system and developing from basic property management to a comprehensive lifestyle services group that covers a wide range of value-added services and city services; in-depth explorations have been conducted from both theoretical and practical perspectives, from a discussion on whether property services are "management of things" or "services for people", to the development of diversified value-added services for "assets and users", the outstanding companies have always kept moving forward.

The property services industry is still very young and the market is still fragmented; the client base of property companies continues to diversify and the business base continues to grow; the industry is on the rise and is full of opportunities.

Since the end of 2022, the real estate market has rebounded, emphasising on the attributes of housing consumption and reasserting the real estate sector as a pillar industry. At the two sessions of the National People's Congress recently convened, it was proposed that "efforts should be made to expand domestic demand and priority will be given to the recovery and expansion of consumption". The property services industry, as it moves in tandem with the livelihood to serve the residents, has always been encouraged and supported by policies. Whether at the central government or at local authorities level, various policies have been promulgated to encourage property services enterprises to serve the daily needs of residents, develop diversified value-added services, serve grassroots community governance and build better communities.

The long-term development trend of the industry has remained the same and the prospect is still promising. Challenges brought about opportunities to change and upgrade, and enterprises would focus more on building their own capacity through continuous introspection for sound and healthy growth.

Annual Results

The Group recorded revenue of RMB8,636.8 million in 2022, representing a year-on-year increase of 3.5%. The gross floor area ("GFA") under management amounted to 261.6 million sq.m., representing a year-on-year increase of 8.8%; and the contracted GFA reached 341.3 million sq.m. with a year-on-year uptick of 10.8%. Gross profit of RMB1,943.0 million was achieved with a gross profit margin of 22.5%, maintaining an industry-leading level.

Achieving High Quality Development

- ***Continuous Years of Growth in Core Business***

  Property management services are the utmost important "ballast" of the Group's business and the breeding ground for other related diversified businesses. Continuous growth in GFA under management has injected endless momentum to revenue growth. Over the past five years, both contracted GFA and GFA under management of Shimao Services have continued to grow, driving revenue growth and achieving a five-year compound growth rate of 56.1%, providing the most essential foundation and guarantee for the long-term development of Shimao Services.

- ***Growing Business Independence***

  In 2022, the overall downturn in the real estate industry brought unprecedented challenges to the property services industry. Shimao Services rose to the challenges and leveraged on its strengths to achieve independent business development with remarkable results. On the basis of the year-on-year increase in total revenue, the proportion of revenue related to the real estate chain declined and overall business independence continued to grow. In 2022, the revenue from value-added services to non-property owners accounted for 6.1% of total revenue, representing a decrease of 4.3 percentage points as compared to the same period of last year; the revenue from community value-added services related to the real estate chain accounted for 46.5% of total revenue, representing a decrease of 3.7 percentage points as compared to the same period of last year; and the revenue from city services accounted for 16.0% of total revenue, representing an increase of 5.8 percentage points as compared to the same period of last year.

- ***Leading Third-party Tender Results in the Industry***

  In 2022, Shimao Services defied the odds and achieved good results in its expansion in the face of frequent outbreaks of the COVID-19 pandemic and city closures across the PRC. The Group added 40.1 million sq.m. of new contracted GFA and the average property fee for the new projects was RMB2.2 per sq.m. per month, resulting in an annualised contract amount of RMB1,039 million from the new projects. Zhejiang Zheda Sinew Property Services Group Co., Ltd. (浙江浙大新宇物業集團有限公司) ("Zheda Sinew") rode out the impact of the COVID-19 pandemic and added RMB289 million to its annualised contract amount, representing an increase of 24.0% over the same period of last year. Third-party market expansion became the most important source of new projects for Shimao Services. By the end of 2022, the proportion of contracted GFA secured through third-party market expansion increased to 37.9% of total contracted GFA, surpassing those from M&A projects to become the largest source of GFA for Shimao Services.

- ***City Services Business as a Key Support***

  Shimao Services has been building up its city services business platform since 2021. After nearly two years of efforts, the city services business has now become a key revenue support. As of 31 December 2022, the revenue from city services business accounted for 16.0% of the Company's total revenue, making it the third largest source of revenue of the Company. Through resources imported from and empowered by Shimao Services Headquarters, the two major city services platforms, Wuxi Jinshatian Technology Co., Ltd. (無錫市金沙田科技有限公司) ("Jinshatian") and Shenzhen Shi Lu Yuan Environmental Co., Ltd. (深圳世路源環境有限公司) ("Shi Lu Yuan"), undertook business projects and actively developed, with services covering the eastern coastal areas, the most economically developed in the PRC. In 2022, 38 new projects were added, with a contract value of nearly RMB1,000 million, including five sizeable projects with awarded contract value of over RMB50 million.

- ***Continued Improvement in Customer Satisfaction and Customer Reputation***

  In 2022, Shimao Services focused on improving customer satisfaction by building a customer-responsive organisation, and achieved continuous increase in customer satisfaction at both the corporate and government ends. It topped the list of "Top 100 Enterprises in Property Service Satisfaction in the China (中國物業服務滿意度百強企業)" for two consecutive years, and was awarded the first place in the "Top 50 Property Service Enterprises with Comprehensive Strength in Jiangsu Province (江蘇省物業服務行業綜合實力50強)" by the Jiangsu Real Estate Association for two years in a row.

Strategies with Determination, Management with Perseverance, Operation with Tenacity

- ***Horizontal Integration***

  Through the construction of "horizontal integration", Shimao Services has achieved full coverage of property management services for all types of customers. It has also actively built up a sub-segmentation track to create two high value-added businesses, namely the university and college projects and the hospital projects. Zheda Sinew, a subsidiary of the Group, ranks the first in China for school property management, covering the whole range of campus property services and forming a business development matrix. The company provides first-class service quality and service to top-ranked universities in China, including Zhejiang University, Peking University (Wanliu school-district) and Beijing Normal University. Shimao Services has been actively developing distinctive hospital projects and is now fully covering the "Xiangya Family" Hospitals, with the ability to serve large national-level tertiary hospitals.

- ***Vertical Integration***

  Through "vertical integration", Shimao Services has extended presence to the upper reaches of the industry chain. By building the "Shimao Chain (茂鏈)" digital service platform for the property supply chain, a standardised service system was established, and digital management was adopted to strike the best balance between cost and quality through delicacy management and big data scheduling, empowering the industry to upgrade on supply side. City services have achieved full coverage of the entire industry chain from equipment research, development and manufacturing to service investment and operation. In the upstream, we have established a product development centre, two manufacturing plants, seven product series and 36 types of intelligent equipment products, and have obtained over 30 national-level certificates and more than 50 patents. In the downstream, the Company has become a "city manager", with product lines covering four major categories of scenes, providing services such as environment manager, space manager, smart manager and renewal manager, and has accumulated a total contract value of over RMB6,500 million.

- ***Related Diversification***

  Through the "Related Diversification", Shimao Services has focused on related lifestyle services around the main property services industry and created a number of nationwide leading value-added services, gradually breaking away from the real estate industry chain to achieve independent diversification. Zheda Sinew group catering business was awarded as one of the Top 100 Group Food Enterprises in China, demonstrating its strong comprehensive service capabilities. By the end of 2022, there were 59 service projects serving over 1 million customers, of which over 68% were large student canteens in universities and colleges. In 2022, the group catering business achieved 13 new expansion projects, providing full-scene solutions for catering and offering flexible and customised services for all types of customers. Shimao Services is actively responding to the national call to develop elderly care services, focusing on long-term care and other asset-light businesses, developing a multi-level long-term care service system and achieving full coverage of online and offline elderly care services. In 2022, Healthtop expanded its business to 6 new cities, adding 47 new service stations and 2 new elderly care institutions; the number of people covered by the service exceeded 300,000 people, representing an increase of nearly 200,000 people as compared to last year.

- ***Centralisation***

  Through "centralisation", Shimao Services was able to enhance the overall value of its managed project portfolio. By focusing on high-value projects, the residential and university and college projects accounted for 66% of the total contracted GFA with multiple value-added services that can generate higher revenue per unit area. By focusing on high-capacity projects, Nanjing and Yantai replaced Fuyang and Wuhu in 2022 to join the top 10 cities in terms of contracted GFA for Shimao Services; the top 10 cities are growing at a faster rate in terms of contracted GFA, where the proportion of contracted GFA increased to 52%, showing the scale of economies of single city.

- ***Renewal***

  Through the implementation of the "renewal" strategy, Shimao Services integrated the management on more than 20 acquired companies after investment by dividing them into three categories: "fully integrated", "territorially integrated" and "strategically controlled". Based on their original business foundation, Shimao's management system and management capabilities were implanted to integrate resources, information technology, control, mechanism, strategy and culture. It injected vitality to the acquired companies and enhanced their professional competence to achieve management and business integration for a synergistic development.

The Company's Vision

The vision of Shimao Services is to establish itself as a "Leading Full-scenario Provider of City Life Services in China" so as to create a better life for its users. The Company has positioned itself as a "Leading Comprehensive Property Management and Community Living Service Provider in China". Shimao Services developed its "Four Business Portfolios", and continuously refined comprehensive property management services, diversified value-added services, smart city services and digital technology services.

Future Outlook

The year 2022 marks the third year of the listing of Shimao Services. After three years of efforts, Shimao Services has upgraded from a provider of comprehensive property and community life services to a full-scenario provider of life services, with an all-rounded upgrade in business layout. The accumulated contracted GFA secured through third-party market expansion has reached 130 million sq.m., and the structure of revenue has upgraded fundamentally with the largest contribution from third-party.

In the face of a complex and ever-changing future, Shimao Services has never forgotten its roots to focus on property management services and cultivate its core competencies. Shimao Services will insist on independent business development, enhance our expansion capabilities and competitive edges in the market, and reduce our reliance on the resources of related parties. Shimao Services will continue to carry out lean management and deepen its post-investment integrated management, instead of focusing on the scale. It will pursue profitable revenue and profits that bring cash flow returns, and lead quality development with sustainable performance targets; avoid management short-sightedness and proactively embrace changes; augment its focus, moving from broadening its reach to deepening its presence, and earn "operating" profits by leveraging on its professional business competencies.

