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)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：873

ANNUAL REPORT
年報 2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hui Sai Tan, Jason *(Chairman)*
Ye Mingjie *(President)*
Cao Shiyang

Non-executive Director

Tang Fei

Independent Non-executive Directors

Gu Yunchang
Zhou Xinyi
Hui Wai Man, Lawrence

AUDIT COMMITTEE

Hui Wai Man, Lawrence *(Committee Chairman)*
Gu Yunchang
Zhou Xinyi

REMUNERATION COMMITTEE

Zhou Xinyi *(Committee Chairman)*
Gu Yunchang
Hui Wai Man, Lawrence

NOMINATION COMMITTEE

Gu Yunchang *(Committee Chairman)*
Zhou Xinyi
Hui Wai Man, Lawrence

COMPANY SECRETARY

Chan Ka Yan

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants and
Registered Public Interest Entity Auditor

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89 Queensway
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai
PRC
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REGISTERED OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 873

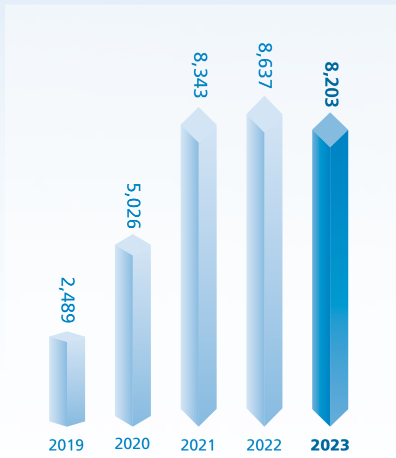
INVESTOR AND MEDIA RELATIONS

Investor Relations Department
Email: ir@shimaowy.com
Telephone: (86) 21 3861 1216

FIVE YEARS FINANCIAL SUMMARY

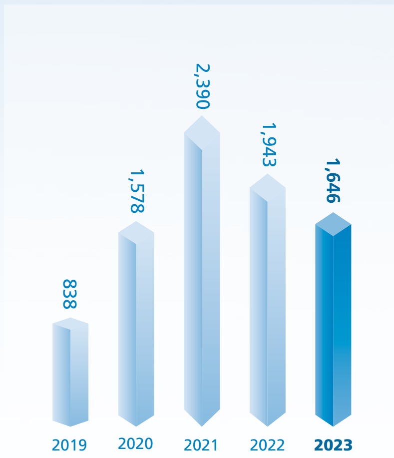
REVENUE

(RMB million)



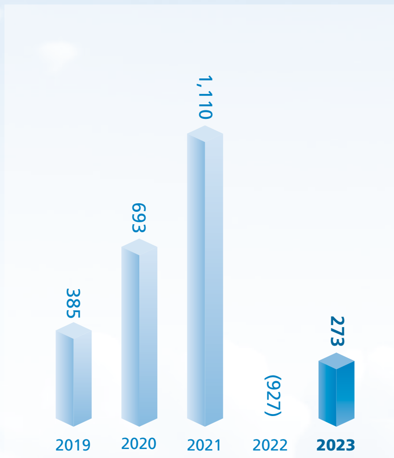
GROSS PROFIT

(RMB million)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB million)



FIVE YEARS FINANCIAL SUMMARY

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**8,202,668**	8,636,811	8,343,432	5,025,688	2,489,086
Cost of sales and services	**(6,556,236)**	(6,693,853)	(5,953,343)	(3,447,939)	(1,651,005)
Gross profit	**1,646,432**	1,942,958	2,390,089	1,577,749	838,081
Selling and marketing expenses	**(136,643)**	(233,485)	(184,342)	(52,444)	(17,823)
Administrative expenses	**(989,518)**	(1,356,454)	(688,990)	(562,336)	(303,907)
Impairment losses on financial assets – net	**(86,595)**	(743,659)	(251,148)	(70,527)	(3,372)
Impairment losses on intangible assets	**(121,316)**	(725,620)	–	–	–
Fair value changes in derivative embedded in convertible bonds	**–**	57	144,746	–	–
Other income	**66,029**	94,412	75,301	40,873	17,478
Other gains and losses – net	**(23,976)**	252,791	26,492	(24,662)	(2,606)
Other operating expenses	**(10,844)**	(40,789)	(6,855)	(11,601)	(6,694)
Operating profit/(loss)	**343,569**	(809,789)	1,505,293	897,052	521,157
Finance income	**78,106**	54,616	30,775	11,407	37,935
Finance costs	**(45,932)**	(216,298)	(53,761)	(14,587)	(51,833)
Finance income/(costs) – net	**32,174**	(161,682)	(22,986)	(3,180)	(13,898)
Share of results of associates	**12,102**	12,749	13,396	10,915	(1,208)
Profit/(loss) before income tax	**387,845**	(958,722)	1,495,703	904,787	506,051
Income tax (expense)/credit	**(71,097)**	82,050	(278,857)	(180,469)	(121,520)
Profit/(loss) for the year	**316,748**	(876,672)	1,216,846	724,318	384,531
Profit/(loss) attributable to:					
Equity holders of the Company	**273,245**	(927,120)	1,110,447	692,952	384,531
Non-controlling interests	**43,503**	50,448	106,399	31,366	–
Non-current assets	**5,057,499**	5,313,601	4,226,524	2,488,113	444,495
Current assets	**9,182,539**	9,285,961	13,933,933	8,416,910	3,130,436
Current liabilities	**5,243,723**	5,552,777	7,831,183	4,026,423	3,315,162
Net current assets	**3,938,816**	3,733,184	6,102,750	4,390,487	(184,726)
Total assets less current liabilities	**8,996,315**	9,046,785	10,329,274	6,878,600	259,769
Non-current liabilities	**350,162**	679,558	1,102,151	137,755	25,974
Equity attributable to equity holders of the Company	**7,916,440**	7,567,544	8,527,037	6,447,987	233,795
Non-controlling interests in equity	**729,713**	799,683	700,086	292,858	–
Total equity	**8,646,153**	8,367,227	9,227,123	6,740,845	233,795

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 2023.

Market and Industry

In 2023, the domestic economic condition changed. China's economic development entered a new stage, and the property services industry was under great pressure and faced a number of challenges. The overall downturn of real estate industry continued, and with the continuous decline in gross floor area ("GFA") of newly started residential property, there have been profound changes in market expansion for property management business. The existing stock of residential and non-residential projects became the main development direction for third-party market expansion. Since residents tend to be more prudent in spending, value-added services witnessed contraction and the development became more focused as a whole.

Under the new situation, competition among the peers may turn to the level of products and services. Big players in the industry began to reiterate the importance of service quality. They now focus on building up business capability while improving operational and management capabilities to enhance customer satisfaction and loyalty, thereby facilitate the expansion of third-party projects for larger market shares and promote diversified value-added services in order to expand overall business scale. As peers review the industrial development and return to the origins of basic property management services, the industry is set to be boosted with innovation and advancement.

At the beginning of 2024, with central government departments who voiced their support for the housing market and governments at all levels who actively issued favourable policies, first-tier cities began to loosen the restriction on housing purchases. Over 200 cities across the country have now established financing coordination mechanisms to provide a range of liquidity support to real estate developers. Such measures will help stabilise and gradually improve the fundamentals of the real estate industry, which benefits the downstream property services industry. At the end of 2023, the National Development and Reform Commission issued the Catalogue for Guiding Industry Restructuring (2024 Version)《產業結構調整指導目錄(2024版本)》, which included property services in the category of "Encouraged Business Services". This is also a recognition to the whole property management industry and should be conducive to the further development of the industry.

The enormous existing building stock and population base in China have long been the backbone of the property services industry. At present, the industry is still in its early stage with extremely low market concentration, thus the room for development remains huge and the prospect is bright in the future.

Under the new stage of economic development in China, the customer base and customers' demand of the property services industry serve as the strongest source of confidence for enterprises. By serving the grassroots and building better communities, property service enterprises will play an important role in stabilising and enhancing public satisfaction. The industry leading players will keep developing their business by building up their confidence and improving their internal strengths, so as to position themselves for the next round of gigantic development.

Annual Results

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

Effective High-Quality Development

- ***Continuous, High-Quality Growth of Core Business***
  Property management services are the utmost important cornerstone of Shimao Services and have been growing continuously over the years, with a compound annual growth rate of up to 44.9% over the past five years. In 2023, revenue of property management services reached a record high of RMB5,291.9 million, laying a solid foundation for future development and injecting plenty of momentum into diversified business development. For project management services, the project portfolio under management was further optimised, as shown by a higher proportion of residential projects in first tier and second tier cities with improved quality.

- ***Excellent Performance and Development in Third-party Bidding Expansion***
  With over four years of experience, Shimao Services' market expansion capabilities have risen to a higher level. In 2023, the win rate of third-party bidding expansion reached 43.8%, representing an increase of 11.8 percentage points as compared with the same period of the previous year, and achieving "three improvements" in the annualised contract amount, the contracted GFA and the average price of property management fees. The annualised contract amount from new projects reached RMB1,156.5 million, 41.7 million sq.m. of newly contracted GFA was added and the average price of property management fee for new projects increased to RMB2.3 per sq.m. per month. The quality of projects from third-party market bidding expansion has been enhanced in all aspects.

  In 2023, Shimao Services won 1 project with a total contract amount exceeding RMB100 million and over 20 projects with the annualised contract amount exceeding RMB10 million, including benchmark projects of "China Mobile Quanzhou Section in Fujian Province (中國移動福建省泉州標段)", "Zhangjiajie Hehua International Airport (張家界荷花機場)" and "Jingdong Suzhou-Shanghai Industrial Park (京東蘇滬產業園)". Our business team is gaining competency rapidly.

- ***Satisfactory Services and Customer Feedbacks***
  Shimao Services places emphasis on building capabilities to serve customers and manage relationship with users, so as to provide efficient and high-quality services. It extracts key service touchpoints from all aspects of the whole project management life cycle and enriches customer experience to gain high perceived value for user service and exceptional customer feedbacks. In 2023, the Group was awarded "China Mobile Outstanding Supplier (中國移動優秀供應商)", "TOP 1 of the Top 100 Enterprises in Property Service Satisfaction in China (中國物業服務滿意度百強TOP 1)" and "TOP 1 of the Leading Property Services Enterprises for Schools in China (中國學校物業服務領先企業TOP 1)", receiving recognition from major customers.

Firm Strategies, Perseverant Management and Resilient Operation

Shimao Services realises its strategic and management objectives through the "eight major campaigns". Aiming at "high-quality development", we insist on doing "hard but right thing" in pursuit of the best profitability and business structure as far as practicable.

- ***Cash Flow Management***
  In 2023, Shimao Services made vigorous efforts to increase collection rate by defining targets, enhancing standards for cash flow management and upgrading collection system, while establishing a mechanism for inter-departmental communication and co-ordination. It also improved the frontline collection strategy and instrument database. The collection ability has shown continuous enhancement as dynamic management of cash flow bolstered under the case-by-case strategies for each development. Through a year of fruitful efforts, the Group achieved net cash generated from operating activities of RMB1,030.4 million for the year, representing a significant improvement as compared to net cash used in operating activities of RMB1,511.8 million for the same period of the previous year, reflecting real high-quality development.

- ***Profitability Enhancement***
  In 2023, Shimao Services strived to build up project management capability while focusing on details. At the delivery stage, the Group defined service standards and strictly implemented service solutions to ensure the quality matches the price. At the operation stage, we exercised full control over the projects throughout their life cycles and grasped the key nodes, so as to continuously improve management solution and capability in a closed loop. Adhering to the principle of "being able to take up and manage projects with highlights", the Group endeavoured to attain the ultimate goal of managing quality projects with customers satisfaction and efficient operations. In 2023, the Group's profitability indicators increased, with the core net profit margin attributable to equity holders of the Company improving from 5.8% for the same period of last year to 7.9%, which was a remarkable improvement.

- ***Market Development Capability Enhancement***
  In 2023, Shimao Services implemented the strategy of "deepening presence in cities" and focused on centralising and creating synergy from market expansion by targeting 19 cities and deepening its presence. The Group laid emphasis on building up the capabilities to expand into and operate two to three key businesses, with a view to further diversifying its property management ecosystem. In 2023, among the annualised contract amount from newly-added projects of Shimao Services, over half was contributed by four coastal provinces in eastern China (namely Shandong, Jiangsu, Zhejiang and Fujian), whereas more than half were contributed by three quality project types (namely second-hand residents, public buildings and facilities, and new-built residents). The quality of projects from third-party market expansion showed rapid improvement.

- ***Breakthrough in Digital Capability***
  Through structure design, Shimao Services is constructing a comprehensive digital blueprint in line with its business strategies, and building up a set of platform-based tool systems for business management, with an aim to increase the accuracy and efficiency of operation management. In 2023, Shimao Services focused mainly on the digitalisation of the systems for basic property management, operation, tendering and procurement, finance and human resources to cover all business fields and processes. Update on the system has been consistently made to reflect changes in business. At the front end of business system, the Company worked on improving customer data collection, building customer profiles and refining customer service, while at the back, it emphasised on enhancing the integration and compatibility among the systems, increasing data quality and utilisation.

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 Services Provider in China". Shimao Services aims to develop and continuously refine its "Four Business Portfolios", namely comprehensive property management services, diversified value-added services, smart city services, and digital technology service.

Future Outlook

Shimao Services will maintain strategic focus on its commitment to high-quality development in the medium to long term.