In 2023, Shimao Services will realise its strategic and management objectives through focusing on "eight major battles": cash flow management, profitability upgrade, market development, business competency enhancement, operation system upgrade, digital capability breakthrough and organisational team optimisation, with an aim to achieve comprehensive quality development through full business coverage, post-acquisition integration & full lifecycle management and engagement at all levels of the organisation.

Social Responsibility

Shimao Services has been actively responding to climate change, undertaking corporate social responsibility, and working on public welfare projects. It is always concerned about the implementation of corporate social responsibility and is committed to fulfilling its responsibilities. Shimao Services continues to promote climate change response and works together with our staff and property owners to promote lifestyle innovation and green development transformation around community environmental footprint management and green office. It also engages in public welfare and charity work through activities such as the "Tibetan Youth Hand-holding Programme (藏區青苗牽手計劃)" and the "Love Children's Club (愛心童萌會)", and continues to care for people in need and bring stakeholders together to contribute to public welfare and spread positive energy to society.

In the future, we will continue to uphold the philosophy of "Better Smart Life" and keep devoting our efforts in environmental, social and governance with high standards of service, rigorous work processes and advanced smart technologies. We will also work together with our employees, property owners and tenants, suppliers and other partners for sustainable development of the whole society.

Acknowledgement

In 2022, the performance of the capital market was under severe pressure in the face of thrashing from the resurgence of the COVID-19 pandemic, the slowdown in economic growth and the liquidity crisis in the real estate sector in China. On behalf of the Board, I would like to extend my heartfelt gratitude and deepest respect to our shareholders, business partners, local governments, property owners and customers for their immense support. Thank you for the understanding, support and assistance by joining hands with Shimao Services.

Believing that "strength comes from unity and devotion creates miracles", in spite of the difficult external environment and operational pressure, Shimao Services will spare no effort in its development with clear determination. We will continue to uphold the Shimao spirit of "Pioneering, Down-to-earth and Prudent", act in a practical and realistic manner, stay diligent and progressive, and keep creating value for shareholders.

Hui Sai Tan, Jason
Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is positioned as a leading comprehensive property management and community living service provider in China. We have created three business portfolios, namely comprehensive property services, diversified value-added services and smart city services, and are vigorously developing digital technology services. Currently, the Group has four major business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services.

As at 31 December 2022, the Group recorded revenue of RMB8,636.8 million, representing a year-on-year growth of 3.5%, and loss for the year of RMB876.7 million.

As of 31 December 2022, Shimao Services provided a wide variety of services for 1,289 projects, covering various types of clients, including residential projects, universities and colleges, industrial parks and hospitals. The GFA under management amounted to 261.6 million sq.m., representing a year-on-year increase of 8.8%; and contracted GFA was 341.3 million sq.m., representing a year-on-year increase of 10.8%.

➢ **PROPERTY MANAGEMENT SERVICES**

- **Representing 58.4% of total revenue and 58.0% of total gross profit**

  During the year, the Group's revenue from property management services reached RMB5,042.0 million, representing an increase of 20.9% as compared to RMB4,169.6 million for the same period of 2021. Revenue from property management services continued to rise, which was driven by the unceasing growth in GFA under management.

  Gross profit from property management services was RMB1,126.8 million, representing a decrease of 2.0% as compared to RMB1,150.0 million for the same period of 2021. Gross profit margin was 22.3%, representing a decrease of 5.3 percentage points as compared to 27.6% for the same period of 2021. The significant decrease in gross profit margin was mainly attributable to: firstly, the increased difficulty in day-to-day management and rising management costs due to the city closures in various locations from time to time as a result of recurring outbreak of COVID-19 pandemic in 2022; secondly, due to the higher percentage of projects from third parties, the profit margin of which was less than that of projects developed by Shimao Group Holdings Limited (世茂集團控股有限公司) ("Shimao Group"); thirdly, the significant increase in the proportion of non-residential projects to projects under our management, the profit margin of which was lower than that of residential projects.

	For the year ended 31 December	
	2022	2021
Revenue (RMB million)	**5,042.0**	4,169.6
Gross profit (RMB million)	**1,126.8**	1,150.0
Gross profit margin (%)	**22.3%**	27.6%

- **Sustained growth in GFA**

During the year, the Group recorded growth in both GFA under management and contracted GFA. Sustained growth in its management area was the key driver of the overall increase in the Group's revenue, generating direct revenue growth for property management services and providing soil for business development for each of other value-added services.

As of 31 December 2022, the Group's GFA under management amounted to 261.6 million sq.m., representing a year-on-year 8.8% uptick or a net increase of 21.1 million sq.m. from 240.5 million sq.m. for the same period of 2021. There were 1,289 projects under our management in 112 cities nationwide.

As of 31 December 2022, the Group's contracted GFA was 341.3 million sq.m., representing a year-on-year rise of 10.8% or a net increase of 33.3 million sq.m. from 308.0 million sq.m. for the same period of 2021.

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property developer type for the years ended 31 December 2022 and 31 December 2021, respectively:

	For the year ended 31 December			
	2022		2021	
	Area ***(sq.m. in million)***	**Percentage** ***(%)***	Area *(sq.m. in million)*	Percentage *(%)*
GFA under management	**261.6**	**100%**	240.5	100%
Among which:				
From Shimao Group and its co-developers	**59.9**	**22.9%**	58.1	24.2%
From independent third-party developers	**201.7**	**77.1%**	182.4	75.8%
Contracted GFA	**341.3**	**100%**	308.0	100%
Among which:				
From Shimao Group and its co-developers	**77.8**	**22.8%**	76.1	24.7%
From independent third-party developers	**263.5**	**77.2%**	231.9	75.3%

- **A property management portfolio of various property types**

  The Group's projects under management are mainly divided into residential and non-residential properties. Since 2021, Shimao Services has stepped up its expansion into non-residential projects. It has achieved outstanding results by effectively enlarging the share of non-residential projects in terms of area through M&A and third-party market bidding. In terms of GFA under management, the highest contribution of non-residential projects was from the universities and colleges, followed by public and industrial park projects.

  As of 31 December 2022, the Group's GFA under management of non-residential properties reached 120.0 million sq.m., accounting for 45.9% of the Group's GFA under management. The share of non-residential properties in our GFA under management increased by 3.6 percentage points compared with the same period of 2021.

  The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property type for the years ended 31 December 2022 and 31 December 2021, respectively:

	For the year ended 31 December			
	2022		2021	
	GFA under management *(sq.m. in million)*	**Percentage** *(%)*	GFA under management *(sq.m. in million)*	Percentage *(%)*
Residential properties	**141.6**	**54.1%**	138.8	57.7%
Non-residential properties	**120.0**	**45.9%**	101.7	42.3%
Total	**261.6**	**100%**	240.5	100%
	Contracted GFA *(sq.m. in million)*	**Percentage** *(%)*	Contracted GFA *(sq.m. in million)*	Percentage *(%)*
Residential properties	**191.8**	**56.2%**	184.8	60.0%
Non-residential properties	**149.5**	**43.8%**	123.2	40.0%
Total	**341.3**	**100%**	308.0	100%

- **Outstanding results in third-party market bidding**

  The results of the Group's third-party market bidding expansion in 2022 were outstanding. Despite the "March closure" of the headquarters in Shanghai and the ongoing "lockdown" across the country, the Group won bids of 40.1 million sq.m. of contracted GFA from the new market. Although this figure was down from 61.6 million sq.m. for the same period of 2021, it still stood at the top of the industry with prominent market strength in bidding.

  In 2022, due to the overall downturn in the real estate industry and the COVID-19 pandemic, third-party market bidding expansion became the Group's major source of new GFA. Shimao Services successfully leveraged on its own capabilities to open up markets and expand its business scale with annualised contract amount from new management contracts reaching RMB1,075.0 million, and secured quality targets such as Fenghu Mansion (豐湖大廈) in Shenzhen and HuangPi District People's Court of Wuhan City.

	For the year ended 31 December			
	2022		2021	
	Contracted GFA ***(sq.m. in million)***	**Percentage** ***(%)***	Contracted GFA *(sq.m. in million)*	Percentage *(%)*
Residential properties	**15.1**	**37.7%**	24.3	39.4%
Non-residential properties	**25.0**	**62.3%**	37.3	60.6%
Total	**40.1**	**100%**	61.6	100%

  Shimao Services understands the importance of market bidding expansion. In 2023, Shimao Services will continue to consolidate its business capabilities, sparing no effort in polishing its (1) capability in planning businesses by city and property type, (2) clear and long-term systematic management capability for market expansion, (3) refined scheduling capability for the entire project lifecycle, (4) differentiated capability for qualification aggregation, (5) professionalism and competitiveness of its organisation and team, (6) capability in consolidating and delivering product proposals, (7) capability in exploring and maintaining resources via multiple channels, and (8) standardisation capability for business streams. It will continue to provide impetus to its development by vigorously expanding its market and actively securing more third-party projects.

➢ COMMUNITY VALUE-ADDED SERVICES

- **Representing 19.5% of total revenue and 27.0% of total gross profit**

  Community value-added services mainly revolved around "users" and "assets", with a focus on high-potential areas in community value-added services to develop unique core competencies of Shimao Services. As GFA under management kept increasing and the number of users continued to grow, it created more opportunities to develop community value-added services in the future.

  The Group endlessly refines its value-added services in residential properties while actively expanding its value-added services business under its diversified portfolio. It enriches its service types and enhances its service capabilities, and rapidly develops its business into various non-residential properties such as universities and colleges, hospitals and industrial parks.

  During the year, revenue from community value-added services amounted to RMB1,688.3 million, representing a decrease of 31.0% as compared to RMB2,448.2 million for the same period of 2021.