In respect of comprehensive property management services, the Company will forge three major business, namely residential property management, non-residential property management and cleaning, security, repairment and maintenance along the Shimao Chain. The Company will insist on growth and excellence and set up benchmark, in an attempt to lay the foundation for the development of other business.

In respect of diversified value-added services, the Company will target two major business of "Users+" and "Assets+". Focusing on business which is highly synergistic with property management, the Company will proactively seize growth opportunities in each business to create growth drivers.

In respect of smart city services, the Company will insist on steady growth and continuous improvement in operation quality. The Company will promote collaboration between internal and external marketing channels, and actively explores business such as integrated environmental protection and solid waste treatment to increase growth momentum.

In respect of digital technology services, the Company will continue its work on strategic planning to prepare for the future by reinforcing its business capability in all directions and gradually developing the second growth curve.

Shimao Services will step up exploration on new models of cooperation in property management business with other small and medium-sized real estate enterprises, thereby passing on Shimao Services capabilities and experience in property management service and scaling up its business within a short time.

Social Responsibility

Shimao Services as a socially responsible enterprise, always keeps in mind its social responsibilities while continuously developing and expanding itself. Shimao Services has committed itself to win-win opportunities for community, employees, customers and investors, actively fulfilling its corporate social responsibility.

The Company promotes the integration of sustainable development concept with its operations and management, draws close attention to and responds to internal and external demands and continuously reviews and manages its impact on the economy, society and environment. It also strives to bring harmony and sustainable development to enterprise and the society, and to create comprehensive value.

The Company actively responds to the national "dual-carbon" strategy by integrating the idea of environmental protection and green operations into business and community operations. It renovated facilities and equipment of a number of projects under management for the purposes of energy-saving and emission reduction, and continued to strengthen its energy management capability and increase the resource utilisation.

Providing value to owners and users is essential to Shimao Services, therefore it devoted efforts to creating an image of responsive organisation. The Company takes quality enhancement actions on a regular basis, including "Spring Ploughing Action (春耕行動)", "Improvement Action (進步行動)" and "Breakthrough Action in Communication (破繭行動)" to create a compound atmosphere with more love and fun, and thus was awarded first as "Top 100 Enterprises in Property Service Satisfaction in China (中國物業服務滿意度百強企業)" for two consecutive years.

Acknowledgement

In 2023, the domestic economic development entered a new stage, with the situation of capital markets under pressure and real estate sector in turmoil. 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, customers and dedicated staff of Shimao Services for their immense support. Your understanding, support and assistance given to us by joining hands with Shimao Services are very much appreciated.

In 2024, Shimao Services will continue to put great effort into developing business and overcoming difficulties. We will uphold the Shimao spirit of "Pioneering, Down-to-earth and Prudent", adhere to the philosophy of "Users-oriented and Quality-centered", stay diligent and progressive for high-quality development and continue to create more value for shareholders.

Hui Sai Tan, Jason
Chairman

Hong Kong, 28 March 2024

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 2023, the Group recorded revenue of RMB8,202.7 million and gross profit of RMB1,646.4 million; profit for the year of RMB316.7 million and core net profit attributable to equity holders of the Company of RMB647.7 million. Gross profit margin was 20.1%; net profit margin was 3.9%; and core net profit margin attributable to equity holders of the Company was 7.9%. Net cash generated from operating activities amounted to RMB1,030.4 million, significantly exceeding net profit and achieving high-quality development.

As of 31 December 2023, Shimao Services provided a wide variety of services for 1,448 projects, covering various types of clients, including residential, universities and colleges, public buildings, industrial parks and hospitals, etc. The GFA under management amounted to 250.6 million sq.m.; and contracted GFA was 332.3 million sq.m..

➢ **Property Management Services**

- ***Representing 64.5% of total revenue and 64.7% of total gross profit***
  In 2023, the Group's revenue from property management services reached RMB5,291.9 million, representing a year-on-year increase of 5.0% as compared to RMB5,042.0 million in 2022, which was mainly attributable to (1) the increase in the managed GFA delivered by Shimao Group Holdings Limited ("Shimao Group"); and (2) the increase in the GFA from third-party market expansion, which facilitated a steady growth in the Group's revenue from property services.

  In 2023, gross profit from property management services of the Group reached RMB1,065.4 million, representing a year-on-year decrease of 5.4% as compared to RMB1,126.8 million in 2022. Gross profit margin was 20.1%, representing a decline of 2.2 percentage points as compared to 22.3% in 2022. Such decrease was mainly due to the increase in expense in the frontline project management for the purposes of further enhancing the quality of project management and developing high service standard.

  The following table sets forth the Group's revenue, gross profit and gross profit margin from property management services for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December	
	2023	2022
Revenue (RMB million)	**5,291.9**	5,042.0
Gross profit (RMB million)	**1,065.4**	1,126.8
Gross profit margin (%)	**20.1%**	22.3%

- ***Remained stable in GFA***

  In 2023, the Group's GFA under management and contracted GFA remained stable and the overall structure of project portfolio was further enhanced.

  As of 31 December 2023, the Group's GFA under management was 250.6 million sq.m., which was basically the same as compared to 261.6 million sq.m. in 2022; the Group's contracted GFA was 332.3 million sq.m., which was basically the same as compared to 341.3 million sq.m. in 2022. The healthy stability in GFA has laid a foundation for the development of all businesses of the Group, which can not only directly contribute revenue to property management services, but also provide foundation for value-added services and create business opportunities.

  As of 31 December 2023, the GFA under management from third parties was 189.0 million sq.m., accounting for 75.4%; the contracted GFA from third parties was 255.5 million sq.m., accounting for 76.9%. The Group continued to enlarge its business capacity, with third-party market expansion becoming the most important source of GFA under management, fuelling the Group's business development.

  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 2023 and 31 December 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	Area (sq.m. in million)	**Percentage (%)**	Area (sq.m. in million)	Percentage (%)
GFA under management	**250.6**	**100%**	261.6	100%
Among which:				
From Shimao Group and its co-developers	**61.6**	**24.6%**	59.9	22.9%
From independent third-party developers	**189.0**	**75.4%**	201.7	77.1%
Contracted GFA	**332.3**	**100%**	341.3	100%
Among which:				
From Shimao Group and its co-developers	**76.8**	**23.1%**	77.8	22.8%
From independent third-party developers	**255.5**	**76.9%**	263.5	77.2%

  As of 31 December 2023, the Group's GFA under management of residential projects was 142.9 million sq.m., accounting for 57.0%, representing an increase of 2.9 percentage points as compared to 54.1% in 2022; contracted GFA of residential projects was 189.4 million sq.m., accounting for 57.0%, representing a slight increase as compared to 56.2% in 2022. The increase in the percentage of residential projects will facilitate further improvement in profit margin and the development of community value-added services.

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 2023 and 31 December 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	Area (sq.m. in million)	**Percentage (%)**	Area (sq.m. in million)	Percentage (%)
GFA under management	**250.6**	**100%**	261.6	100%
Among which:				
Residential properties	**142.9**	**57.0%**	141.6	54.1%
Non-residential properties	**107.7**	**43.0%**	120.0	45.9%
Contracted GFA	**332.3**	**100%**	341.3	100%
Among which:				
Residential properties	**189.4**	**57.0%**	191.8	56.2%
Non-residential properties	**142.9**	**43.0%**	149.5	43.8%

During the year, based on the requirement of the high-quality development strategy, the Group proactively terminated certain projects as they had relatively low profit margins, more difficulties under management and higher management costs. Such an adjustment to the project portfolio allowed the Group to attain a better project portfolio under management and a more rationalised structure to realise its long-term healthy growth.

- ***Significant improvement in the quality of projects from third-party bidding expansion***
  In 2023, the Group continued to improve its market expansion capabilities and its sustained service quality gained strong market recognition, with new projects from third-party bidding expansion achieved "three improvements". In 2023, the Group newly added 41.7 million sq.m. to the contracted GFA, representing a year-on-year increase of 4.0% as compared to 40.1 million sq.m. in the previous year; average property management fee in respect of third-party bidding expansion was RMB2.3 per sq.m. per month, representing a year-on-year increase of 4.5% as compared to RMB2.2 per sq.m. per month in the previous year; annualised contract amount was RMB1,156.5 million, representing a year-on-year increase of 7.6% as compared to RMB1,074.7 million last year. The proportion of contracted GFA of the newly added residential projects reached 34.1%, with brand new residential projects and second-hand residential projects accounting for 13.8% and 20.3%, respectively, which had a positive impact on the average price of property management fee and profit margin.

  In 2023, the Group still attained exceptional performance in third-party expansion while facing the downturn of real estate market. The Group continued to enhance the quality of bid-winning project, which intensified the demonstration effect. This reflected a significant improvement in the quality of the expansion projects. The Group won bids of a number of projects with high contract value. Examples included the province-wide property service procurement project of China Mobile Group Fujian Co. (with a total contract value of over RMB100 million), the Shenzhen Aoyuan Jade Bay project and Zhejiang University Hangzhou Global Scientific and Technological Innovation Center project, etc.

The following table sets forth the Group's newly-added GFA under management and newly-added contracted GFA by projects from third-party bidding expansion which were categorised by property type for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	Area (sq.m. in million)	**Percentage (%)**	Area (sq.m. in million)	Percentage (%)
Newly-added GFA under management	**28.8**	**100%**	33.1	100%
Among which:				
Residential properties	**8.7**	**30.3%**	11.1	33.5%
Non-residential properties	**20.1**	**69.7%**	22.0	66.5%
Newly-added contracted GFA	**41.7**	**100%**	40.1	100%
Among which:				
Residential properties	**14.2**	**34.1%**	15.1	37.7%
Non-residential properties	**27.5**	**65.9%**	25.0	62.3%

➢ Community Value-added Services

- ***Representing 16.6% of total revenue and 21.6% of total gross profit***
  In 2023, the Group's revenue from community value-added services amounted to RMB1,362.9 million, representing a year-on-year decrease of 19.3% as compared to RMB1,688.3 million in 2022, which was mainly attributable to (1) a significant reduction in scale of some businesses with most relevance to the real estate industry (such as the smart scenario solutions business and the home decoration business) under the impact of the overall downturn of the real estate industry; and (2) the changes in the domestic economic conditions and overall consumption sentiment causing spending intention of property owners to be more prudent, which posed challenges for the new retail business.

  In 2023, the Group's gross profit of community value-added services was RMB355.5 million, representing a year-on-year decrease of 32.2% as compared to RMB524.3 million in 2022, which was mainly due to a reduction in scale of segment businesses and a change in gross profit structure.

The following table sets forth the Group's revenue from community value-added services by category for the years ended 31 December 2023 and 31 December 2022, respectively:

	For the year ended 31 December 2023		2022			
	Revenue (RMB million)	**Percentage (%)**	Revenue (RMB million)	Percentage (%)	Change in revenue (%)	Change in percentage (percentage point)
Community asset management services	**280.8**	**20.6%**	235.8	14.0%	19.1%	increase by 6.6 percentage points
Smart scenario solutions	**85.6**	**6.3%**	338.3	20.0%	-74.7%	decrease by 13.7 percentage points
Carpark asset operation services	**294.6**	**21.6%**	323.0	19.1%	-8.8%	increase by 2.5 percentage points
Home decoration services	**81.9**	**6.0%**	123.9	7.3%	-33.9%	decrease by 1.3 percentage points
New retail services	**44.6**	**3.3%**	127.9	7.6%	-65.1%	decrease by 4.3 percentage points
Campus value-added services	**412.7**	**30.3%**	397.9	23.6%	3.7%	increase by 6.7 percentage points
Elderly care services	**162.7**	**11.9%**	141.5	8.4%	15.0%	increase by 3.5 percentage points
Sub-total of community value-added services	**1,362.9**	**100%**	1,688.3	100%	-19.3%	N/A

- ***For community asset management services, revenue was RMB280.8 million, representing a year-on-year increase of 19.1% as compared to RMB235.8 million last year***
  In 2023, the Group focused on developing key capabilities in business, sorted out capabilities required for the operations of the five major business, namely community operation, rental and sales services, public area services, in-house services and elevator services, at different stages. On one hand, by further exploration, 123 common spaces for commercial use per 10,000 sq.m. at the beginning of the year increased to 163 common spaces; on the other hand, by putting intensive efforts to increase the value of the common spaces, of which 53% generated revenue as compared to 39% at the beginning of the year. The results were remarkable, with 834 carpark spaces at the beginning of the year increased to 983 carpark spaces, whereas the percentage of paid carpark spaces increased from 83% at the beginning of the year to 97%.

- ***For smart scenario solutions, revenue was RMB85.6 million, representing a year-on-year decrease of 74.7% as compared to RMB338.3 million last year***
  In 2023, due to various factors, such as the overall market downturn in the real estate industry, the contraction in second-hand property transactions and the changes in consumption trends caused by the changes in economic conditions, the demand for intelligent renovation and upgrade and whole-house smart product upgrade from various types of clients weakened, which in turn affected our revenue and profit margin.

- ***For carpark asset operation services, revenue was RMB294.6 million, representing a year-on-year decrease of 8.8% as compared to RMB323.0 million last year***
  In 2023, the Group continued to focus on developing parking space management services to optimise its business structure. Due to the changes in real estate sector in China, the demand for parking spaces from property owners reduced, leading to lower revenue and profit margin.

- ***For home decoration services, revenue was RMB81.9 million, representing a year-on-year decrease of 33.9% as compared to RMB123.9 million last year***
  In 2023, due to the ongoing downturn in the real estate industry, the overall number of newly-built projects and new project deliveries dropped significantly in the market, resulting contraction in business scale and reduced revenue and profit margin.

- ***For new retail services, revenue was RMB44.6 million, representing a year-on-year decrease of 65.1% as compared to RMB127.9 million last year***
  In 2023, due to the changes in the overall economic conditions, the level of consumer spending by residents has declined, and customers were less willing to spend, resulting in a reduction in business volume, hence affected revenue and profit margin.

- ***For campus value-added services, revenue was RMB412.7 million, representing a year-on-year increase of 3.7% as compared to RMB397.9 million last year***
  In 2023, Zhejiang Zheda Sinew Property Services Group Co., Ltd. (浙江浙大新宇物業集團有限公司) ("Zheda Sinew") proactively expanded its business, as evidenced by the winning of bids for several quality big projects providing group catering services, such as the Second Student Canteen of Lyuliang University, the canteen in Ningbo factory of China Tobacco Zhejiang Industrial Co. and the canteen of Liangxiang Campus in Capital Normal University. To boost our revenue, we upgraded the integrated service capability of logistics services, focused on improving the operational and management capabilities for higher profitability, hence gross profit margin increased.

- ***For elderly care services, revenue was RMB162.7 million, representing a year-on-year increase of 15.0% as compared to RMB141.5 million last year***
  In 2023, the Shanghai Chunqiji Elderly Care Service Co., Ltd. (上海椿祺集養老服務有限公司) ("Healthtop") team actively expanded its business, newly added 4 service sites to its home-care business and the coverage of long-term elderly care insurance services increased to 20 cities, widening the source of revenue. Having cooperated on further exploiting the service sites for more than 2 years, Healthtop and Shimao Services have explored new business opportunities with high profit margins, effectively shoring up the overall profit margin. In 2023, we achieved a year-on-year increase of 2.9 percentage points in gross profit margin. In January 2024, the General Office of the State Council issued Opinions on Developing the Silver Economy and Improving the Well-being of the Elderly (《關於發展銀髮經濟增進老年人福祉的意見》), which pointed out the need to accelerate the development of a large silver economy which is standardised, concentrated and brand-based, and to create high-grade, precision and advanced products and high-quality service models for the elderly to share the achievements of economic development and lead a happy late life. This represents a golden opportunity for the elderly care business of Shimao Services.

➢ Value-added Services to Non-property Owners

- ***Representing 2.6% of total revenue and 2.3% of total gross profit***
  In 2023, revenue from value-added services to non-property owners of the Group amounted to RMB213.1 million, representing a year-on-year decrease of 59.4% from RMB525.1 million in 2022. This was primarily due to a drop in the number of newly started dwellings amid the ongoing real estate downturn, hence a substantial contraction of the sales offices business, weighing on revenue and profit margin.

➢ City Services

- ***Representing 16.3% of total revenue and 11.4% of total gross profit***
  In 2023, revenue from city services of the Group reached RMB1,334.8 million, representing a year-on-year decrease of 3.4% from RMB1,381.4 million in 2022. This was mainly due to the Group refused to renew some low-quality projects upon expiration as the macroeconomic environment changed, which led to the reduction in revenue. In view of the changing market conditions, the Group adjusted strategy and terminated certain projects with lower profit margin and longer credit terms while endeavoured to enhance its management and operation capabilities, hence recorded a year-on-year increase in gross profit margin.

  In 2023, the Group focused on improving the interconnection and integration among city services business platforms, and strengthened the capability of marketing on a systematic basis, aiming to build a high-yield marketing team. In particular, the team won the bids of high-quality and big projects, including the Sanitation and Cleaning Project in Quanshan District, Xuzhou City (徐州市泉山區環衛市場化保潔項目) (with contract amount of RMB643.7 million) and the Integrated Sanitation Project (Section C) in the urban area of Chang'an District, Xi'an City (西安市長安區主城區環衛一體化項目C包) (with contract amount of RMB89.2 million).

Financial Review

During the year, the Group realised:

Revenue

Revenue was RMB8,202.7 million, representing a year-on-year decrease of 5.0% as compared to RMB8,636.8 million for the same period of 2022. The Group generated revenue from four business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services. During the year: (1) property management services remained the largest contributor of revenue and profit to the Group, with revenue amounted to RMB5,291.9 million, accounting for 64.5% of the total revenue and representing a year-on-year increase of 5.0% as compared to RMB5,042.0 million for the same period of 2022; (2) revenue from community value-added services amounted to RMB1,362.9 million, accounting for 16.6% of the total revenue and representing a year-on-year decrease of 19.3% as compared to RMB1,688.3 million for the same period of 2022; (3) revenue from value-added services to non-property owners amounted to RMB213.1 million, accounting for 2.6% of the total revenue and representing a year-on-year decrease of 59.4% as compared to RMB525.1 million for the same period of 2022; and (4) revenue from city services amounted to RMB1,334.8 million, accounting for 16.3% of the total revenue and representing a year-on-year decrease of 3.4% as compared to RMB1,381.4 million for the same period of 2022.

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 smart scenario solutions and others. During the year, cost of sales and services was RMB6,556.2 million, representing a year-on-year decrease of 2.1% as compared to RMB6,693.9 million for the same period of 2022. The decrease in costs was mainly attributable to (1) the optimisation of the Group's organisational structure for high-quality development which enhanced operational efficiency; and (2) the proactive adjustment of the project portfolio by terminating some projects with high difficulties under management and high management costs, which resulted in cost reduction.

Gross Profit and Gross Profit Margin

Gross profit amounted to RMB1,646.4 million, representing a year-on-year decrease of 15.3% as compared to RMB1,943.0 million in 2022. Gross profit margin was 20.1%, representing a decrease of 2.4 percentage points as compared to 22.5% for the same period of 2022. Gross profit margins for the Group's four business segments were: 20.1% for property management services, 26.1% for community value-added services, 18.1% for value-added services to non-property owners and 14.0% for city services, respectively. Gross profit margins for those segments were 22.3%, 31.1%, 21.4% and 13.0% in 2022, respectively.

Gross profit margin for property management services was 20.1%, representing a decrease of 2.2 percentage points as compared to 22.3% in 2022. It was mainly due to increased investment in frontline project management so as to further improve project management quality and develop high standards of services.

Gross profit margin for community value-added services was 26.1%, representing a decrease of 5.0 percentage points as compared to 31.1% in 2022. It was mainly due to a reduction in scale of segment businesses and a change in gross profit structure.

Gross profit margin for value-added services to non-property owners was 18.1%, representing a decrease of 3.3 percentage points as compared to 21.4% in 2022. It was mainly due to a drop in the number of newly started dwellings amid the ongoing real estate downturn, hence a substantial contraction of the sales offices business, weighing on revenue and profit margin.

Gross profit margin for city services was 14.0%, which remained stable as compared to 13.0% in 2022.

Selling and Marketing Expenses

Selling and marketing expenses were RMB136.6 million, representing a year-on-year decrease of 41.5% as compared to RMB233.5 million in 2022, and accounted for 1.7% of the total revenue, representing a decrease of 1.0 percentage point as compared to 2.7% in 2022. The decrease was mainly due to the Group's efforts to reduce costs and improve efficiency by effectively lowering marketing expenses through measures such as optimization of the marketing team and precision marketing promotions.

Administrative Expenses

During the year, administrative expenses were RMB989.5 million, representing a year-on-year decrease of 27.1% as compared to RMB1,356.5 million in 2022, and accounted for 12.1% of the revenue, representing a decrease of 3.6 percentage points as compared to 15.7% in 2022. It was mainly due to the Group's efforts to reduce costs and improve efficiency by effectively lowering administrative expenses through measures such as optimisation of the management team, control over administrative cost and reduction in system development.

Impairment Losses on Financial Assets – Net

During the year, the Group's impairment losses on financial assets – net was RMB86.6 million, representing a significant decrease of RMB657.1 million as compared to RMB743.7 million in 2022. This was primarily because the Group tightened its control over connected transactions, improved the collectability of trade receivables with longer ageing from third-party customers, thus bad debt provision rate remained at a relatively stable level as compared to 2022.

Impairment Losses on Intangible Assets

During the year, the Group's impairment losses on goodwill – net was RMB15.4 million, representing a significant decrease of RMB689.7 million as compared to RMB705.1 million in 2022. During the year, the Group's impairment losses on customer relationship was RMB105.9 million, representing a significant increase of RMB85.4 million as compared to RMB20.5 million in 2022. The Group strengthened its operational control over the acquired companies and built an impairment test model for real-time monitoring of their operating performance. Nevertheless, considering a slowdown of economic growth in 2023 nationwide, the Group, based on prudence principle, provided for certain impairment on goodwill and customer relationship of the acquired companies with lower-than-expected operating performance.

Operating Profit/(Loss)

During the year, operating profit was RMB343.6 million, a marked turnaround as compared to operating loss of RMB809.8 million in 2022. It was mainly due to the fact that (1) the Group adhered to the concept of high-quality development and made in-depth adjustments to the overall organisational and management structure, optimising management levels and enhancing operational efficiency; and (2) based on the requirements of the overall management objectives, the Group proactively made adjustments to the projects portfolio under its management. Projects with high difficulties under management and high management costs were not renewed upon contract expiry, thus enhancing the overall profit margin.

Finance Income/(Cost) – Net

During the year, finance income – net was RMB32.2 million, representing a marked turnaround as compared to finance cost – net of RMB161.7 million in 2022. It was mainly due to a slump in interest costs in 2023 following full repayment of the convertible bonds in October 2022.

Profit/(Loss) before Income Tax

During the year, profit before income tax amounted to RMB387.8 million, a marked turnaround as compared to loss before income tax of RMB958.7 million in 2022. It was mainly due to the fact that the Group (1) cut staff costs significantly by optimising staffing levels through structural adjustment for higher operational efficiency; (2) substantially brought down marketing and administrative expenses through cost control and management as well as increased utilization rates of available resources; (3) slashed impairment losses through enhanced management of trade receivables and goodwill; and (4) sharply reduced finance costs through management of debt financing.

Income Tax (Expense)/Credit

During the year, income tax expense amounted to RMB71.1 million, a jump from income tax credit of RMB82.1 million for 2022. This was primarily due to an increase in the Group's overall profit before tax for the year. Meanwhile, the Group took advantage of preferential tax policies in different areas across China to maintain the overall income tax rate at a relatively low level.

The internet of things ("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". 2023 was the fourth year of entitlement to such preferential tax policy. Tibet Shimao Tian Cheng Property (formerly Hailiang Property), headquartered in Tibet, enjoyed tax benefits; while Chengdu Xinyi, Xi'an Fangrui and the newly established "second headquarters" 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 2023 to 31 December 2023, 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%.

Profit/(Loss) for the Year

Profit for the year amounted to RMB316.7 million, greatly improved from loss for the year of RMB876.7 million in 2022. Profit attributable to equity holders of the Company was RMB273.2 million, a sharp increase as compared to loss attributable to equity holders of the Company of RMB927.1 million for the same period of 2022.

If excluded provision of impairment of receivables, expenses of the Share Award Scheme, fair value changes in purchase consideration adjustment, 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 vehicles, goodwill and customer relationship and performance compensation for acquired companies, the core net profit attributable to equity holders of the Company was approximately RMB647.7 million for the year ended 31 December 2023, representing a year-on-year increase of 29.6% as compared to RMB499.6 million in 2022. The increase in core net profit attributable to equity holders of the Company was mainly due to the fact that the Company (1) significantly reduced staff costs by optimising staffing structure and adjusting business process; (2) largely cut marketing and administrative expenses by means of precise marketing tools and centralised administrative management; and (3) considerably lowered finance costs by adjusting financing methods to reduce proportion of debt financing.

Investment Properties, Property, Plant and Equipment

As at 31 December 2023, net book value of investment properties, property, plant and equipment amounted to RMB590.2 million, representing a year-on-year decrease of 3.2% as compared to RMB609.8 million as at 31 December 2022. This was primarily due to the disposal of unused equipment and vehicles for city services business during the year.

Intangible Assets

As at 31 December 2023, the carrying amount of the Group's intangible assets was RMB2,657.7 million, representing a decrease of 8.8% as compared to RMB2,912.8 million as at 31 December 2022. The Group's intangible assets primarily included: (1) goodwill of RMB1,724.9 million recognised for the acquired companies; (2) customer relationships of RMB742.3 million recognised for the acquired companies; and (3) software research and development and purchase worth RMB135.8 million by the Group. Customer relationships and software have definite useful lives and are accounted for at cost less accumulated amortisation.

As at 31 December 2023, the Group's goodwill amounted to RMB1,724.9 million, representing a decrease of 0.9% as compared to RMB1,740.3 million as at 31 December 2022. 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 development of value-added services and the enhancement of management efficiency.

As at 31 December 2023, the Group's management had made a provision of impairment losses on goodwill amounting to RMB15.4 million for companies, including Hangzhou Jinhu, Tianjin Hexing and Xi'an Fangrui, and had made a provision of impairment losses on customer relationship amounting to RMB105.9 million for a company, namely Shi Lu Yuan.

Trade Receivables

As at 31 December 2023, trade receivables amounted to RMB3,209.2 million, representing an decrease of 0.3%, which remained stable as compared to RMB3,218.3 million in 2022.

Trade Payables

As at 31 December 2023, trade payables amounted to RMB1,212.5 million, which basically remained stable as compared to RMB1,175.1 million for the same period of 2022.