  In 2022, due to the recurring outbreak of the COVID-19 pandemic and the city closure across the country, the normal operation of the Group's business was severely affected. On top of this, factors such as the downturn in the real estate industry and the overall weak economy have posed more challenges to the commencement of some businesses such as smart scenario business, new retail business, and carpark asset operation business, resulting in a significant year-on-year decline in segment revenue and profit.

The following table sets forth the Group's revenue from community value-added services by category for the years ended 31 December 2022 and 31 December 2021, respectively:

	For the year ended 31 December					
	2022		2021			
	Revenue *(RMB million)*	**Percentage** *(%)*	Revenue *(RMB million)*	Percentage *(%)*	Change in revenue *(%)*	Change in percentage *(percentage point)*
Community asset management services	**235.8**	**14.0%**	299.0	12.2%	-21.1%	increase by 1.8 percentage points
Smart scenario solutions	**338.3**	**20.0%**	610.2	24.9%	-44.6%	decrease by 4.9 percentage points
Carpark asset operation services	**323.0**	**19.1%**	428.1	17.5%	-24.6%	increase by 1.6 percentage points
Home decoration services	**123.9**	**7.3%**	190.5	7.8%	-35.0%	decrease by 0.5 percentage point
New retail services	**127.9**	**7.6%**	433.9	17.7%	-70.5%	decrease by 10.1 percentage points
Campus value-added services	**397.9**	**23.6%**	462.2	18.9%	-13.9%	increase by 4.7 percentage points
Elderly care services	**141.5**	**8.4%**	24.3	1.0%	482.3%	increase by 7.4 percentage points
Subtotal of community value-added services	**1,688.3**	**100%**	2,448.2	100%	-31.0%	N/A

- ***For community asset management services, revenue was RMB235.8 million, representing a year-on-year decrease of 21.1% as compared to RMB299.0 million for the same period of last year***

  In 2022, Shimao Services increased the number of community resource points by 46.3% by sorting out business lists and setting the entry standards of community resource point. We upgraded our business operation guidelines, upgraded and iterated our business system and empowered our frontline staff with training.

  On the supply side, the Group reconstructed the business process of the upstream industry chain in the community and allocated the resources accordingly to cater to the demand of property owners therein, allowing our merchants to maximise the value of their products. By realising revenue increase and cost reduction and improving efficiency for our partners, we were able to secure long-term and stable cooperation.

During the year, although Shimao Services adopted the above business measures to enhance its business capability on the supply side, some community value-added services could not carry on as usual due to the COVID-19 pandemic and that property owners were less willing to spend, resulting in a year-on-year decrease in revenue in 2022.

- ***For smart scenario solutions, revenue was RMB338.3 million, representing a year-on-year decrease of 44.6% as compared to RMB610.2 million for the same period of last year***

  In 2022, in the face of challenging external environment, the Group actively transformed and rode out the difficult situation through balancing strategic focus with flexible strategy. It adjusted the business strategies timely in response to market changes, centralised its resources on developing its second growth curve, focused on respective business lines and searched for the right point to enter the competition.

  Comprehensive business capabilities were enhanced by improving product solution capability, outbound sales capability, delivery capability and quality level, and supply chain capability:

  (1) In respect of product capability, it published 20 sets of standardised solutions, implemented non-real estate diversification projects and actively promoted external ecological cooperation;

  (2) In respect of outbound sales capability, it established a standardised sales process, strengthened external market expansion capability, implemented large third-party benchmark projects, and gradually increased its presence in the industry, e.g. the Hainan Hongbao headquarters smart building project;

  (3) In respect of delivery capability and quality level, firstly, it focused on improving and enhancing various professional qualifications through participating in high quality projects and enhancing the probability of winning tenders, with an aim to broaden the scope of business; secondly, it enhanced our capability in design optimisation and achieved lower cost and higher efficiency as well as continuous enhancement of design quality through drawing optimisation, precise selection and configuration optimisation; thirdly, it enhanced the engineering management capability in project delivery and managed to deliver project efficiently without risk in terms of quality and quantity; and

  (4) In respect of supply chain capability, it reduced the overall cost of supply chain by ways of tender upgrades, strict scrutiny and approval of subcontractors and centralised procurement of products. It established and broadened the supplier base for common systems by adding 147 brands to cover 25 common systems.

In 2022, owing to various factors, such as the downturn in the real estate industry, the contraction in second-hand property transactions and the overall macroeconomic pressure, the demand for intelligent renovation and upgrade from property customers weakened and such projects experienced delays, which in turn, delayed related part of the revenue and profit recognition from construction works for the year. The Group actively responded to the changes in market conditions, adjusted operational strategies and business structure, actively expanded the smart businesses of non-property diversified businesses and scenarios, building a solid ground for focusing on quality sustainable development in the future.

- ***For carpark asset operation services, revenue was RMB323.0 million, representing a year-on-year decrease of 24.6% as compared to RMB428.1 million for the same period of last year***

  In 2022, revenue from the sale of car parking spaces decreased year-on-year due to significant reduction in new supply as a result of the downturn in the real estate sector; the city closure and control across the country due to the COVID-19 pandemic, which severely affected public travel, also led to significant decline in revenue from car parking services as compared to previous years.

  However, the gross profit margin of the segment was maintained at the same level as previous years, thanks to increased efforts of frontline staff in marketing and promotion by extending the promotional coverage and launching monthly promotional activities, which lured the attention of property owners. It was also attributable to the acceleration of business operation target achievement, a result of optimised commission system due to enhancement in the performance and profit target-oriented assessment.

- ***For home decoration services, revenue was RMB123.9 million, representing a year-on-year decrease of 35.0% as compared to RMB190.5 million for the same period of last year***

  Home decoration services business mainly consists of decorative home furnishing and home furnishing product referral services. In 2022, due to the downturn in the property industry and the decrease in new project deliveries, revenue of the decoration and home furnishing business slid year-on-year, while gross profit margin decreased significantly due to the increase in business costs as a result of the COVID-19 pandemic. For furniture referral services, revenue and gross margin were generally the same as last year.

- ***For new retail services, revenue was RMB127.9 million, representing a year-on-year decrease of 70.5% as compared to RMB433.9 million for the same period of last year***

  In 2022, as a result of the COVID-19 pandemic, community closure control was tight, which severely impacted daily business operations and in turn led to sharp decline in revenue from new retail services. During the pandemic, our new retail team provided owners in certain communities under closed management with "guaranteed supply" service for daily necessities. The service was well-received by our customers, which effectively brought our business teams and customers closer together and allowed a trusted partnership among them, laying a foundation for carrying out future business.

  Benefitted from the deepening of traditional festive marketing activities, revenue was boosted. Among which, three festivals themselves, namely Dragon Boat Festival, Mid-Autumn Festival and Golden Autumn Festival, contributed 45% of the annual sales revenue. The business focus effectively improved the gross margin of the business, which rose 13.8 percentage points as compared to that of the same period of last year.

  The Group devoted great effort in developing B2C businesses and improved its operation for community customers. New retail service was conducted for all residential projects under management, and the coverage rate of "online mall" reached 100%. The Group set up offline distributed mini warehouses in certain communities under management, building and enhancing the sales channels through synergies between "online + offline" models. The Group also focuses on customer resources from "private sectors", with "private sector operation" as its core marketing model in the future. Currently, the Group plans to train up around 15,000 distributors in the 587 projects across the nation.

- ***For campus value-added services, revenue was RMB397.9 million, representing a year-on-year decrease of 13.9% as compared to RMB462.2 million for the same period of last year***

  The campus value-added service mainly leverages on the comprehensive property services platform of Zheda Sinew to develop its business, which principally includes canteen group meal service, accommodation service and business trading service, etc., providing a wide range of value-added services on campus study and life for teachers and students.

In 2022, with the resurgence of COVID-19 pandemic, universities and colleges delayed the commencement of school year and moved holidays forward in consideration of pandemic prevention and control, which greatly shortened the time of teachers and students spent on campuses. Certain universities and colleges also adopted distance teaching and learning models to hold classes online, and hence teachers and students stayed at home instead of going back to campus, which in turn affected the Group's revenue from group meal and accommodation services as the business could not carry on as usual.

Revenue from business trading service (supermarket business) soared nearly 300% year-on-year due to increased demand for anti-pandemic supplies as a result of closure during the pandemic outbreak. That said, it could not drive overall revenue growth as the contribution to revenue was relatively small.

Following the end of COVID-19 pandemic, business operation environment significantly turned positive. It is believed that the campus value-added services business will revive in 2023.

- ***For elderly care services, revenue was RMB141.5 million, representing a year-on-year increase of 482.3% as compared to RMB24.3 million for the same period of last year***

  Our elderly care services are provided on the Home Care Service Platform of Healthtop.

  In 2022, revenue from the elderly care business increased rapidly. It was because, firstly, the Company acquired Healthtop in September 2021, which contributed three months of revenue in the consolidated accounts in 2021 while it contributed 12 months of revenue in 2022; and secondly, Healthtop's team actively expanded business and increased service sites. By the end of 2022, Healthtop already covered 23 cities, operating 10 institutional elderly service centres and 325 community service sites, serving people more than 300,000 times.

  The rapid expansion of the business and the fact that quite a number of service sites are still in the ramp-up period of the business caused a negative impact on profit margin, with gross margin falling by nearly 10 percentage points. Profit margin will gradually improve and stabilise as site operations become more mature.

➢ VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

- **Representing 6.1% of total revenue and 5.8% of total gross profit**

  During the year, revenue amounted to RMB525.1 million, representing a year-on-year decrease of 39.7% from RMB870.5 million for the same period of 2021. Percentage of revenue from value-added services to non-property owners to total revenue continued to decrease to 6.1% in 2022 from 10.4% in 2021.

  In 2022, due to the overall downturn in the property industry, the number of new construction and sales projects decreased sharply, which had a significant impact on business expansion. During the year, the number of new sales office projects was limited and service revenue was mainly generated from ongoing projects.