Liquidity, Reserves and Capital Structure

The Group maintained a strong financial position during the year. As at 31 December 2023, current assets amounted to RMB9,182.5 million, representing a decrease of 1.1% from RMB9,286.0 million as at 31 December 2022. The Group's cash and cash equivalents amounted to RMB3,788.3 million, representing a year-on-year increase of 64.2% from RMB2,307.3 million as at 31 December 2022. It was mainly due to (1) the continuous improvement of payment collectability through the dynamic management of cash flow; and (2) the net cash generated from operating activities for the year increased to RMB1,030.4 million.

The Group's net current assets amounted to RMB3,938.8 million as at 31 December 2023, with a current ratio of 1.75, which still stood at a healthy level as compared to the net current assets of RMB3,733.2 million as at 31 December 2022.

Capital Expenditure Commitments

As at 31 December 2023, 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 directors of the Company (the "Board") 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 which 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). On 19 June 2023, a total of 3,525,446 award shares were granted by the Company to certain Directors and eligible employees of the Group under the Share Award Scheme. As of 31 December 2023, a cumulative total of 7,542,551 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 of Hong Kong Limited (the "HKEx") 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 2023 (RMB million)	Unutilised amount as of 31 December 2023 (RMB million)	Expected timeline for utilising the remaining unutilised amount
(1) To continue to expand business scale through multiple channels	3,332	65%	3,022	310	2024
(2) To diversify people-oriented and property-oriented value-added service offerings	769	15%	276	493	2024
(3) To improve the information technology system and smart technologies	256	5%	159	97	2024
(4) To attract and nurture talent	256	5%	53	203	2024
(5) For working capital and other general corporate purposes	513	10%	213	300	2024
Total	5,126	100%	3,723	1,403	

The proceeds set out above have not been used, mainly because the Group did not successfully acquire previous potential target projects, and the Group will continue to identify suitable acquisition and investment targets. The management of the Group will continue to take both prudent and proactive approach into consideration for facilitating the utilisation of the proceeds to achieve healthy development of business and long-term benefit of shareholders.

Equity Fund Raising Activities and Use of Proceeds

Placing of Existing Shares and Top-up Subscription of New Shares under the 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 HKEx 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.

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 are as follows:

Intended use of net proceeds	Net proceeds from Top-Up Placing available for utilisation (RMB million)	Allocation percentage %	Utilised net proceeds as of 31 December 2023 (RMB million)	Unutilised net proceeds as of 31 December 2023 (RMB million)	Expected timeline for utilising the remaining unutilised net proceeds
(1) Potential M&A	1,140	80%	–	1,140	2024
(2) Business expansion	143	10%	–	143	2024
(3) General working capital and general corporate uses	143	10%	–	143	2024
Total	1,426	100%	–	1,426	

Due to the overall downturn of the real estate industry which led to an impact on the development of the property services industry, the overall growth rate of the industry significantly slowed down. Therefore, the Group's management shifted the strategy focus from M&A to third-party market expansion, such as brand advertising, project bidding, market channel expansion and marketing team building, in order to develop our own market expansion capability. The Group's management will continue to identify suitable acquisition targets when the industry recovers or an ideal opportunity arises, and will adopt a prudent and flexible approach for utilising the proceeds effectively to facilitate long-term and healthy development of the Group's business.

Connected Transactions

Continuing Connected Transactions – 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. As these agreements would be expired 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 and Shimao Group entered into the leasing master agreement, the carpark sales agency services master agreement and multiple non-exempt continuing connected transaction agreements, including the sales office operation master agreement, the IoT services master agreement, the engineering services master agreement, the property management services master agreement, the value-added services to non-property owners master agreement, the information technology services master agreement and the procurement and supply master agreement. These non-exempt continuing connected transaction master agreements and the respective annual caps were approved at the extraordinary general meeting of the Company held on 28 March 2023. For details of the above continuing connected transactions, please refer to the circular of the Company dated 13 March 2023 and the section headed "Management Discussion and Analysis" in the 2022 annual report of the Company.

Connected Transactions – Car Parking Spaces and Storage Units Purchase Agreements

On 29 December 2023, certain branch companies of Shanghai Runshang Real Estate Agent Co., Ltd. (上海潤尚房地產經紀有限公司) (an indirect wholly-owned subsidiary of the Company) entered into certain agreements with certain indirect wholly-owned subsidiaries of Shimao Group, pursuant to which the Group would acquire from the Shimao Group certain target assets, comprising an aggregate of 134 car parking spaces and 261 storage units in three projects of the Shimao Group, for an aggregate consideration of approximately RMB40.66 million.

The three projects at which the target assets are located have all been completed and delivered to homeowners. Since the real estate marketing teams for these projects were about to withdraw from these projects and the Group as a provider for ongoing property services, the Group considered that the acquisitions and the taking over of the target assets would be more convenient for the Group to manage, sell or lease these assets going forward. The demand for car parking spaces and storage units for the residents of these projects remains stable. The Group was of the view that the acquisitions and the taking over of the target assets would enable the Group to provide better services to homeowners in these projects, and would also present an opportunity for the Group to realise such assets and bring valuable returns to the Shareholders. For details of the above connected transactions, please refer to the announcement of the Company dated 29 December 2023.

Acquisitions

As at 31 December 2023, there was no acquisition by the Group.

Acquisitions and Future Outlook

When making acquisitions, apart from focusing on the alignment between the target company and the Group, it also takes into account the support to scale growth and the deployment of new race tracks for the building of new capabilities.

Basic requirements: The target company should be within the Group's existing management radius, a leading company in the region or sub-sector, not touching safety and other red-line issues, be able to accept the Group's integration requirements, and at the same time be concerned about whether the target company's customer base is from local middle-income and high-income class, so as to facilitate the launch of value-added services in the community at the later stage.

Horizontal integration: Focusing on the expansion of the management scale, expanding business scale and enhancing project density in key regions, so as to improve the ability of regional integrated cost control and supply chain output.

Vertical integration: Focusing on the target company's specialised operation capabilities and project experience in niche areas, so as to achieve effective empowerment and synergy.

In 2023, the continued downturn in the real estate industry led to contraction in all business, affecting the development of the downstream property management industry. Therefore, the Group will take a more prudent approach in M&A, and focus more on the refinement and enhancement of the capabilities of our existing businesses, so as to attain high-quality organic growth.

Foreign Exchange Risk

The Group principally operates in the PRC, and the majority of its business is conducted in RMB with limited exposure to the foreign exchange risk. However, any depreciation or appreciation in HKD and adjustment in the interest rates will affect the performance of the Group. Therefore, the Group will closely monitor its exchange rate risk and interest rate risk exposure, actively explore foreign exchange hedging plans with major banks and use financial instruments to hedge against such risks when necessary.

Employees and Compensation Policy

As at 31 December 2023, the Group had a total of 47,531 employees, representing an increase of 0.6%, which remained stable as compared to 47,260 employees as at 31 December 2022. Total staff costs amounted to RMB3,914.4 million, representing a decrease of 6.8% from RMB4,199.5 million for the last year. The decrease in staff costs was mainly attributable to the significant reduction in the number of highly paid management and marketing staff as a result of the overall organisational restructuring, optimisation of management levels and enhancement of operational efficiency based on the high-quality development strategy.

The salary paid to the employees by the Group was determined according to their duties, market levels as well as performance and contribution. Bonuses were also paid to employees based on their work performance. In addition, the Group offered its employees a variety of training and personal development schemes together with employee benefits, including pension fund, medical insurance and provident fund.

Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities.

Financial Policy

In order to manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that its assets, liabilities and other liquidity structure undertaken meet the capital requirements from time to time.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Shimao Services Holdings Limited (the "Company") have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2023.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services. The principal activities of its principal subsidiaries are set out in note 15 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2023 are set out on pages 64 to 156 of this annual report.

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting (the "AGM") to be held on Wednesday, 19 June 2024, the register of members of the Company will be closed from Thursday, 13 June 2024 to Wednesday, 19 June 2024 (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 Wednesday, 12 June 2024.

Business Review

A business review of the Group for the year ended 31 December 2023 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 6 to 10 and the Management Discussion and Analysis on pages 11 to 25 of this annual report. The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on pages 4 to 5 of this annual report. Additionally, there is no significant events affecting the Group have occurred after the reporting period. The above discussions form part of the Report of the Directors.

The Group considers environmental protection as its corporate responsibility and recognizes the sustainable development of the environment is important to the sustainable operation of the Group's business in its daily operation. As a property management services provider in China, the Group is required to comply with various national and local laws and regulations on environmental protection and is committed to carry out various measures to reduce its adverse impact on the environment.

The Group believes that its employees, customers and business partners are important to its sustainable development. The Group strives to maintaining close relationship with its employees, providing quality services to its customers and strengthening the cooperation with its business partners. In addition, the Group is of the view that the expertise, experience and professional development of its employees contribute to its growth. The Group provides systematic and extensive training programs to its employees in order to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards.

Further information of the Group's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders are set out in 2023 Sustainability Report of the Company published on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 28 and 43 to the consolidated financial statements.

Major Customers and Suppliers

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

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

Bank and Other Borrowings

Details of bank and other borrowings of the Company and the Group as at 31 December 2023 are set out in note 30 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to RMB538,233 (2022: RMB469,803).

Property, Plant and Equipment

Details of property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company for the year ended 31 December 2023 are set out in note 27 to the consolidated financial statements.

Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5 of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights over shares of the Company under the Company's second amended and restated articles of association (the "Articles of Association") or the laws of the Cayman Islands where the Company is incorporated.

Directors

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

Executive Directors

Mr. Hui Sai Tan, Jason *(Chairman)*
Mr. Ye Mingjie *(President)*
Mr. Cao Shiyang
Mr. Cai Wenwei *(resigned on 10 December 2023)*

Non-executive Director

Ms. Tang Fei

Independent Non-executive Directors

Mr. Gu Yunchang
Ms. Zhou Xinyi
Mr. Hui Wai Man, Lawrence

In accordance with the Articles of Association, three directors, namely, Mr. Cao Shiyang, Ms. Tang Fei and Mr. Hui Wai Man, Lawrence shall retire from office by rotation respectively at the forthcoming AGM and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

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

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

Directors' Interests in Transactions, Arrangements and Contracts

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

Management Contracts

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

Share Award Scheme

A share award scheme of the Company (the "Share Award Scheme") was adopted by the Board 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 in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date. The maximum number of shares which can be awarded under the Share Award Scheme is 3% (i.e. 70,919,190 shares) of the total number of issued shares of the Company as at the Adoption Date.

The number of award shares granted is determined based on the grantee's position, experience, years of service, performance and contribution to the Group. The maximum number of shares which may be subject to an award or awards to a selected employee under the Share Award Scheme must not exceed 3% of the total number of issued shares of the Company as at the Adoption Date. The award shares granted will automatically lapse if the grantee, among other things, terminate his/her service or employment relationship with the Group and other circumstances as provided in accordance with the rules of the Share Award Scheme. No acceptance price of award shares will be payable on the acceptance of the award and no purchase price is payable by the selected employees upon acceptance of awards granted under the Share Award Scheme. Pursuant to the terms of the rules and trust deed of the Share Award Scheme, the trustee shall purchase shares from the market to satisfy the allocation of the awarded shares and shall hold such shares upon trust until they are vested.

During the year ended 31 December 2023, a total of 3,525,446 award shares were granted to certain Directors and eligible employees of the Group under the Share Award Scheme. Details of the movement of the award shares during the year are as follows:

		Number of awarded shares				
Name of grantees	**Date of grant**	**Outstanding as at 1 January 2023**	**Granted during the year**	**Vested during the year**	**Lapsed/ cancelled during the year**	**Outstanding as at 31 December 2023**
Executive Directors						
Mr. Ye Mingjie *(President)*	19 June 2023 (Note 2)	–	374,610	–	–	374,610
Mr. Cao Shiyang	16 November 2022 (Note 1)	242,362	–	(145,417)	–	96,945
	19 June 2023 (Note 2)	–	127,907	–	–	127,907
Mr. Cai Wenwei *(resigned on 10 December 2023)*	16 November 2022 (Note 1)	144,424	–	(86,654)	(57,770)	–
	19 June 2023 (Note 2)	–	127,033	–	(127,033)	–
Sub-total		386,786	629,550	(232,071)	(184,803)	599,462
Four highest paid individuals (excluding Director as disclosed above) (Note 3)	16 November 2022 (Note 1)	44,817	–	(26,890)	–	17,927
	19 June 2023 (Note 2)	–	81,587	–	–	81,587
Other selected employees of the Group	16 November 2022 (Note 1)	3,585,502	–	(1,567,593)	(552,498)	1,465,411
	19 June 2023 (Note 2)	–	2,814,309	–	(259,735)	2,554,574
Sub-total		3,630,319	2,895,896	(1,594,483)	(812,233)	4,119,499
Total		**4,017,105**	**3,525,446**	**(1,826,554)**(Note 4)	**(997,036)**(Note 5)	**4,718,961**

Notes:

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

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

3. Based on the five highest paid individuals during the financial year ended 31 December 2023, one of them was an Executive Director of the Company, namely, Mr. Ye Mingjie, whose interests in the awarded shares is disclosed in the above table.

4. The weighted average closing price of the shares immediately before the date on which the awards were vested was HK$1.51 per share.

5. These unvested award shares were lapsed during the year.

Since the Adoption Date and up to the date of this report, a total of 7,542,551 award shares had been granted under the Share Award Scheme, representing approximately 0.32% of the total number of issued shares of the Company on the Adoption Date. The total number of shares available for future grant under the Share Award Scheme is 63,376,639 shares, representing approximately 2.57% of the total number of issued shares of the Company as at the date of this report. Further details of the Share Award Scheme are set out in note 36 to the consolidated financial statements.

Equity-Linked Agreements

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

Disclosure of Interests in Securities

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

As at 31 December 2023, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix C3 to the Listing Rules were as follows:

(i) Long position in the shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	57,129	0.002%
Ye Mingjie	Beneficial owner	4,141,172 (Note 1)	0.168%
Cao Shiyang	Beneficial owner/ Interest of spouse	829,967 (Note 2)	0.034%
Tang Fei	Beneficial owner	53,418	0.002%

Notes:

1. These interests disclosed include deemed interests in 374,610 shares granted which had not vested pursuant to the Share Award Scheme of the Company.

2. These interests disclosed include deemed interests in 224,852 shares granted which had not vested pursuant to the Share Award Scheme of the Company, and 22,000 shares held by the spouse of Mr. Cao Shiyang.

(ii) Long position in the shares of the Associated Corporation – Shimao Group Holdings

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	3,682,198 (Note 1)	0.100%
Ye Mingjie	Beneficial owner	265,086 (Note 2)	0.007%
Cao Shiyang	Beneficial owner	93,202 (Note 3)	0.003%
Tang Fei	Beneficial owner	1,241,103 (Note 4)	0.033%

Notes:

1. These interests disclosed include deemed interests in 119,493 shares granted which had not vested pursuant to a share award scheme adopted by the board of directors of Shimao Group Holdings Limited ("Shimao Group Holdings", together with its subsidiaries, the "Shimao Group") on 30 December 2011 (the "2011 Shimao Group Share Award Scheme").

2. These interests disclosed include deemed interests in 41,518 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

3. These interests disclosed include deemed interests in 7,984 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

4. These interests disclosed include deemed interests in 124,003 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

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

Directors' Right to Acquire Shares or Debentures

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

Interests of Substantial Shareholders

As at 31 December 2023, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	Nature of interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
Long Position			
Best Cosmos Limited ("Best Cosmos")	Note 1	1,551,776,591	62.871%
Shimao Group Holdings	Note 1	1,551,776,591	62.871%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,551,776,591	62.871%
Gemfair Investments Limited ("Gemfair")	Note 3	1,583,710,750	64.165%
Mr. Hui Wing Mau	Note 4	1,594,567,092	64.605%

Notes:

1. These interests disclosed comprise (i) 1,550,486,179 shares held by Best Cosmos (a company which is directly wholly-owned by Shimao Group Holdings, which is owned as to approximately 53.87% by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau); and (ii) 1,290,412 shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under a share award scheme adopted by Shimao Group Holdings on 3 May 2021 (the "2021 Shimao Group Share Award Scheme").

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

3. These interests comprise (i) 31,934,159 shares held directly by Gemfair; (ii) 1,550,486,179 shares held by Gemfair's controlled corporations; and (iii) 1,290,412 shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.

4. These interests comprise (i) 10,856,342 shares held directly by Shiying Finance Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau; (ii) 31,934,159 shares held by Gemfair; (iii) 1,550,486,179 shares held by Gemfair's controlled corporations; and (iv) 1,290,412 shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.

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

Deed of Non-Competition

On 16 October 2020, Shimao Group Holdings, one of the controlling shareholders of the Company, and Mr. Hui Wing Mau, the ultimate controlling shareholder of the Company, entered into a deed of non-competition (the "Deed of Non-Competition") in favor of the Company (for itself and for each of the subsidiaries of the Company).

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

The above restrictions do not apply (i) to any business which Shanghai Shimao Co., Ltd. ("Shanghai Shimao", a non wholly-owned subsidiary of Shimao Group Holdings) and its subsidiaries (collectively, the "Shanghai Shimao Group") are allowed to conduct under a non-competition agreement entered into between Shimao Group Holdings, Shanghai Shimao and Mr. Hui Wing Mau (the "2007 Non-Competition Agreement"); (ii) when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of the Undertaking Controlling Shareholders had already been conducting or been involved in, or otherwise been interested in, the relevant business; (iii) to the investment in Guangzhou Lihe Property Management Co., Ltd. as described in "(a) Investment in Guangzhou Lihe" under the section "Relationship with Controlling Shareholders" in the prospectus of the Company dated 20 October 2020 (the "Prospectus"); and (iv) to the management of the limited residential properties as described in "(a) Property management of the Limited Residential Properties by the Shanghai Shimao Group" and the residential project as described in "(c) Management of one residential project" under the section "Relationship with Controlling Shareholders" in the Prospectus. Each of the Undertaking Controlling Shareholders has undertaken that he/it will not, and will procure his/its close associates not to, renew the management contracts relevant to the Limited Residential Properties upon their expiration.

The Deed of Non-Competition will lapse automatically if the Undertaking Controlling Shareholders cease to hold, whether directly or indirectly, 50% or above of the shares of the Company with voting rights or if the shares of the Company cease to be listed on the HKEx. Details of the above Deed of Non-Competition and 2007 Non-Competition Agreement are set out under the section "Relationship with Controlling Shareholders" in the Prospectus.

Each of the Undertaking Controlling Shareholders has confirmed that during the year ended 31 December 2023, his/its close associates have fully complied with the Deed of Non-Competition and the 2007 Non-Competition Agreement.

Pursuant to the information and confirmation provided or given by the Undertaking Controlling Shareholders, the Independent Non-executive Directors have reviewed the performance of the Deed of Non-Competition and 2007 Non-Competition Agreement during the reporting period, and are of the view that the undertakings thereunder have been complied with the Deed of Non-Competition and were not aware of any non-compliance of the 2007 Non-Competition Agreement.

Directors' Interests in Competing Business

Save as disclosed above, none of the Directors or their associates have any interest in the business which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year ended 31 December 2023 pursuant to Rule 8.10 of the Listing Rules.

The Directors will, as and when required under the Articles of Association, abstain from voting on any board resolution of the Company in respect of any contract, arrangement or proposal in which he/she or any of his/her associates has a material interest.

Permitted Indemnity Provisions

The Articles of Association provides that the Directors, secretary or other officers of the Company shall be entitled to be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain or about the execution of their duties in their respective offices. In addition, the Company has taken out and maintained appropriate directors and officers liability insurance in respect of the relevant legal actions against the Directors.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2023, Shimao Services (BVI) Limited, a wholly-owned subsidiary of the Company, which also is the trustee of the Share Award Scheme purchased from the market a total of 9,503,000 shares at an aggregate consideration of approximately HK$15,909,430.29 (before expenses), among which were held upon trust pursuant to the terms of the rules and trust deed of the Share Award Scheme.

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 2023.

Continuing Connected Transactions and Connected Transaction

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connection transaction during the year ended 31 December 2023 are as follows:

(i) Continuing Connected Transactions

Fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements

(1) Trademark Licensing Agreement

On 16 October 2020, a trademark license agreement was entered into between the Company, Shimao Group Holdings, and Fine Tune Investments Limited ("Fine Tune Investments") (the "Trademark License Agreement"), pursuant to which Fine Tune Investments agreed and Shimao Group Holdings agreed to procure Fine Tune Investments to irrevocably and unconditionally grant to our Company and other members of the Group a non-transferrable and non-exclusive license to use certain trademarks for a perpetual term commencing from the date of the Trademark License Agreement in the PRC on a royalty-free basis.

Fine Tune Investments as the registered proprietor of the licensed trademarks was an indirect wholly-owned subsidiary of Shimao Group Holdings, one of the controlling shareholders of the Company. Each of Fine Tune Investments and Shimao Group Holdings is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Trademark License Agreement constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the right to use the licensed trademarks is granted to the Group on a royalty-free basis, the transaction under the Trademark License Agreement was within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Subject to the reporting, annual review and announcement requirements but exempt from the independent shareholder's approval

(2) Carpark Sales Agency Services Master Agreement

On 6 December 2022, the Company entered into a master carpark sales agency services agreement (the "Carpark Sales Agency Services Master Agreement") with Shimao Group Holdings, pursuant to which 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. The Carpark Sales Agency Services Master Agreement has a term commencing from 1 January 2023 to 31 December 2025. The annual caps for the total commissions under the Carpark Sales Agency Services Master Agreement for the three years ending 31 December 2025 are RMB236 million, RMB258 million and RMB264 million respectively. In addition, the annual caps for the total deposits to be paid under the Carpark Sales Agency Services Master Agreement for the three years ending 31 December 2025 are RMB300 million, RMB268 million and RMB245 million respectively.

For the year ended 31 December 2023, the total commissions payable to the Group amounted to RMB34 million which did not exceed the annual cap of RMB236 million, and the total carpark deposit to be paid in relation to the carpark space sales agency services amounted to RMB295 million which did not exceed the annual cap of RMB300 million.

(3) Leasing Master Agreement

On 6 December 2022, the Company entered into a master property leasing agreement (the "Leasing Master Agreement") with Shimao Group Holdings, pursuant to which the Group will lease several residential or nonresidential properties from Shimao Group from time to time. The purpose of the leases of the Group is to (1) partly, use as offices; and (2) develop other community value-added services. The Leasing Master Agreement has a term commencing from 1 January 2023 to 31 December 2025. The annual caps for the total rental charges under the Leasing Master Agreement for the three years ending 31 December 2025 are RMB65 million, RMB70 million and RMB79 million respectively.

For the year ended 31 December 2023, the total rental charges payable by the Group under the Leasing Master Agreement amounted to RMB14 million which did not exceed the annual cap of RMB65 million.

Under the above Carpark Sales Agency Services Master Agreement and Leasing Master Agreement, Shimao Group Holdings is the controlling shareholders of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated thereunder constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholder's approval under Chapter 14A of the Listing Rules.

Subject to the reporting, annual review, announcement and the independent shareholder's approval requirements

(4) Sales Office Operation Master Agreement

On 6 December 2022, the Company entered into a master sales office operation services agreement (the "Sales Office Operation Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which, 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. The Sales Office Operation Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the Sales Office Operation Master Agreement for the three years ending 31 December 2025 are RMB146 million, RMB128 million and RMB115 million respectively.

For the year ended 31 December 2023, the total amount of service fee payable to the Group under the Sales Office Operation Master Agreement amounted to RMB74 million which did not exceed the annual cap of RMB146 million.

(5) IoT Services Master Agreement

On 6 December 2022, the Company entered into a master IoT services agreement (the "IoT Services Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which 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. The IoT Services Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the IoT Services Master Agreement for the three years ending 31 December 2025 are RMB156 million, RMB142 million and RMB128 million respectively.

For the year ended 31 December 2023, the total amount of service fee payable to the Group under the IoT Services Master Agreement amounted to RMB108 million which did not exceed the annual cap of RMB156 million.

(6) Engineering Services Master Agreement

On 6 December 2022, the Company entered into a master engineering services agreement (the "Engineering Services Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the Group will provide several engineering services for the property development projects that Shimao Group involves in home decoration and elevator supply, installation, maintenance and other related services. The Engineering Services Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the Engineering Services Master Agreement for the three years ending 31 December 2025 are RMB89 million, RMB90 million and RMB90 million respectively.

For the year ended 31 December 2023, the total amount of service fee payable to the Group under the Engineering Services Master Agreement amounted to RMB83 million which did not exceed the annual cap of RMB89 million.

(7) Property Management Services Master Agreement

On 6 December 2022, the Company entered into a master property management services agreement (the "Property Management Services Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the Group will provide Shimao Group with property management services for the properties (including car parking spaces) owned or used by Shimao Group. The Property Management Services Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the Property Management Services Master Agreement for the three years ending 31 December 2025 are RMB151 million, RMB173 million and RMB169 million respectively.

For the year ended 31 December 2023, the total amount of service fee payable to the Group under the Property Management Services Master Agreement amounted to RMB39 million which did not exceed the annual cap of RMB151 million.

(8) Value-added Services to Non-property Owners Master Agreement

On 6 December 2022, the Company entered into a master value-added services to non-property owners agreement (the "Value-added Services to Non-property Owners Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the Group will provide Shimao Group with, in connection with the property development projects that Shimao Group involves in the non-property owners value-added services. The Value-added Services to Non-property Owners Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the Value-added Services to Non-property Owners Master Agreement for the three years ending 31 December 2025 are RMB160 million, RMB94 million and RMB81 million respectively.

For the year ended 31 December 2023, the total amount of service fee payable to the Group under the Value-added Services to Non-property Owners Master Agreement amounted to RMB65 million which did not exceed the annual cap of RMB160 million.

(9) Information Technology Services Master Agreement

On 6 December 2022, the Company entered into a master information technology services agreement (the "Information Technology Services Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the Group will provide Shimao Group with the information technology services to satisfy the internal management needs of Shimao Group and the relevant property development projects of Shimao Group. The Information Technology Services Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the Information Technology Services Master Agreement for the three years ending 31 December 2025 are RMB33 million, RMB22 million and RMB22 million respectively.

For the year ended 31 December 2023, there was no service fee payable to the Group under the Information Technology Services Master Agreement, therefore did not exceed the annual cap of RMB33 million.