  In 2022, the segment's gross profit margin was 21.4%, representing a decrease of 6.1 percentage points from 27.5% for the same period of last year, mainly due to the overall sluggish property sales and a sharp decrease in customer demand for various high-margin sales office value-added services, which affected the gross profit margin of the business.

➢ CITY SERVICES

- **Representing 16.0% of total revenue and 9.2% of total gross profit**

  During the year, the revenue amounted to RMB1,381.4 million, representing a year-on-year increase of 61.5% from RMB855.1 million for the same period of 2021; gross profit margin was 13.0%, which remained substantially flat as compared to 12.7% for the same period of last year.

  Shimao Services has rapidly built up its integrated city services capabilities through M&A, and currently owns two major city services platform companies, namely Jinshatian and Shi Lu Yuan.

  Jinshatian provides city services regarding smart environmental protection integrated solutions. Its business covers sanitation services, wastewater treatment services, kitchen waste treatment, the recycling services of renewable resources and the manufacture of small sanitation equipment. Jinshatian has a research institute, which possesses the ability to develop its own robots and has obtained numerous national patents.

  In 2022, the rapid increase in revenue from city services was mainly due to, firstly, the effect from the timing of the acquisition and the consolidation, resulting in the inclusion of four months of revenue from Jinshatian and around eight months of revenue from Shi Lu Yuan in the consolidated accounts for 2021, and the inclusion of 12 months of revenue from both companies in 2022; secondly, the fact that Jinshatian made outstanding achievement in market bidding expansion with the aggregate amount of new contracts signed in 2022 exceeded RMB850.0 million, providing essential support to the future development of this business segment.

IMPACTS OF THE COVID-19 PANDEMIC

Normal operation of the Group was inevitably affected by the pandemic in 2022 with the implementation of high requirements and stringent standards of pandemic prevention, as well as the city closures and control in various regions, making management more difficult and higher management costs, thus impinging on revenue and profit.

FINANCIAL REVIEW

During the year, the Group realised:

Revenue

Revenue was RMB8,636.8 million, representing a year-on-year increase of 3.5% as compared to RMB8,343.4 million for the same period of 2021. The Group generated revenue from four business segments: (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owners; and (iv) city services. During the year: (i) property management services remained the largest source of revenue and profit to the Group, with revenue amounted to RMB5,042.0 million, accounting for 58.4% of the overall revenue and representing a year-on-year increase of 20.9% as compared to RMB4,169.6 million for the same period of 2021; (ii) revenue from community value-added services amounted to RMB1,688.3 million, accounting for 19.5% of the overall revenue and representing a year-on-year decrease of 31.0% as compared to RMB2,448.2 million for the same period of 2021; (iii) revenue from value-added services to non-property owners amounted to RMB525.1 million, accounting for 6.1% of the overall revenue and representing a year-on-year decrease of 39.7% as compared to RMB870.5 million for the same period of 2021; and (iv) revenue from city services amounted to RMB1,381.4 million, accounting for 16.0% of the overall revenue and representing a year-on-year increase of 61.5% as compared to RMB855.1 million for the same period of 2021;which was principally attributable to the 12-month period of consolidation of Shi Lu Yuan and Jinshatian during the year.

Cost of Sales and Services

Cost of sales and services of the Group primarily included staff costs, subcontracting costs, utilities and facility operating costs, cost of selling carpark spaces, cost of smart community solutions and others. During the year, cost of sales and services was RMB6,693.9 million, representing a year-on-year increase of 12.4% as compared to RMB5,953.3 million for the same period of 2021. The significant increase in costs was mainly due to, firstly, the increase in daily project operation and management cost based on the requirements of the local pandemic prevention and control policies due to the recurrence of the COVID-19 pandemic in 2022; secondly, the increase in labor cost for suppliers which was caused by the decrease in labor stability due to the impact of the pandemic; and thirdly, the 12-month consolidation period of the city services segment, which was longer than the previous year's consolidation period, led to an increase of the overall city services costs.

Gross Profit and Gross Profit Margin

Gross profit amounted to RMB1,943.0 million, representing a year-on-year decrease of 18.7% as compared to RMB2,390.1 million for the same period of 2021. Gross profit margin was 22.5%, representing a decrease of 6.1 percentage points as compared to 28.6% for the same period of 2021. Gross profit margins for the four business segments were: 22.3% for property management services, 31.1% for community value-added services, 21.4% for value added services to non-property owners and 13.0% for city services, respectively. Gross profit margins for those segments were 27.6%, 36.4%, 27.5% and 12.7% in 2021, respectively.

Gross profit margin for property management services was 22.3%, representing a decrease of 5.3 percentage points as compared to 27.6% in 2021, mainly due to, firstly, the increase in daily project operation and management cost based on the requirements of the local pandemic prevention and control policies due to the recurrence of the COVID-19 pandemic in 2022; secondly, the increasing proportion of projects from third parties and the lower profit margin of third-party projects compared to the projects developed by Shimao Group; thirdly, the significantly increased proportion of non-residential projects in projects under management and the lower profit margin of non-residential projects compared to residential projects.

Gross profit margin for community value-added services was 31.1%, representing a decrease of 5.3 percentage points as compared to 36.4% in 2021, mainly due to, firstly, the lockdown of many regions in 2022 due to the recurrence of the COVID-19 pandemic, which restrained the normal operation of value-added businesses such as community venues and school catering; secondly, the impact from the real estate industry indirectly led to the disruption of the parking space operation and management business, and the significant year-on-year decrease in the profit of the segment.

Gross profit margin for value-added services to non-property owners was 21.4%, representing a decrease of 6.1 percentage points as compared to 27.5% in 2021, due to lower fee standards and fewer new sales offices and projects due to the impact of real estate operations, as well as higher staff costs due to the impact of pandemic in 2022, resulting in a lower overall gross margin.

Gross profit margin for city services business was 13.0%, which remained largely stable as compared to 12.7% in 2021.

Selling and Marketing Expenses

Selling and marketing expenses were RMB233.5 million, representing a year-on-year increase of 26.7% as compared to RMB184.3 million in 2021. Selling and marketing expenses for the year accounted for 2.7% of the revenue, representing an increase of 0.5 percentage point as compared to 2.2% in 2021. The increase was mainly due to the increase in market expansion staff costs and brand marketing and promotion expenses to promote the Group’s corporate image and build the capacity of the marketing team.

Administrative Expenses

During the year, administrative expenses were RMB1,356.5 million. Administrative expenses for 2022 grew at a year-on-year rate of 96.9% as compared to RMB689.0 million in 2021. Administrative expenses for the year accounted for 15.7% of the revenue, representing an increase of 7.4 percentage points as compared to 8.3% in 2021, primarily due to:

(1) the 12 month acquisition period of Jinshatian and 5 newly acquired companies of financial statements for consolidation in 2022, which increased eight months and twelve months period of financial statements for consolidation respectively as compared to last year, resulting in higher management expenses;

(2) increased amortisation of customer relationships from newly acquired company;

(3) increased office rents owing to increasing number of staff;

(4) management expenses for early repayment and redemption of convertible bonds; and

(5) an increase in consultation fees for strategic management and control system due to the adjustment of the Group's structure, as well as an increase in staff cost due to the business adjustment.

With the integration of the Group and the acquired companies, the corporate structure may undergo further consolidation and optimisation.

Impairment Losses on Financial Assets – Net

During the year, the Group's impairment losses on financial assets – net was approximately RMB743.7 million, representing a significant increase of approximately RMB492.6 million as compared to RMB251.1 million in 2021. The increase in impairment losses on financial assets – net was mainly because the Group made more provision of impairment in relation to the amounts due from related parties as compared with that in 2021 based on a prudent assessment, having considered the changes in credit risk caused by the overall downturn in the real estate industry and the liquidity issue faced by related parties in 2022.

Impairment Losses on Intangible Assets

During the year, the Group's impairment losses on goodwill – net was approximately RMB705.1 million. The increase in provision of impairment on goodwill – net was mainly due to the Group's provision of impairment on the goodwill of acquired companies based on a prudent assessment, having considered the following factors in 2022: a slowdown in overall economic growth; the performance growth in the environmental hygiene market was slower than expected due to the volatility and downturn in the real estate industry; and the number of and revenue from the city services market expansion projects and certain acquired companies' non-residential market expansion projects were lower than expected at the time of the relevant M&A.

Operating (Loss)/Profit

During the year, operating loss was RMB809.8 million, as compared to operating profit of RMB1,505.3 million for the full year of 2021.

Finance Costs – Net

During the year, finance costs – net were RMB161.7 million, representing an increase of 603.0% as compared to RMB23.0 million in 2021, primarily due to the interest accrued at the effective interest rate of the convertible bonds during the year.

(Loss)/Profit before Income Tax

During the year, loss before income tax amounted to RMB958.7 million, representing a decrease of RMB2,454.4 million as compared to profit before income tax of RMB1,495.7 million in 2021, primarily due to the Group's significant provision for bad debt losses and impairment on goodwill during the year.

Income Tax Credit/(Expense)

During the year, income tax credit was RMB82.1 million, as compared to income tax expense of RMB278.9 million for the full year of 2021, due to the decrease in deferred income tax expense as a result of the provision for bad debt losses during the year.

The IoT technology companies under the Group are entitled to the preferential tax policy of "tax exemption for the first two years and 50% tax reduction for the following three years". 2022 was the third year of entitlement to such preferential tax policy. Hailiang Property, headquartered in Tibet, enjoyed tax benefits; while Chengdu Xinyi, Xi'an Fangrui and the newly established "second headquarter" enjoyed the preferential tax policy for "Western Region Development".

Pursuant to the rules and regulations of the Cayman Islands, the Group is not required to pay income tax of Cayman Islands.

The income tax rate applicable to the Group's entities incorporated in Hong Kong was 16.5% on the income subject to Hong Kong profits tax for the year. No provision was made for Hong Kong profits tax over the 12 months from 1 January 2022 to 31 December 2022, as the Group did not derive any income subject to Hong Kong profits tax.