(10) Procurement and Supply Master Agreement

On 6 December 2022, the Company entered into a master procurement and supply agreement (the "Procurement and Supply Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the Group will supply Shimao Group 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 Procurement and Supply Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total transaction amounts under the Procurement and Supply Master Agreement Leasing Master Agreement for the three years ending 31 December 2025 are RMB32 million, RMB33 million and RMB28 million respectively.

For the year ended 31 December 2023, the total fee payable to the Group under the Procurement and Supply Master Agreement amounted to RMB0.6 million which did not exceed the annual cap of RMB32 million.

Under the Sales Office Operation Master Agreement, IoT Services Master Agreement, Engineering Services Master Agreement, Property Management Services Master Agreement, Value-added Services to Non-property Owners Master Agreement, Information Technology Services Master Agreement and Procurement and Supply Master Agreement (collectively the "Non-exempt CCT Agreements"), Shimao Group Holdings is the controlling shareholders of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Non-exempt CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratios under the Listing Rules in respect of the annual caps of the transactions contemplated under the Non-exempt CCT Agreements on aggregate basis exceed 5%, the transactions contemplated thereunder and the respective annual caps in relation thereto for the three years ending 31 December 2025 which are subject to the reporting, annual review, announcement and the independent shareholder's approval requirements under Chapter 14A of the Listing Rules, were duly approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 28 March 2023 (the "2023 EGM").

For further details of the Non-exempt CCT Agreements, please refer to the circular of the Company dated 13 March 2023 and the announcements of the Company dated 6 December 2022, 19 January 2023, 6 March 2023 and 28 March 2023.

Pursuant to Rule 14A.55 of the Listing Rules, all Independent Non-executive Directors of the Company have reviewed the abovementioned continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing each of the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's external auditor, Elite Partners CPA Limited ("Elite Partners"), has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not, in all material respects, in accordance with the pricing policies of the Group;

(iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual caps.

(ii) Connected Transactions

On 29 December 2023, certain branch companies of Shanghai Runshang Real Estate Agent Co., Ltd. (an indirect wholly-owned subsidiary of the Company) entered into certain agreements (the "Agreements") with certain indirect wholly-owned subsidiaries of Shimao Group Holdings, pursuant to which the Group acquired from the Shimao Group 134 car parking spaces and 261 storage units in three projects of Shimao Group for an aggregate consideration of approximately RMB40.66 million.

As each of the vendors of the Agreements is an indirectly wholly-owned subsidiary of Shimao Group Holdings, and Shimao Group Holdings is the controlling shareholder of the Company, the transactions contemplated under the Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the transactions on an aggregated basis are more than 0.1% and less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the above connected transactions were set out in the announcements of the Company dated 29 December 2023.

Related Party Transactions

The significant related party transactions entered by the Group for the year ended 31 December 2023 are set out in note 40 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted a connected transaction or continuing connected transaction for the Company which is in compliance with the relevant disclosure requirements under Chapter 14A of the Listing Rules.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2023 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company. Information on the Company's corporate governance principles and practices is set out in the Corporate Governance Report on pages 41 to 55 of this annual report.

Auditor

The financial statements have been audited by Elite Partners who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming AGM of the Company.

On behalf of the Board
Hui Sai Tan, Jason
Chairman

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

A. Corporate Governance Practices

Shimao Services Holdings Limited (the "Company") is committed to maintaining high standards of business ethics and corporate governance. The Company believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (together the "Group") to safeguard the interests of shareholders, formulate business strategies and policies, and enhance corporate value, transparency and accountability.

The Company complied with all applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") throughout the financial year ended 31 December 2023 except for the following deviation:

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 6 June 2023 (the "2023 AGM") as required by the code provision F2.2 of the Code due to the other work commitment.

B. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the financial year ended 31 December 2023.

C. Directors

C.1 The Board

As at the date of this report, the board of directors of the Company (the "Board") consisted of seven Directors, comprising three Executive Directors, one Non-executive Director and three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

The Board holds at least four regular meetings a year at approximately quarterly interval and additional meetings would be arranged as and when required. During the financial year ended 31 December 2023, four scheduled Board meetings were held and Directors attended the Board meetings in person or through electronic means of communication. Details of the attendance records of the Directors are set out in the table on page 45. Apart from formal meetings, matters requiring the Board approval will be dealt with by way of written resolutions.

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board is committed to the Company's objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the management.

C.2 Chairman and President

To ensure a balance of power and authority and preserve a balanced judgement of views, the roles of the Chairman and the Chief Executive are segregated with clear division of responsibilities between them. Mr. Hui Sai Tan, Jason served as Chairman of the Company provides leadership for the Board and is responsible for the overall strategic planning and business management of the Group. Mr. Ye Mingjie served as President of the Company and is responsible for the overall strategic planning and operations of the Group.

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

C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of Directors during the financial year ended 31 December 2023 and up to the date of this report:

Executive Directors
Mr. Hui Sai Tan, Jason *(Chairman)*
Mr. Ye Mingjie *(President)*
Mr. Cao Shiyang
Mr. Cai Wenwei *(resigned on 10 December 2023)*

Non-executive Director
Ms. Tang Fei

Independent Non-executive Directors
Mr. Gu Yunchang
Ms. Zhou Xinyi
Mr. Hui Wai Man, Lawrence

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

The Board currently comprises three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Independent Non-executive Directors, who represent one-third of the Board, bring independent advice, judgment and scrutiny of executives and review of performance and risks.

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

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

C.4 Appointments, Re-election and Removal

Each of the Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years. However, such term is subject to his/her re-appointment by the Company at annual general meeting upon retirement by rotation pursuant to the Articles of Association. The Articles of Association state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected and Directors holding offices as chairman and managing director are also subject to retirement by rotation. The Articles of Association also provide that any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

C.5 Board Diversity

The Company recognizes the benefits of having a Board that has a balance of skills, knowledge, experience and diversity of perspective appropriate in supporting the attainment of the Company's strategic objectives and sustainable development of the Company's businesses.

The Board has adopted a board diversity policy for the Company (the "Board Diversity Policy") which aims to set out approach to achieve diversity on the Board. The Nomination Committee should, while reviewing the Board's composition, consider from a wide range of aspects for Board diversity, including, but not limited to talents, skills, gender, age, cultural and educational background, ethnicity, professional experience, expertise, independence, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All appointments of Directors should have taken into account the aforesaid factors as a whole for the benefits of the Company. Selection of candidates will be based on the Company's Nomination Policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit against objective criteria and contribution that the selected candidate will bring to the Board. The Nomination Committee will review and monitor from time to time the implementation of the Board Diversity Policy to ensure its effectiveness.

The Nomination Committee considered that the Board consists of a diverse mix of members and has provided a good balance of skills and experience appropriate to the business needs of the Group. Currently, the Board has two female Directors out of seven Directors and the Board will review the proportion of female members over time as when required for ensuring gender parity on the Board.

The Board has a balanced composition and the board diversity mix is shown below:

	Number of Directors
Designation	
Executive Directors	3
Non-executive Director	1
Independent Non-executive Directors	3
Gender	
Male	5
Female	2
Age	
41–50 years old	3
51–60 years old	1
61–70 years old	2
Above 70 years old	1

	Directors' skills, expertise and experience				
	Executive leadership & strategy/ directorship experience with other listed company(ies)	Property Management	Mainland China Exposure	Accounting professionals/ financial management expertise	Regulatory & Compliance
Executive Directors					
Mr. Hui Sai Tan, Jason *(Chairman)*	✓	✓	✓		
Mr. Ye Mingjie *(President)*	✓	✓	✓		
Mr. Cao Shiyang	✓	✓	✓		
Non-executive Director					
Ms. Tang Fei	✓	✓	✓	✓	
Independent Non-executive Directors					
Mr. Gu Yunchang	✓	✓	✓		
Ms. Zhou Xinyi	✓	✓	✓		
Mr. Hui Wai Man, Lawrence	✓	✓	✓	✓	✓
Coverage (Approximate % of entire Board)	100%	100%	100%	29%	14%

C.6 Responsibilities of Directors

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

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Each Director discloses to the Company at the time of his/her appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments with indication of relevant time commitment.

The Directors are continually updated with legal and regulatory developments, business and market changes and strategic development of the Group to facilitate the discharge of their responsibilities. According to the training records maintained by the Company Secretary, all Directors pursued continuous professional development during the year and relevant details are set out below:

Directors	Reading materials
Mr. Hui Sai Tan, Jason	✓
Mr. Ye Mingjie	✓
Mr. Cao Shiyang	✓
Mr. Cai Wenwei *(resigned on 10 December 2023)*	✓
Ms. Tang Fei	✓
Mr. Gu Yunchang	✓
Ms. Zhou Xinyi	✓
Mr. Hui Wai Man, Lawrence	✓

Individual attendance records of the Directors at Board meetings, Board committees' meeting, 2023 EGM and 2023 AGM during the financial year ended 31 December 2023, are set out below:

	Attendance/Number of Meeting(s)					
Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	2023 EGM	2023 AGM
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A	1/1	0/1
Mr. Ye Mingjie	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Cao Shiyang	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Cai Wenwei *(resigned on 10 December 2023)*	3/3	N/A	N/A	N/A	1/1	1/1
Ms. Tang Fei	4/4	N/A	N/A	N/A	0/1	0/1
Mr. Gu Yunchang	3/4	4/4	1/1	1/1	1/1	1/1
Ms. Zhou Xinyi	4/4	4/4	1/1	1/1	1/1	1/1
Mr. Hui Wai Man, Lawrence	4/4	4/4	1/1	1/1	1/1	1/1

C.7 Supply of and Access to Information

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

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

D. Board Committees

D.1 Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") on 13 October 2020. The Nomination Committee currently comprises all three Independent Non-executive Directors, namely, Mr. Gu Yunchang (as the chairman of the Nomination Committee), Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence.

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

The terms of reference of the Nomination Committee have been reviewed with reference to the Code and are available on the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

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

There was one Nomination Committee meeting held during the financial year ended 31 December 2023. Details of the attendance records of the Nomination Committee members are set out in the table on page 45.

The work performed by the Nomination Committee during the financial year ended 31 December 2023 is summarized below:

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

(b) review the implementation and effectiveness of a nomination policy of the Company (the "Nomination Policy") and the Board Diversity Policy; and

(c) make recommendation to the Board for the re-election of the retiring Director(s) at the 2023 AGM of the Company.

Nomination Policy

The Board has adopted the Nomination Policy which sets out selection criteria, process and procedure in evaluating and identifying candidates for directorships of the Company. Pursuant to the Nomination Policy, the Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

(a) character and integrity;

(b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the corporate strategy, business and operations of the Group;

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

(d) independence of the candidate;

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

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

The nomination procedure and process for appointment of new Director, re-appointment of Directors and nomination by shareholders of the Company have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness.

D.2 Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") on 13 October 2020. The Remuneration Committee currently comprises all three Independent Non-executive Directors, namely, Ms. Zhou Xinyi (as the chairman of the Remuneration Committee), Mr. Gu Yunchang and Mr. Hui Wai Man, Lawrence.

The primary functions of the Remuneration Committee include, but not limited to evaluate the performance and make recommendations to the Board on the remuneration package of the Directors and senior management and to evaluate as well as make recommendations on the Company's Share Award Scheme, retirement scheme and the performance assessment system and bonus and commission policies.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and the same have been revised in January 2023 to extend its authority and responsibility to review and/or approve matters relating to share scheme under Chapter 17 of the Listing Rules. The revised terms of reference of the Remuneration Committee are available on the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

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

There was one Remuneration Committee meeting held during the financial year ended 31 December 2023. Details of the attendance records of the Remuneration Committee members are set out in the table on page 45.

The work performed by the Remuneration Committee during the financial year ended 31 December 2023 is summarized below:

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

(b) review and make recommendation to the Board on the grant and the vesting of award shares under the Share Award Scheme of the Company; and

(c) review the terms for the renewal of certain Directors' service contract and letter of appointment before submission to the Board.

Details of the Directors' remunerations (including the Executive Directors who are also the senior management of the Company) are set out in note 9 to the consolidated financial statements of this annual report.

D.3 Audit Committee

The Company has established the Audit Committee on 13 October 2020. The Audit Committee currently comprises all three Independent Non-executive Directors, namely, Mr. Hui Wai Man, Lawrence (as the chairman of the Audit Committee), Mr. Gu Yunchang and Ms. Zhou Xinyi.

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

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the two years after he/she ceases to be a partner of the auditing firm. In addition, Mr. Hui Wai Man, Lawrence has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The terms of reference of the Audit Committee have been reviewed with reference to the Code and are available on the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

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

There were four Audit Committee meetings held during the financial year ended 31 December 2023. Details of the attendance records of the Audit Committee members are set out in the table on page 45.

The work performed by the Audit Committee during the financial year ended 31 December 2023 is summarized below:

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

(b) review and make recommendations to the Board on appointment and re-appointment of external auditor and approval of the remuneration and terms of engagement of external auditor;

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

(d) review the audited annual consolidated financial results of the Group for the year ended 31 December 2022 and the 2022 Annual Report before submission to the Board;

(e) review the unaudited interim results of the Group for the six months ended 30 June 2023 and the 2023 Interim Report before submission to the Board;

(f) review the audit programme of the internal audit function;

(g) review the Group's financial controls, internal control and risk management systems;

(h) review the continuing connected transactions of the Company during the year ended 31 December 2023; and

(i) review the compliance status of the Deed of Non-Competition during the year ended 31 December 2023.

The Audit Committee is provided with sufficient resources, including the advice of external auditor to discharge its duties.