Unless otherwise specified, the Group's subsidiaries in China shall pay PRC corporate income tax at a rate of 25%.

(Loss)/Profit for the Year

Loss for the year amounted to RMB876.7 million, as compared to profit for the year amounted to RMB1,216.8 million in 2021. Loss attributable to the equity holders of the Company was RMB927.1 million, as compared to profit attributable to the equity holders of the Company amounted to RMB1,110.4 million for the same period of 2021.

If excluded impairment of receivables, expenses of the Share Award Scheme, actual interest generated by convertible bonds, fair value changes in derivative embedded in convertible bonds, amortisation costs of intangible assets (brands, contracts and customer relationships) brought by M&A, impairment losses on goodwill and performance compensation for acquired companies, the core net profit for the equity holders of the Company was approximately RMB499.6 million for the year ended 31 December 2022. The core net profit for the equity holders of the Company was approximately RMB1,288.2 million for the year ended 31 December 2021. The decrease in core net profit for equity holders of the Company was mainly due to the decrease in the business scale of community value-added and value-added services to non-property owners during the year.

Investment Properties, Property, Plant and Equipment

As at 31 December 2022, net book value of investment properties, property, plant and equipment amounted to RMB609.8 million, representing a year-on-year increase of 14.6% as compared to RMB531.9 million as at 31 December 2021. This was primarily due to an increase of approximately RMB11.6 million in buildings, vehicles, plant and equipment as a result of the M&A of companies such as Suzhou Tianxiang and Hunan Jili during the year.

Intangible Assets

As at 31 December 2022, the carrying amount of the Group's intangible assets was RMB2,912.8 million, representing a decrease of 11.1% as compared to RMB3,276.9 million as at 31 December 2021. The Group's intangible assets primarily included: (i) goodwill of RMB1,740.3 million recognised for the acquired companies; (ii) customer relationships of RMB986.3 million recognised for the acquired companies; (iii) software research and development and purchase worth RMB123.4 million by the Group; and (iv) partially offset by customer relationships and software amortisation. Customer relationships and software have definite useful lives and are accounted for at cost less accumulated amortisation.

As at 31 December 2022, the Group's goodwill amounted to RMB1,740.3 million, representing a decrease of 18.3% as compared to RMB2,129.5 million as at 31 December 2021. The Group's goodwill mainly arose from the expected future development of the acquired companies, the improvement of market coverage, the expansion of service portfolio, the integration of value-added services and the enhancement of management efficiency.

As at 31 December 2022, the Group's management had provided a provision of impairment losses on goodwill amounting to RMB705.1 million.

Trade Receivables

As at 31 December 2022, trade receivables amounted to RMB3,218.3 million, representing an increase of 2.0% as compared to RMB3,154.9 million in 2021, primarily due to expansion of the Group's business scale and addition of new business.

Trade Payables

As at 31 December 2022, trade payables amounted to RMB1,175.1 million, which remained largely stable as compared to RMB1,143.1 million for the same period of 2021.

Liquidity, Reserves and Capital Structure

The Group maintained a strong financial position during the year. Current assets amounted to RMB9,286.0 million as at 31 December 2022, representing a decrease of 33.4% from RMB13,933.9 million as at 31 December 2021. The Group's cash and cash equivalents amounted to RMB2,307.3 million as at 31 December 2022, representing a year-on-year decrease of 76.6% from RMB9,842.1 million as at 31 December 2021, which mainly stemmed from the repayment of principal and interest on the convertible bonds amounting to approximately RMB2,777.6 million and invested in certificate of deposit of approximately RMB2,360.0 million.

The Group's net current assets amounted to RMB3,733.2 million as at 31 December 2022, with a current ratio of 1.67, which still stood at a robust level as compared to the net current assets of RMB6,102.8 million as at 31 December 2021.

Capital Expenditure Commitments

As at 31 December 2022, there is no capital commitment that the Group had already contracted but not provided for.

Share Award Scheme

A Share Award Scheme of the Company (the "Share Award Scheme") was adopted by the Board of the Company on 28 June 2021 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognise the contributions by certain selected employees of the Group and to provide them with incentives so as to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of ten years commencing from the Adoption Date. The maximum number of shares can be awarded under the Share Award Scheme is 3% of the total number of issued shares of the Company as at the Adoption Date (i.e. 70,919,190 shares). During the twelve months ended 31 December 2022, 4,017,105 award shares were granted to certain Directors and eligible employees of the Group under the Share Award Scheme.

Proceeds from the Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 30 October 2020. Excluding underwriting fees and related expenses, the net proceeds from the listing amounted to HK$5,917.4 million (equivalent to RMB5,126 million). Details of the actual or intended use of proceeds from the listing are as follows:

Intended use of net proceeds	**Proceeds available for utilisation** *(RMB million)*	**Allocation percentage** %	**Utilised amount as of 31 December 2022** *(RMB million)*	**Unutilised amount as of 31 December 2022** *(RMB million)*	**Expected timeline for utilising the remaining unutilised amount**
(1) To continue to expand business scale through multiple channels	3,332	65%	2,579	753	2024
(2) To diversify people-oriented and property-oriented value-added service offerings	769	15%	197	572	2024
(3) To improve the information technology system and smart technologies	256	5%	124	132	2024
(4) To attract and nurture talent	256	5%	40	216	2024
(5) For working capital and other general corporate purposes	513	10%	213	300	2024
Total	5,126	100%	3,153	1,973	

Equity Fund Raising Activities and Use of Proceeds

Placing of Existing Shares and Top-up Subscription of New Shares under General Mandate (the "Top-Up Placing")

On 19 October 2021, the Company entered into a placing and subscription agreement (the "2021 Placing and Subscription Agreement") with Morgan Stanley & Co. International plc (the "Placing Agent"), Shimao Group and the vendor, Best Cosmos Limited ("Best Cosmos"), pursuant to which the Placing Agent conditionally agreed to place to not less than six independent professional, institutional and/or individual investors, on a fully underwritten basis, 115,000,000 existing ordinary shares of the Company at the placing price of HK$15.18 per share, and Best Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue to Best Cosmos new ordinary shares, which were the same number as the placing shares that have been placed by the Placing Agent, at the placing price. The subscription shares have a nominal value of HK$1.15 million and a market value of HK$1,934.3 million, based on the closing price of HK$16.82 per share as quoted on the Stock Exchange on the last full trading day immediately before the time at which the 2021 Placing and Subscription Agreement was signed. The net price per subscription share is HK$15.09. The completion of placing of existing shares took place on 22 October 2021, and the Company allotted and issued 115,000,000 ordinary shares to Best Cosmos on 2 November 2021 under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2021 annual general meeting of the Company (the "General Mandate").

The net proceeds received by the Company after deducting related fees and expenses were approximately HK$1,735 million. The Company intends to apply such net proceeds for potential M&A, business expansion, general working capital and general corporate uses. The Directors consider that the placing and subscription represent an opportunity to raise capital for the Company while broadening its shareholders and capital base, and it would strengthen the financial position of the Group and provide working capital to the Group. For further details, please refer to the announcements of the Company dated 20 October 2021 and 2 November 2021.

Issuance of Convertible Bonds under General Mandate (the "Bonds Issue")

On 19 October 2021, the Company entered into an agreement (the "Agreement") with the issuer, Crystal Idea Group Limited ("Crystal Idea", a wholly-owned subsidiary of the Company), and Morgan Stanley & Co. International plc (the "Lead Manager") in relation to the issue of senior unsecured guaranteed convertible bonds (the "Bonds"), pursuant to which the Lead Manager agreed to subscribe for, or to procure subscribers to subscribe for, the Bonds to be issued by Crystal Idea in the aggregate principal amount of HK$3,110 million. The Bonds are unconditionally and irrevocably guaranteed by the Company. Based on an initial conversion price of HK$18.22 per share and assuming full conversion of the Bonds at the initial conversion price, the Bonds will be convertible into 170,691,547 ordinary shares. The conversion price was determined by the Company and the Lead Manager after arm's length negotiations with reference to the price of the shares on the Stock Exchange and after a book-building exercise. The conversion shares have a nominal value of HK$0.01 each and a market value of approximately HK$2,871 million based on the closing price of the shares of HK$16.82 per share on the date of the Agreement. The net price per conversion share is approximately HK$18.07. The shares which may fall to be issued upon the conversion of the Bonds will be issued under the General Mandate. As the full conversion of the Bonds will be within the limit of the General Mandate, no shareholders' approval is required for the issue of the Bonds or the conversion shares. The Bonds have been listed and quoted on Singapore Exchange Securities Trading Limited (the "SGX") and its offering circular is available on the website of the SGX.

The gross proceeds from the Bonds Issue were HK$3,110 million. The net proceeds from the Bonds Issue, after deducting related fees and expenses, amounted to approximately HK$3,085 million. The Company intends to use the net proceeds for potential M&A, business expansion, general working capital and general corporate uses. The Directors consider that the Bonds Issue represents an opportunity to raise capital for the Company and provide sufficient funding for the Company's business expansion. For further details, please refer to the announcements of the Company dated 20 October 2021, 2 November 2021 and 3 November 2021.

Consent Solicitation in relation to the Convertible Bonds

Under the terms and conditions of the Bonds, following occurrence of a relevant event, holders of the Bonds have the right to require the issuer to redeem all or some only of their Bonds, and a "relevant event" will occur where the shares of the Company have been suspended for trading for a period of equal to or exceeding 30 consecutive trading days on the Stock Exchange.

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Company is required to publish the audited annual results of the Group for the year ended 31 December 2021 (the "2021 Audited Annual Results") no later than 31 March 2022. However, due to the delay in the publication of 2021 Audited Annual Results, trading in the shares of the Company on the Stock Exchange was suspended on 3 May 2022. The trading in the shares of the Company was subsequently resumed on 23 June 2022 following the publication of the 2021 Audited Annual Results on 22 June 2022. As a result, the shares of the Company were suspended for trading for a period of 35 consecutive trading days. A relevant event has occurred under the terms and conditions of the Bonds given the suspension of trading in the shares exceeded 30 consecutive trading days. Such relevant event has triggered the right of the holders of the Bonds to require redemption of the Bonds.

As a result of this unexpected incident resulting in a relevant event, on 6 July 2022, the Company issued an announcement to conduct the consent solicitation to seek waivers of its redemption obligations triggered under the Bonds and to amend the issuer's optional redemption right under the Bonds.

On 1 August 2022, the Company announced that, with respect to the Bonds, the consent conditions had been satisfied and it had received the requisite consent at the meeting held on 1 August 2022 to approve and implement the extraordinary resolution and to give effect to the proposed waiver and the proposed amendments.

On 4 August 2022, the issuer fully paid all consent fee in an aggregate amount of HK$6,635,000 and all ineligible beneficial owner payment in an aggregate amount of HK$990,000 to bondholders to complete the consent solicitation.

Optional Redemption of Convertible Bonds

On 18 August 2022 (the "Redemption Date"), the issuer redeemed HK$1,399,500,000, or 45%, of the aggregate principal amount of the outstanding Bonds on a pro rata basis at their principal amount, and such redeemed Bonds were cancelled. The total redemption price paid by the issuer on the Redemption Date was HK$1,408,771,687.5. After the cancellation of the redeemed Bonds, an aggregate principal amount of HK$1,710,500,000 of the Bonds remained outstanding.

Redemption of Convertible Bonds at Maturity

The Bonds matured on 31 October 2022 (the "Maturity Date") and the issuer redeemed all the outstanding Bonds in full at their principal amount together with accrued and unpaid interest thereon on the Maturity Date pursuant to the terms and conditions of the Bonds. Upon completion of the redemption on the Maturity Date, the Bonds were cancelled and there were no Bonds outstanding. The Bonds were subsequently delisted from the official list of SGX.

Details of the intended and actual use of the aggregate net proceeds of approximately HK$1,735 million (equivalent to approximately RMB1,426 million) from the above equity fund raising activities after redemption of convertible bonds at maturity are as follows:

Intended use of net proceeds	Net proceeds available for utilisation	Net proceeds available for utilisation as of 31 October 2022	Allocation percentage	Utilised net proceeds as of 31 December 2022	Unutilised net proceeds as of 31 December 2022	Expected timeline for utilising the remaining unutilised net proceeds
	(RMB million)	*(RMB million)*	%	*(RMB million)*	*(RMB million)*	
(1) Potential M&A	3,153	1,140	80%	–	1,140	2024
(2) Business expansion	394	143	10%	–	143	2024
(3) General working capital and general corporate uses	394	143	10%	–	143	2024
Total	3,941	1,426	100%	–	1,426	

The proceeds set out above have not been used, mainly because the Group did not successfully acquire previous potential targets, and the Group will continue to identify suitable acquisition and investment targets or cooperation. We will adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group.

Connected Transaction

Termination of Disclosable and Connected Transaction

On 13 December 2021, the Company entered into the asset sale agreement (the "Asset Sale Agreement") with Shanghai Shimao Co., Ltd. ("Shanghai Shimao"). Pursuant to the Asset Sale Agreement, the Company conditionally agreed to acquire and Shanghai Shimao conditionally agreed to sell its property management services business and related value-added services in the PRC, for a consideration of RMB1,653.5 million (the "Acquisition"). Since the Company announced the Acquisition on 13 December 2021, the Company has received a large number of feedback from the independent shareholders and explicitly opposed the Acquisition. Subsequently, the Board was of the view that the valuation basis of the Acquisition at the time of signing the Asset Sale Agreement was no longer applicable to the current market conditions, and the consideration for the Acquisition agreed at that time was greatly deviate from the current market conditions, therefore, the Company and Shanghai Shimao, mutually agreed on 23 December 2022 to terminate the Asset Sale Agreement in respect of the Acquisition, and both parties would be released and discharged from their respective rights and obligations under the Asset Sale Agreement.

For details in respect of the above connected transaction, please refer to the announcements of the Company dated 13 December 2021, 24 December 2021, 5 January 2022, 31 March 2022, 30 June 2022, 30 September 2022, and 23 December 2022.

Continuing Connected Transaction – Deposit

On 16 October 2020, the Company entered into the carpark sales agency services agreement with Shimao Group, pursuant to which the Group agreed to provide carpark space sales agency services for carpark space developed by Shimao Group and its associates. Under such agency arrangement, the Group acted as an agent for the property developer and earned a commission for the successful sale of a carpark. The common market practice in the PRC for this type of agency services is for the property management services company to pay an interest-free deposit to the property developer to secure the right to act as the agent for the sale of the carpark space. The Group also operates under this market model and will enter into sales agency agreements with property developers and pay deposits which are later refunded to the Group after the Group has helped the property developer to sell the carpark spaces.

Pursuant to the carpark sales agency services agreement, the Group provides carpark space sales agency services to the Shimao Group and its associates to secure the exclusive right to sell the relevant carpark space. Since the Company's listing on the Stock Exchange on 30 October 2020 and up to 31 December 2021, the Group have paid carpark deposit in the aggregated amount of approximately RMB252.6 million to Shimao Group in relation to the execution of the carpark sales agency services agreement. The deposit was non-interest bearing and covered terms of between 1 and 3 years for the sale period of the carparking spaces for the relevant projects. As it is a commonly accepted market practice in the PRC for deposits paid to developers for securing the carparking spaces to carry no interest, and that the deposit is being paid for the Group to carry out the carpark space sales agency services which the Group will receive a commission for the successful sale of the carpark space, the Company thus considers that the non-interest bearing arrangement is being carried out under normal commercial terms, is no less favourable to the Group than transactions with third-party developers, and is in the interest of the Company and its shareholders as a whole. The deposit covers more than 21,800 carparking spaces in 30 projects developed by Shimao Group and its associates.

For details in respect of the above connected transaction, please refer to the prospectus and the announcement dated 8 November 2022 of the Company.

As at 31 December 2022, the Group have paid carpark deposit in the aggregated amount of approximately RMB304.4 million to Shimao Group in relation to the execution of the carpark sales agency services agreement.

Continuing Connected Transaction – Multiple Services Master Agreements with Shimao Group

The Company entered into several agreements on 16 October 2020 with Shimao Group, which would constitute continuing connected transactions of the Company upon listing. These agreements would expire on 31 December 2022. With a view to continue the businesses with Shimao Group in a way that fits the current business environment and circumstances of the Company, on 6 December 2022, the Company entered into the following agreements with Shimao Group:

1. Leasing master agreement: pursuant to the leasing master agreement, the Group would, from time to time, lease several residential or non-residential properties from Shimao Group. The purpose of the leases of the Group is to (1) partly, use as offices; and (2) develop other community value-added services.

2. Sales office operation master agreement: pursuant to the sales office operation master agreement, Shimao Group will engage the Group to operate several sales offices and display units, the responsibilities of the Group are including but not limited to human resources management, formulating various management policies and procedures, cleaning and security of the sales office, and other services relating to the running of the sales offices.

3. IoT services master agreement: pursuant to the IoT services master agreement, Shimao Group will engage the Group to provide services relating to the construction, development and system composition of IoT systems to the property development projects that Shimao Group involves in, including but not limited to, design, develop, implement, operate and sales of related IoT products and components. The IoT systems and components are for the enhancement of living experience for the dwelling in the respective properties.

4. Engineering services master agreement: pursuant to the engineering services master agreement, the Group will provide several engineering services for the property development projects that Shimao Group involves in: (1) Home decoration. The Group will supply furniture, home appliances, renovation and decoration materials to Shimao Group's property development projects, and will provide installation, logistics, maintenance, and other post-sales services to the extend the Group covers and as stipulated in the individual agreements. (2) Elevator supply, installation and maintenance. The Group will supply elevators to Shimao Group's property development projects, and will provide installation, maintenance, and other related services as stipulated in the individual agreements.

5. Property management services master agreement: pursuant to the property management services master agreement, the Group will provide Shimao Group with property management services for the properties (including car parking spaces) owned or used by Shimao Group.

6. Carpark sales agency services master agreement: pursuant to the carpark sales agency services master agreement, the Group will provide Shimao Group with carpark space sales agency services, including but not limited to providing marketing, promotion and sales services for carpark spaces developed by Shimao Group, and arrangement of documentations with the buyers of the carpark spaces.

7. Value-added services to non-property owners master agreement: pursuant to the value-added services to non-property owners master agreement, the Group will provide Shimao Group with, in connection with the property development projects that Shimao Group involves in, the following non-property owners value-added services: (1) design and consultation services from property management perspective for the property development projects of Shimao Group; (2) management over the repair and maintenance during the warranty period to the buyer of the residential properties and other properties on behalf of Shimao Group after such properties are sold; and (3) preparation of property development projects prior to delivery, including but not limited to defect inspection of home and public facilities, cleaning of private streets and roads, greening, and procurements of relevant supplies, such that the property development projects are of certain standard as stipulated in the sales brochure, which will be referenced by the individual agreements, to deliver to the property owners.

8. Information technology services master agreement: pursuant to the information technology services master agreement, the Group will provide Shimao Group with the following information technology services to satisfy the internal management needs of Shimao Group and the relevant property development projects of Shimao Group: (i) the Group will develop and implement SAP systems for Shimao Group to satisfy the needs in managing sales, procurements, operation and finance functions; (ii) the Group will provide cloud services for Shimao Group on an individual project basis for (1) sales activities ranging pre-sales to execution of transaction agreements; (2) the management of the construction sites of the property development projects; (3) customer services activities; and (4) office application and websites management; and (iii) the Group will provide information technology maintenance services to Shimao Group, including work stations, network infrastructure and servers.

9. Procurement and supply master agreement: pursuant to the procurement and supply master agreement, the Group will supply Shimao Group with certain merchandises including but not limited to (1) the materials for the purpose of marketing and sales of Shimao Group; and (2) the souvenirs to the home buyers or for customer services.