The consolidated annual results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

On 17 January 2023, Moore Stephens CPA Limited resigned as the auditor of the Company. At the recommendation of the Audit Committee, the Board appointed Elite Partners CPA Limited ("Elite Partners") as the auditor of the Company on the same day. The external auditor of the Company is Elite Partners. The Audit Committee meets the external auditor at least twice a year. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report set out on pages 60 to 63 of this annual report.

In arriving at its opinion, the auditor conducted a full scope audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2023 is set out as follows:

Services rendered	RMB'000
Audit services	
– Annual and other audit services	3,300
Non-audit services	500
Total	3,800

E. Accountability and Audit

E.1 Financial Reporting

The Directors are responsible for overseeing the preparation of the financial statements for each financial period which gives a true and fair view of the Group's state of affairs, results and cash flows for relevant period.

In preparing the financial statements for the financial year ended 31 December 2023, the Directors consider that:

(a) suitable accounting policies are selected and applied consistently in accordance with appropriate accounting standards;

(b) prudent and reasonable judgments and estimates are made; and

(c) appropriate application of the going concern assumption is ensured.

The management has provided to the Board sufficient explanation and information as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern as referred to in the code provision D.1.3 of the Code. All Directors are provided with the Group's major business activities and performance information on monthly basis.

The Company recognizes that high quality corporate reporting is important in reinforcing the long term and trustworthy relationship with the Company's shareholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual and interim results of the Company are announced in a timely manner after the end of the relevant periods.

E.2 Risk Management and Internal Control

The Board considers that the effective risk management and internal control are of high importance for the Group to achieve sustainable development and long-term business success. The Company has formulated risk management and internal control systems to provide standard guidelines for the identification, assessment, management, monitoring and reporting of all material risks (including the risks between environmental, social and governance (the "ESG")) of the Company, which shall be reported to the senior management, the Audit Committee and the Board when necessary. Such systems are designed to safeguard the assets of the Group and the interest of shareholders of the Company as a whole.

The Company has established appropriate internal control procedures to ensure a comprehensive, accurate and timely record of accounting and management information. It also conducts regular review and examination to ensure the financial statement is prepared in accordance with the accounting standards and applicable laws and regulations.

The Board acknowledges its responsibility for maintaining adequate risk management and internal control systems and reviewing their effectiveness through the Audit Committee. Such systems are designed to manage the Group's risks rather than eliminate the risk of failure to achieve business objectives, and provide reasonable assurance against material misstatement or loss.

Senior Management

The senior management is responsible for administering the Company's risk management process, and is accountable for ensuring the Group's business operations are conducted in compliance with the Company's risk management policy by taking into consideration of the changes in the environment and the Company's risk tolerance.

In addition to the Board's oversight responsibilities, the Company has formulated a risk management process to identify, evaluate and manage material risks and to resolve significant internal control defects (if any). The senior management, through the Company's internal audit department, is responsible for the annual risk reporting process. Members of the Internal Audit Department regularly hold meetings with various members of the senior management to review and assess risks and discuss solutions to address significant internal control defects (if any), including any changes relevant to a given year. The risk assessment results will be reviewed by the management and presented to the Audit Committee and the Board for review.

Audit Committee and Board

The Audit Committee assists the Board in discharging the duties in respect of finance, operation, compliance, risk management and internal control, as well as the supervision and corporate governance of financial and internal audit resources of the Company. The internal audit results shall be reported to the Board periodically, and corresponding actions will be taken by the Board based on the recommendations of the Audit Committee.

Risk Management

The Company continues to monitor and enhance the comprehensive risk management system to ensure that the Company's strategies and operation will not have materially adverse effects on the economy, environment and social in pursuit of sustainable business success.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2023. The Board has conducted an annual review on the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, and considers that the existing systems are adequate and effective. Such review has covered all important aspects, including financial controls, operational controls and compliance controls. The Board is not aware of any material matters which may affect the shareholders that should be brought to their attention, and believes that the risk management and internal control systems are fully complied with the code provisions set out in the Code in relation to risk management and internal controls, including requirement of laws and regulations which have significant effects on the Company.

The Company confirms that it has complied with the code provisions of the Code in relation to risk management and internal controls for the year ended 31 December 2023. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as the ESG performance and reporting during the annual review of the risk management and internal control systems.

Internal Audit Department

The Group's Internal Audit Department plays a major role in monitoring the internal governance of the Company. The major responsibilities of the Internal Audit Department are performing independent review of the adequacy and effectiveness of the risk management and internal control systems, conducting comprehensive audits of the Group on a regular basis and examining key issues in relation to the accounting practices and all material controls, and provided its findings and recommendations for improvement to the Audit Committee.

Disclosure on Inside Information

The Company has formulated an inside information policy. Directors and employees are regularly reminded for the compliance of all policies related to inside information. Executive Directors and the Company Secretary of the Company are liable for assessing the impact of any unexpected material events on the stock price and trading volume, and determining whether such information should be regarded as inside information which shall be disclosed as soon as practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the provision of inside information under Part XIVA of the SFO.

Whistleblowing Program

The Company has formulated a sound mechanism of internal reporting, with whistleblowing channels through its official website, hotline and mailbox for staff and other relevant parties to raise concerns in confidence and anonymity about misconduct, malpractice or irregularities in any matters related to the Group. The Company will thoroughly investigate the clear and specific whistleblower clues and promise to protect and reward the whistleblower anonymously. Every reported case will be handled in confidence and followed through in accordance with the policy and procedures for notification of unethical conduct.

Codes of Integrity and Ethics

Apart from the strictly abiding by national law and regulations, international ethical standards, and anti-fraud standards, the Company established the "Code of Ethics" which regulates employees' ethics and behaviours from six dimensions, including non-legitimate interests, conflicts of interest, investment, information confidentiality, corporate assets and information accuracy. In addition, the Company's employee handbook also emphasizes that it is the responsibility of each employee to understand and abide by the "Code of Integrity", and clearly stating that no employee is allowed to solicit and receive benefits. To enhance employees' awareness of integrity, anti-corruption publicity tips are also posted in the workplaces and sales points. The Company believes that it can promote an ethical culture with self-disciplined working style and will strengthen anti-corruption and sustainability development in the Company, as well as eliminate improper and corrupt behaviours.

F. Delegation by the Board

F.1 Management Functions

There is clear division of responsibilities between the Board and the management. The Board formulates, directs and approves the Group's overall strategies, and monitors as well as controls the performance of the Group whilst execution of strategies and daily operations are delegated to the management. The Board gives clear directions about the management's power, and reviews the delegations to the management from time to time so as to ensure that they are suitable and continue to be beneficial to the Group.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports, announcements and circulars for the Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation and monitoring of internal control and risk management systems, compliance with relevant statutory requirements and rules and regulations.

F.2 Board Committees

The Company has established three Board Committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, with specific terms of reference which clearly define their authorities and responsibilities.

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

F.3 Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the code provision A.2.1 of the Code. During the year, the Board has performed, inter alia, the following:

(a) developed and reviewed the Company's policies and practices on corporate governance;

(b) reviewed and monitored the Company's policies on compliance with legal and regulatory requirements, as well as the training and continuous professional development of Directors;

(c) reviewed the second amended and restated memorandum and articles of association of the Company; and

(d) reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

G. Shareholders Engagement

G.1 Shareholders Communication Policy

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

G.2 Effective Communication

The management of the Company believes that an on-going dialogue and effective communication with the Shareholders and the investment community are essential. During the year, the Executive Directors and senior management meets institutional investors, financial analysts and media regularly at analyst briefings, investor meetings, one-on-one group meetings, local conference and roadshows to keep them abreast of the Group's business and development. In addition, the Company makes full use of the internet to make information broadly available to the Shareholders. Electronic copies of annual and interim reports, slides presentation given at investor conferences, latest news, announcements and general information about the Group's businesses are made available on the Company's website at www.shimaofuwu.com. The Company's website also provides email address (ir@shimaowy.com), postal address and telephone number, by which the Shareholders may at any time address their enquiries to the Board.

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

Having considered the multiple channels of communication with the Shareholders are in place, the Board considered that the Shareholders Communication Policy has been properly implemented during the year and is effective.

G.3 Shareholders' Meetings

Voting at general meeting(s) of the Company must be taken by poll as set out in Rule 13.39(4) of the Listing Rules so that each share is entitled to one vote. The chairman of general meeting shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by way of a poll. Poll results are announced and posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

All of the independent board committee members have attended the 2023 EGM and were available to answer questions raised by the Shareholders in relation to the continuing connected transactions for the Company. In addition, the Company's external auditor is also invited to attend the 2023 AGM, during which its representative was available to answer questions raised by the Shareholders. Details of attendance of the Directors in the 2023 EGM and 2023 AGM are set out in the table on page 45.

G.4 Dividend Policy

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

H. Company Secretary

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

I. Shareholders' Rights

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

Pursuant to Article 64 of the Articles of Association, any one or more Shareholders (including a recognized clearing house (or its nominees)) holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an EGM and/or add resolutions to the agenda of a meeting (the "EGM Requisitionists") shall at all times have the right, by depositing written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The EGM Requisitionists can deposit the written request at the Company's principal place of business in Hong Kong (the "Principal Office"), which is presently situated at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

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

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

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

There are no provisions allowing the Shareholders to propose new resolution(s) at a general meeting(s) under the Cayman Islands Companies Law. However, the Shareholders are requested to follow Article 64 of the Articles of Association for putting forward of the proposing resolution(s) at a general meeting(s). The requirements and procedures are set out above.

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

Pursuant to Article 114 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, unless notice in writing of intention to propose that person for election as a Director signed by a shareholder of the Company and notice in writing signed by that person of his willingness to be elected shall be lodged at the Company's Principal Office or at 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. The period for lodgement of the notices will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notice to the Company may be given will be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as Director is posted on the Company's website.

I.4 Procedures for sending enquiries to the Board

The Company welcomes the Shareholders' views and concerns relating to the Group's management and corporate governance. Shareholders may at any time send their enquiries in respect of the Company via email address ir@shimaowy.com.

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

J. Constitutional Documents

In order to conform to the core shareholder protection standards as set out in the Appendix 3 to the Listing Rules and the relevant requirements of the applicable laws of the Cayman Islands, the second amended and restated memorandum and articles of association of the Company was approved and adopted by the shareholders of the Company at the 2023 AGM, which is available at the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Executive Directors

Hui Sai Tan, Jason (Chairman)

Mr. Hui Sai Tan, Jason, aged 47, has been the Chairman and an Executive Director of Shimao Services Holdings Limited (the "Company", together with its subsidiaries, the "Group") since 1 June 2020 and is primarily responsible for the overall strategic planning and business management of the Group. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He has more than 25 years of experience in property development and management. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference and the president of New Home Association, Hong Kong. Mr. Jason Hui is currently an executive director, the vice chairman and president of Shimao Group Holdings Limited ("Shimao Group Holdings", together with its subsidiaries, the "Shimao Group"), the ultimate holding company of the Company listed on The Stock Exchange of Hong Kong Limited (the "HKEx"). Mr. Jason Hui is also a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and Shanghai Shimao Co., Ltd. ("Shanghai Shimao", a subsidiary of Shimao Group Holdings listed on the Shanghai Stock Exchange). Mr. Jason Hui is the son of Mr. Hui Wing Mau, the ultimate controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the HKEx) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Ye Mingjie (President)

Mr. Ye Mingjie, aged 45, was appointed as an Executive Director of the Company on 1 June 2020 and is primarily responsible for the overall strategic planning and operations of the Group. Mr. Ye joined the Group in July 2009 and was appointed as the President of the Company in April 2020. Mr. Ye is currently a non-executive director of Shimao Group Holdings. Mr. Ye joined the Shimao Group in February 2004 and successively served as an assistant president of the Shimao Group as well as the head of the engineering management center of the Shimao Group and was promoted to the position of vice president of the Shimao Group in January 2018, where he was responsible for overseeing the engineering management of the Shimao Group and the business operations of the Group. Mr. Ye graduated from Tongji University (同濟大學) in the PRC and specialized in engineering management. Mr. Ye has over 18 years of experience in the property management and related industry. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產業協會) for the years from June 2019 to June 2023 and was elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on 30 March 2021.

Cao Shiyang

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 49, was appointed as an Executive Director of the Company on 1 June 2020 and has been the vice president of the Group since January 2020. Mr. Cao is primarily responsible for the overall operations and management of the Group in the Yangtze River Delta Region. Mr. Cao joined the Group in July 2009 and served as an assistant president and the general manager for Shanghai and Jiangsu regions of the Group from January 2018 to December 2019. Mr. Cao has over 17 years of experience in the property management industry. Mr. Cao successively served various positions in the Group from July 2009 to December 2019, including project leader, the head of business management department and regional leader in Suzhou, Jiangsu Province. Prior to joining the Group, Mr. Cao had worked at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司) from October 1995 to May 2003 and at Nanjing Vanke Property Management Co., Ltd. (南京萬科物業管理有限公司) from May 2003 to July 2009 respectively, both of which are wholly-owned subsidiaries of China Vanke Co., Ltd. (萬科企業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange and the HKEx respectively, where he served in various positions including the head of business management department and project leader. Mr. Cao obtained a Diploma in Industrial and Civil Architecture from Beijing Jingqiao University (北京京橋大學) through correspondence learning program in the PRC in July 2008 and a Bachelor's Degree in Engineering Management (economic management) from the People's Liberation Army Army Officer Academy (中國人民解放軍陸軍軍官學院) in the PRC in June 2013. Mr. Cao is pursuing an EMBA selected courses program in Nanjing University (南京大學) in the PRC.

Non-executive Director

Tang Fei

Ms. Tang Fei, aged 53, was appointed as a Non-executive Director of the Company on 1 June 2020 and is primarily responsible for providing guidance for the overall development of the Group. Ms. Tang is currently an executive director of Shimao Group Holdings, vice president of the Shimao Group and a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 30 years' experience in financial management and internal audit. Prior to joining the Group and the Shimao Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager of the International Financial Management Association and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 International Accountants of AIA in China in 2018.

Independent Non-executive Directors

Gu Yunchang

Mr. Gu Yunchang, formerly known as Gu Yongchuang, aged 80, was appointed as an Independent Non-executive Director of the Company on 13 October 2020 and is responsible for providing independent advice on the operations and management of the Group. Mr. Gu acted as the general secretary of China Real Estate Associate (中國房地產業協會) in 1998, the vice chairman of China Real Estate and Housing Association (中國房地產及住宅研究會) in 2005 and the vice chairman of the Fifth Council Committee of China Real Estate Research Association (中國房地產研究會) in 2009. He formerly held various positions of the Ministry of Urban and Rural Construction and Environmental Protection of the PRC (中華人民共和國城鄉建設環境保護部), including the deputy division head of the General Office of Urban Housing Bureau (城市住宅局綜合處) in 1982 and division head of the General Office of Housing Bureau (住宅局綜合處) in 1985 respectively, and the deputy director of the Policy Research Centre of Ministry of Construction of the PRC (中華人民共和國建設部政策研究中心) from 1988 to 1998. Mr. Gu is currently an independent non-executive director of Sunshine 100 China Holdings Ltd and Jiayuan International Group Limited, both of which are listed on the main board of the HKEx. Mr. Gu was formerly an independent director of Grandjoy Holdings Group Co., Ltd. (大悅城控股集團股份有限公司) (formerly known as COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司)) from April 2012 to June 2018 and an independent director of Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司) from May 2013 to May 2019, both companies of which are listed on the Shenzhen Stock Exchange. He was also an independent non-executive director of CIFI Holdings (Group) Co. Ltd., a company listed on the main board of the HKEx, from October 2012 to December 2021. Mr. Gu graduated from Tongji University (同濟大學) in the PRC and specialized in Urban Planning in July 1966. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Zhou Xinyi

Ms. Zhou Xinyi, formerly known as Zhou Xiaorong, aged 61, was appointed as an Independent Non-executive Director of the Company on 13 October 2020 and is responsible for providing independent advice on the operations and management of the Group. Ms. Zhou is the chairman and president of The Qianhai Chamberlain Institute (Shenzhen) Co., Ltd. (前海勤博教育科技(深圳)有限公司). Ms. Zhou served as the dean of Shenzhen Property Management and Advanced Training College Co., Ltd. (深圳房地產和物業管理進修學院有限公司) from August 1996 to October 2017 and a deputy general manager of Shenzhen Shentou Education Co., Ltd. (深圳市深投教育有限公司), an educational institution engaged in providing educational and vocational training services, from March 2017 to January 2018. Ms. Zhou is an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會). Ms. Zhou obtained a Bachelor's Degree in English Languages and Literature from Nanjing University (南京大學) in the PRC in July 1984 and a Master's Degree in Educational Psychology from Stanford University in the United States in June 1989.

Hui Wai Man, Lawrence

Mr. Hui Wai Man, Lawrence, aged 67, was appointed as an Independent Non-executive Director of the Company on 24 August 2022. Mr. Lawrence Hui obtained a Bachelor's Degree in Arts from Manchester Polytechnic, the United Kingdom (now known as Manchester Metropolitan University) in 1982 and has over 41 years' experience in corporate finance, project finance, taxation, accounting and audit. Mr. Lawrence Hui worked in a number of companies, including as an executive director and chief financial officer of several companies including Guangdong Tannery Limited, Guangnan (Holdings) Limited (now known as GDH Guangnan (Holdings) Limited) and Kingway Brewery Holdings Limited (now known as Guangdong Land Holdings Limited), finance manager of Cheung Kong (Holdings) Limited (now reorganized as CK Hutchison Holdings Limited), general manager (corporate finance, leasing and property sales) of Sino Land Company Limited and group financial controller of Lai Fung Company Limited. Mr. Lawrence Hui has been the vice president and chief financial officer of Shimao Group Holdings, the ultimate holding company of the Company, from November 2005 to April 2013. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales.

Senior Management

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

Change in Information of Directors

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2023 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of Changes
Mr. Cai Wenwei	Resigned as an Executive Director of the Company and the Chief Financial Officer of the Group on 10 December 2023

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

INFORMATION FOR SHAREHOLDERS

ANNUAL REPORT

This annual report is now available in printed form and on the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If shareholders who have received or chosen (or are deemed to have chosen) to receive this annual report by electronic means but (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited ("Tricor Investor") by email at 873-ecom@hk.tricorglobal.com or by post to 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Shareholders are encouraged to access the Company's corporate communications electronically via the Company's website to help protect the environment. For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications, free of charge, they could at any time notify Tricor Investor by email or by post.

ANNUAL GENERAL MEETING ("AGM")

The 2024 AGM will be held on Wednesday, 19 June 2024. The notice of the 2024 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2024 AGM and the proxy form are also available on the Company's website.

CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2024 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 12 June 2024
Closure of ROM	from Thursday, 13 June 2024 to Wednesday, 19 June 2024 (both days inclusive)

INDEPENDENT AUDITOR'S REPORT

elite partners

To the Shareholders of Shimao Services Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Shimao Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 156, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of trade receivables and other receivables
(Refer to Notes 23 and 25 to the consolidated financial statements)

Key audit matter	How our audit addressed the Key audit matter
We identified the impairment of trade receivables and other receivables as a key audit matter due to the significance of the trade receivables and other receivables to the consolidated financial statements and significant judgment involved by the management in the impairment assessment process. As disclosed in notes 3 and 4 to the consolidated financial statements, the Group estimates the loss allowance for trade receivables and other receivables using expected credit loss ("ECL") model in accordance with HKFRS 9 Financial Instruments. Under the model, the Group recognises lifetime ECL individually for debtors with significant balances or that are credit-impaired and/or collectively for the remaining debtors based on their past due status. The management takes into consideration, inter alia, the historical settlement records, past due status, current economic and market conditions and an assessment of both the current conditions at the report date as well as the forward-looking information specific to the debtors. The loss allowance amounts of the credit-impaired trade receivables and other receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.	We have performed the following procedures to address this key audit matter: • Understanding the key controls on how the loss allowance for trade and other receivables are estimated by the management; • Understanding how the ageing analysis of trade receivables are prepared by the management; • Testing the accuracy of the ageing analysis of the trade receivables to the sale invoices, on a sample basis; • Evaluating the management's basis and judgement in determining credit loss allowance on trade receivables and other receivables as at 31 December 2023, including their identification of trade and other receivables with significant balances or that are credit-impaired, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix;

Key Audit Matters *(CONTINUED)*

Impairment of trade receivables and other receivables (continued)
(Refer to Notes 23 and 25 to the consolidated financial statements)

Key audit matter	How our audit addressed the Key audit matter
As at 31 December 2023, the carrying amounts of trade receivables and other receivables of the Group were approximately RMB3,209,178,000 and RMB1,695,067,000 respectively. The Group's aggregated impairment losses as at 31 December 2023 amounting to approximately RMB896,983,000 and RMB290,109,000 respectively.	We have performed the following procedures to address this key audit matter (continued): • Evaluating the basis of estimated loss rates applied in each debtor with significant balances or that are credit-impaired (with reference to the external credit rating, historical settlement records, past due status, current economic and market conditions and the forward-looking information); • Evaluating the reasonableness and appropriateness of historical settlement records, past due status, current economic and market conditions and the forward-looking information specific to the debtors used in determining estimated loss rates applied in each category in the provision matrix in calculation of the loss allowance; • Testing subsequent settlements of trade and other receivables with significant balances or that are credit impaired, on a sample basis, to source documents; and • Assessing whether the disclosures regarding the impairment assessment of trade and other receivables in the consolidated financial statements are sufficient and appropriate.

Key Audit Matters *(CONTINUED)*

Impairment assessment of goodwill and identifiable intangible assets arising from business combinations
(Refer to Notes 20 to the consolidated financial statements)

Key audit matter	How our audit addressed the Key audit matter
We identified the impairment of goodwill and identifiable intangible assets arising from business combinations as a key audit matter due to significant judgment and estimation involved in the preparation of the discounted cash flows used in the impairment assessment. In determining the recoverable amount, the Group's management assessed the value in use of the cash generating units by discounting the estimated future cash flows expected to arise from the cash generating units to the present value. Significant judgment and assumptions were required in the process such as the use of discount rates, budgeted revenue, revenue growth rate and gross profit margin during the forecast period as set out in Note 4 to the consolidated financial statements. As at 31 December 2023, the Group had goodwill and customer relationship of approximately RMB1,724,909,000 and RMB730,999,000 which arose from the Group's business combinations. The Group's aggregated impairment losses as at 31 December 2023 amounting to approximately RMB720,472,000 and RMB 126,464,000 respectively.	We have performed the following procedures to address this key audit matter: • Understanding the relevant key controls over the assessment of impairment of goodwill and identifiable intangible assets arising from business combinations; • Obtaining the discounted cash flow analysis of the relevant cash generating unit prepared by the management and the Group's valuation experts, and checking its mathematical accuracy; • Discussing with the management and the Group's valuation experts on appropriateness of the discount rate used; • Evaluating the reasonableness of the key assumptions adopted in the discounted cash flow analysis, including the expected revenue growth rate and gross profit margin during the forecast period with reference to the historical data and future marketing plans of the Group; • Testing data inputs in the discounted cash flow analysis, on a sample basis, against source documents; • Evaluating the historical accuracy of the discounted cash flow analysis made by management by comparing the historical analysis made against the actual performance of the Group; and • Assessing whether the disclosures of impairment testing in the consolidated financial statements are sufficient and appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee are responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditor's report is Mr. MAK, Kin Wang with Practising Certificate number P08114.

Elite Partners CPA Limited
Certified Public Accountants
Level 23, YF Life Tower,
33 Lockhart Road, Wanchai,
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
	Notes	**2023 RMB'000**	2022 RMB'000
Revenue	6	**8,202,668**	8,636,811
Cost of sales and services	6	**(6,556,236)**	(6,693,853)
Gross profit		**1,646,432**	1,942,958
Selling and marketing expenses		**(136,643)**	(233,485)
Administrative expenses		**(989,518)**	(1,356,454)
Impairment losses on financial assets – net	7	**(86,595)**	(743,659)
Impairment losses on intangible assets	20	**(121,316)**	(725,620)
Fair value changes in derivative embedded in convertible bonds	31	**–**	57
Other income	10	**66,029**	94,412
Other gains and losses – net	11	**(23,976)**	252,791
Other operating expenses		**(10,844)**	(40,789)
Operating profit/(loss)		**343,569**	(809,789)
Finance income		**78,106**	54,616
Finance costs		**(45,932)**	(216,298)
Finance income/(costs) – net	12	**32,174**	(161,682)
Share of results of associates	16	**12,102**	12,749
Profit/(loss) before income tax	7	**387,845**	(958,722)
Income tax (expense)/credit	13	**(71,097)**	82,050
Profit/(loss) for the year		**316,748**	(876,672)
Profit/(loss) attributable to:			
– Equity holders of the Company		**273,245**	(927,120)
– Non-controlling interests		**43,503**	50,448
		316,748	(876,672)
Other comprehensive income/(expense) for the year, net of tax			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**4,278**	(63,005)
Total comprehensive income/(expense) for the year		**321,026**	(939,677)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Total comprehensive income/(expense) attributable to:			
– Equity holders of the Company		**277,523**	(990,125)
– Non-controlling interests		**43,503**	50,448
		321,026	(939,677)
Earnings/(loss) per share	14		
– Basic (RMB)		**0.11**	(0.38)
– Diluted (RMB)		**0.11**	(0.38)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	17	571,929	590,555
Right-of-use assets	18	80,217	101,965
Investment properties	19	18,271	19,243
Intangible assets	20	2,657,718	2,912,837
Deferred tax assets	35	255,538	257,529
Interests in associates	16	61,019	59,786
Financial assets at fair value through profit or loss	21	124,178	84,250
Contract assets	24	165,406	173,853
Prepayments, deposits and other receivables	25	1,123,223	1,113,583
Total non-current assets		5,057,499	5,313,601
Current assets			
Inventories	22	210,883	193,763
Trade receivables	23	3,209,178	3,218,266
Contract assets	24	10,828	7,851
Prepayments, deposits and other receivables	25	926,452	1,106,658
Restricted bank balances	26	36,898	92,122
Time deposits with maturity over three months	26	1,000,000	2,360,000
Cash and cash equivalents	26	3,788,300	2,307,301
Total current assets		9,182,539	9,285,961
Current liabilities			
Trade payables	32	1,212,521	1,175,103
Deposits received, accruals and other payables	33	2,120,108	2,445,879
Contract liabilities	6(a)	1,253,358	1,227,899
Income tax liabilities		393,199	393,989
Borrowings	30	232,154	275,504
Lease liabilities	34	32,383	34,403
Total current liabilities		5,243,723	5,552,777