The annual caps for the total fees under each of the aforesaid master agreements for each of the financial years ending 31 December 2023, 2024 and 2025 are as follows:

	2023 *(RMB'000)*	**2024** *(RMB'000)*	**2025** *(RMB'000)*
Property leasing master agreement	65,000	70,000	79,000
Sales office operation services master agreement	146,000	128,000	115,000
IoT services master agreement	156,000	142,000	128,000
Engineering services master agreement	89,000	90,000	90,000
Property management services master agreement	151,000	173,000	169,000
Carpark sales agency master agreement – Agency commission	236,000	258,000	264,000
Carpark sales agency master agreement – Deposits	300,000	268,000	245,000
Value-added services to non-property owners master agreement	160,000	94,000	81,000
Information technology services master agreement	33,000	22,000	22,000
Procurement and supply master agreement	32,000	33,000	28,000

Among the aforesaid agreements, (1) Sales office operation master agreement; (2) IoT services master agreement; (3) Engineering services master agreement; (4) Property management services master agreement; (5) Value-added services to non-property owners master agreement; (6) Information technology services master agreement; and (7) Procurement and supply master agreement (the "Non-exempt CCT Agreements"), on aggregate basis, exceed 5%, the transactions contemplated thereunder are subject to the reporting, announcement, annual review, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and the Non-exempt CCT Agreements and the respective annual caps were approved at the extraordinary general meeting of the Company convened on 28 March 2023.

For details in respect of the above continuing connected transactions, please refer to the announcements of the Company dated 6 December 2022, 19 January 2023, 22 February 2023, 6 March 2023, 10 March 2023 and 28 March 2023.

AUDITED ANNUAL RESULTS

The board of directors of the Company (the "Board") is pleased to present the audited consolidated annual results of the Group for the year ended 31 December 2022 together with comparative figures for 2021. These annual results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**8,636,811**	8,343,432
Cost of sales and services	*5*	**(6,693,853)**	(5,953,343)
Gross profit		**1,942,958**	2,390,089
Selling and marketing expenses		**(233,485)**	(184,342)
Administrative expenses		**(1,356,454)**	(688,990)
Impairment losses on financial assets – net		**(743,659)**	(251,148)
Impairment losses on intangible assets		**(725,620)**	–
Fair value changes in derivative embedded in convertible bonds		**57**	144,746
Other income	*7*	**94,412**	75,301
Other gains and losses – net		**252,791**	26,492
Other operating expenses		**(40,789)**	(6,855)
Operating (loss)/profit		**(809,789)**	1,505,293
Finance income		**54,616**	30,775
Finance costs		**(216,298)**	(53,761)
Finance costs – net		**(161,682)**	(22,986)
Share of results of associates		**12,749**	13,396
(Loss)/profit before income tax	*6*	**(958,722)**	1,495,703
Income tax credit/(expense)	*8*	**82,050**	(278,857)
(Loss)/profit for the year		**(876,672)**	1,216,846

	Notes	Year ended 31 December **2022** ***RMB'000***	 2021 *RMB'000*
(Loss)/profit attributable to:			
– equity holders of the Company		**(927,120)**	1,110,447
– non-controlling interests		**50,448**	106,399
		(876,672)	1,216,846
Other comprehensive expense for the year, net of tax			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(63,005)**	(80,841)
Total comprehensive (expense)/income for the year		**(939,677)**	1,136,005
Total comprehensive (expense)/income attributable to:			
– equity holders of the Company		**(990,125)**	1,029,606
– non-controlling interests		**50,448**	106,399
		(939,677)	1,136,005
(Loss)/earnings per share	*9*		
– Basic *(RMB)*		**(0.38)**	0.46
– Diluted *(RMB)*		**(0.38)**	0.46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**590,555**	511,745
Right-of-use assets		**101,965**	43,942
Investment properties		**19,243**	20,177
Intangible assets		**2,912,837**	3,276,926
Deferred tax assets		**257,529**	95,236
Interests in associates		**59,786**	42,184
Financial assets at fair value through profit or loss		**84,250**	–
Contract assets		**173,853**	173,926
Prepayments, deposits and other receivables		**1,113,583**	62,388
Total non-current assets		**5,313,601**	4,226,524
Current assets			
Inventories		**193,763**	218,469
Trade receivables	*11*	**3,218,266**	3,154,942
Contract assets		**7,851**	–
Prepayments, deposits and other receivables		**1,106,658**	688,971
Restricted bank balances		**92,122**	29,452
Time deposits with maturity over three months		**2,360,000**	–
Cash and cash equivalents		**2,307,301**	9,842,099
Total current assets		**9,285,961**	13,933,933
Current liabilities			
Trade payables	*13*	**1,175,103**	1,143,127
Deposits received, accruals and other payables		**2,445,879**	2,065,830
Contract liabilities		**1,227,899**	1,550,393
Income tax liabilities		**393,989**	390,864
Convertible bonds		**–**	2,389,029
Derivative embedded in convertible bonds		**–**	57
Borrowings		**275,504**	270,812
Lease liabilities		**34,403**	21,071
Total current liabilities		**5,552,777**	7,831,183
Net current assets		**3,733,184**	6,102,750
Total assets less current liabilities		**9,046,785**	10,329,274

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Non-current liabilities			
Borrowings		**251,365**	546,529
Lease liabilities		**53,900**	10,302
Deferred tax liabilities		**176,012**	207,389
Provisions for other liabilities and charges		**30,893**	4,796
Other payables		**167,388**	333,135
Total non-current liabilities		**679,558**	1,102,151
Net assets		**8,367,227**	9,227,123
Equity			
Share capital	*12*	**21,358**	21,445
Reserves		**7,546,186**	8,505,592
Equity attributable to equity holders of the Company		**7,567,544**	8,527,037
Non-controlling interests		**799,683**	700,086
Total equity		**8,367,227**	9,227,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Shimao Services Holdings Limited (the "Company") was incorporated on 3 December 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box. 10240, Grand Cayman KY1-1002, Cayman Islands. The principal place of business is located at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2020.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services in the People's Republic of China (the "PRC").

The Company's immediate holding company is Best Cosmos Limited ("Best Cosmos"), a company incorporated in the British Virgin Island (the "BVI") with limited liabilities and intermediate holding company is Shimao Group Holdings Limited ("Shimao Group") whose shares are listed on the Stock Exchange since 5 July 2006. In the opinion of the directors of the Company, the Company's ultimate holding company is Gemfair Investments Limited, a company incorporated in the BVI which is wholly owned by Mr. Hui Wing Mau ("Mr. Hui"/"Ultimate Controlling Shareholder").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are carried at fair value at the end of the reporting period, as explained in the accounting policies set out below.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. All values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in annual financial statements.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2022 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2021, except for the application of the amendments to HKFRSs as explained in below.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

The Group is in the progress of making assessments of the potential impact of these new and amendments to HKFRSs upon initial application.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The CODM considers business from a product perspective and has identified the following two operating segments:

– Property management and related services, which include property management services, community value-added services and value-added services to non-property owners; and

– City services, which includes sanitation, cleaning and sewage and waste treatment business.

The CODM assesses the performance of the operating segments based on a measure of operating results, adjusted by excluding financial income, finance costs, other gains and losses – net, fair value changes in derivative embedded in convertible bonds, shares of results of associates and certain unallocated expenses.

All assets are allocated to operating segment assets other than deferred tax assets, interests in associates and other corporate assets. All liabilities are allocated to operating segment liabilities other than deferred tax liabilities, income tax liabilities, convertible bonds, derivative embedded in convertible bonds, borrowings and other corporate liabilities.

Sales between segments are carried out on terms agreed upon by the respective segments' management.

The principal operating entity of the Group is domiciled in the PRC. For the purpose of segment information disclosure under HKFRS 8, the Group regard the PRC as its place of domicile. The Group's revenue from external customers is classified based on the geographical locations of the customers and the details are disclosed above. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2022 (2021: Same).

As at 31 December 2022, all of the non-current assets of the Group were located in the PRC (2021: Same).

The segment revenue and results are as follows:

	Property management services *RMB'000*	**City service** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2022			
Reportable segment revenue	**7,255,371**	**1,381,440**	**8,636,811**
Reportable segment results	**(698,977)**	**(286,984)**	**(985,961)**
Amounts included in the measure of segment results:			
Impairment losses on intangible assets	**(305,048)**	**(420,572)**	**(725,620)**
Fair value gain on financial assets at FVPL	**13,678**	**161,657**	**175,335**
Impairment losses on financial assets – net	**(722,058)**	**(21,601)**	**(743,659)**
Net gain on disposal of property, plant and equipment	**31,399**	**3,155**	**34,554**
Depreciation of property, plant and equipment, right-of-use assets and investment properties	**(86,999)**	**(92,913)**	**(179,912)**
Amortisation of intangible assets	**(118,442)**	**(50,983)**	**(169,425)**
Year ended 31 December 2021			
Reportable segment revenue	7,488,378	855,054	8,343,432
Reportable segment results	1,258,395	94,297	1,352,692
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	(210,877)	(40,271)	(251,148)
Net gain on disposal of property, plant and equipment	4,714	82	4,796
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(27,241)	(33,172)	(60,413)
Amortisation of intangible assets	(102,744)	(14,100)	(116,844)

A reconciliation of segment results to (loss)/profit before income tax is provided as follows:

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Segment results	**(985,961)**	1,352,692
Fair value changes in derivative embedded in convertible bonds	**57**	144,746
Other gains and losses – net	**252,791**	26,492
Share of results of associates	**12,749**	13,396
Finance costs	**(216,298)**	(53,761)
Finance income	**54,616**	30,775
Unallocated expenses	**(76,676)**	(18,637)
(Loss)/profit before income tax	**(958,722)**	1,495,703

The segment assets and liabilities are as follows:

	Property management services *RMB'000*	City service *RMB'000*	Total *RMB'000*
As at 31 December 2022			
Segment assets	**11,637,549**	**1,875,152**	**13,512,701**
Segment liabilities	**4,238,561**	**814,130**	**5,052,691**
As at 31 December 2021			
Segment assets	13,189,403	1,580,514	14,769,917
Segment liabilities	4,388,779	729,911	5,118,690

Reconciliation of segment assets to total assets and segment liabilities to total liabilities provided as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Segment assets	**13,512,701**	14,769,917
Deferred tax assets	**257,529**	95,236
Interests in associates	**59,786**	42,184
Other corporate assets	**769,546**	3,253,120
Total assets	**14,599,562**	18,160,457
Segment liabilities	**5,052,691**	5,118,690
Deferred tax liabilities	**176,012**	207,389
Convertible bonds	**–**	2,389,029
Derivative embedded in convertible bonds	**–**	57
Income tax liabilities	**393,989**	390,864
Borrowings	**526,869**	817,341
Other corporate liabilities	**82,774**	9,964
Total liabilities	**6,232,335**	8,933,334

5. REVENUE AND COST OF SALES AND SERVICES

Revenue mainly comprises of proceeds from property management services, value-added services and city services rendered to customers, net of value added tax and surcharges, and allowances for discounts. An analysis of the Group's revenue and cost of sales and services by category for the year is as follows:

	Year ended 31 December			
	2022		2021	
	Revenue *RMB'000*	**Cost of sales and services** *RMB'000*	Revenue *RMB'000*	Cost of sales and services *RMB'000*
Revenue from customer and recognised over time:				
Property management services	**5,042,007**	**3,915,218**	4,169,630	3,019,608
Community value-added services	**414,747**	**256,577**	474,303	195,652
Value-added services to non-property owners	**525,096**	**412,722**	870,513	631,542
City services	**1,381,440**	**1,201,933**	855,054	746,166
	7,363,290	**5,786,450**	6,369,500	4,592,968
Revenue from customer and recognised at a point in time:				
Community value-added services	**1,273,521**	**907,403**	1,973,932	1,360,375
	8,636,811	**6,693,853**	8,343,432	5,953,343
Gross basis	**8,425,520**	**6,601,216**	7,715,477	5,628,670
Net basis	**211,291**	**92,637**	627,955	324,673
	8,636,811	**6,693,853**	8,343,432	5,953,343

6. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/profit before income tax is calculated after deducting the following expense:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Employee benefit expenses (excluding directors' and chief executive's remuneration)	**4,199,528**	2,821,736
Equity-settled share-based payment		
– Employees other than directors	**17,011**	25,456
– Directors	**12,762**	8,411
	29,773	33,867
Impairment losses on financial assets – net		
– Third parties		
Impairment loss on trade receivables and contract assets	**122,143**	131,607
Impairment loss on other financial assets included in deposits and other receivables	**47,751**	40,661
– Related parties		
Impairment loss on trade receivables	**339,915**	65,077
Impairment loss on other financial assets included in deposits and other receivables	**233,850**	13,803
Total impairment losses on financial assets – net	**743,659**	251,148
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**130,673**	33,125
Depreciation of right-of-use assets, included in administrative expenses	**48,305**	26,745
Depreciation of investment properties, included in cost of sales and services	**934**	543
Amortisation of intangible assets	**169,425**	116,844
	349,337	177,257
Auditors' remuneration		
– Annual and other audit services	**3,300**	7,500
– Non-audit services	**1,100**	2,264
	4,400	9,764
Cost of inventories sold	**393,508**	975,413
Cost of selling parking spaces	**54,177**	89,261
Raw materials used in catering services	**109,526**	135,196

7. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Government grants	**73,227**	43,728
Value-added tax deductibles	**21,185**	31,573
	94,412	75,301

8. INCOME TAX CREDIT/(EXPENSE)

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current income tax expense – PRC		
– Corporate income tax	**(156,526)**	(317,841)
– Under-provision in prior years	**(4,312)**	(4,460)
	(160,838)	(322,301)
Deferred tax credit	**242,888**	43,444
	82,050	(278,857)

9. (LOSS)/EARNINGS PER SHARE

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to equity holders of the Company *(RMB'000)*	**(927,120)**	1,110,447
Weighted average number of ordinary shares *(in thousands)*	**2,464,126**	2,388,262
Basic (loss)/earnings per share *(expressed in RMB per share)*	**(0.38)**	0.46

Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has potential ordinary shares arising from the share award scheme and convertible bonds.

For the share award scheme, the number of shares that would have been issued assuming the exercise of the share award less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of equity shares as the denominator for calculating diluted (loss)/earnings per share. For the convertible bonds, they are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the (loss)/profit attributable to equity holders of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share award and the conversion of convertible bonds.

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to ordinary holders of the Company *(RMB'000)*	**(927,120)**	1,110,447
Add: Interest savings on convertible bonds *(RMB'000)*	–#	–#
(Loss)/profit for the year, attributable to owners of the Company for diluted (loss)/earnings per shares *(RMB'000)*	**(927,120)**	1,110,447
Weighted average number of equity shares for basic (loss)/earnings per share *(in thousands)*	**2,464,126**	2,388,262
Adjustments: share award scheme *(in thousands)*	**–***	1,842
Adjustments: effect of dilutive potential ordinary shares: conversion of convertible bonds *(in thousands)*	–#	–#
Weighted average number of ordinary shares for dilutive (loss)/earnings per share *(in thousands)*	**2,464,126**	2,390,104

For the year ended 31 December 2022, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic (loss)/earnings per share calculation, the conversion of these potential ordinary shares was not assumed in the computation of diluted (loss)/earnings per share (2021: Same).

* For the year ended 31 December 2022, the computation of diluted loss per share does not assume the vest of shares under share award scheme since the vesting would result in decrease in loss per share.

10. DIVIDENDS

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

11. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables		
– Related parties	**781,044**	528,460
– Third parties	**3,205,927**	2,784,809
	3,986,971	3,313,269
Note receivables		
– Related parties	**5,519**	143,978
– Third parties	**1,230**	11,091
	6,749	155,069
Less: allowance for impairment losses on trade receivables and note receivables	**(775,454)**	(313,396)
	3,218,266	3,154,942

For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (2021: Nil).

Trade receivables from value-added services and city services are due for payments in accordance with the terms of the relevant services agreements with property developers and government bodies, which is normally within 30-90 days (2021: 30-90 days) from the issue of demand note.

The amounts due from related parties are repayable on credit terms similar to those offered to other major customers of the Group.

An ageing analysis of the trade receivables as at the end of the year, based on the earlier of invoice date or revenue recognition date and before impairment, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**2,641,297**	2,919,781
1 to 2 years	**1,045,831**	340,563
2 to 3 years	**289,169**	33,261
3 to 4 years	**9,016**	3,612
4 to 5 years	**370**	2,698
Over 5 years	**1,288**	13,354
	3,986,971	3,313,269

As at 31 December 2022, the trade receivables were denominated in RMB (2021: Same).

As at 31 December 2022, total note receivables (before impairment) amounting to RMB6,749,000 are held by the Group for future settlement of trade receivables. All note receivables received by the Group are with a maturity period of less than one year.

12. SHARE CAPITAL

Ordinary shares

	Number of ordinary shares of HK$0.01 each	Share capital *HK$*	*RMB*
Authorised			
As at 31 December 2021, as at 1 January 2022 and as at 31 December 2022	3,500,000,000	35,000,000	30,350,583
Issued and fully paid			
As at 1 January 2021	2,363,973,000	23,639,730	20,499,417
Placing of new shares *(Note (a))*	115,000,000	1,150,000	945,553
As at 31 December 2021 and as at 1 January 2022	2,478,973,000	24,789,730	21,444,970
Repurchase and cancellation of shares *(Note (b))*	(10,800,000)	(108,000)	(87,158)
As at 31 December 2022	**2,468,173,000**	**24,681,730**	**21,357,812**

Notes:

(a) On 22 October 2021, an aggregate of 115,000,000 placing shares has been placed to not less than six placees at the placing price of HK$15.18 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to approximately HK$1,745,700,000 and the net proceeds (after deducting all applicable costs and expenses) amount to approximately HK$1,735,000 (equivalent to approximately RMB1,427,718,000) with amount of approximately RMB946,000 and RMB1,426,772,000 credited to share capital and share premium respectively.

(b) During the year ended 31 December 2021, the Company repurchased 10,800,000 of its own shares from the market which were cancelled on 10 March 2022. The shares were acquired at prices ranging from HK$4.68 to HK$13.68 with an average price of HK$6.69 per share. The total amount paid for repurchase of shares were approximately HK$72,303,000 (equivalent to approximately RMB66,414,000).

13. TRADE PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables		
– Related parties	**19,750**	207
– Third parties	**1,155,353**	1,142,920
	1,175,103	1,143,127

The trade payables have a normal credit terms of 30 to 90 (2021: 30 to 90) days. As at 31 December 2022, trade payables were denominated in RMB (2021: Same).

The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**924,628**	949,747
1 to 2 years	**182,699**	189,407
2 to 3 years	**64,536**	2,391
3 to 4 years	**2,170**	979
4 to 5 years	**805**	288
Over 5 years	**265**	315
	1,175,103	1,143,127

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Compliance with the Corporate Governance Code

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

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2022, Crystal Idea, a wholly-owned subsidiary of the Company, redeemed all the outstanding Bonds due on 31 October 2022.

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

Annual General Meeting

The 2023 annual general meeting of the Company (the "AGM") will be held on Tuesday, 6 June 2023. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Final Dividend

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

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Tuesday, 6 June 2023 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with 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 for registration no later than 4:30 p.m. on Tuesday, 30 May 2023.

On behalf of the Board
Shimao Services Holdings Limited
Hui Sai Tan, Jason
Chairman

Hong Kong, 31 March 2023

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Hui Sai Tan, Jason (Chairman), Mr. Ye Mingjie (President), Mr. Cao Shiyang and Mr. Cai Wenwei; one Non-executive Director, namely, Ms. Tang Fei; and three Independent Non-executive Directors, namely, Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence.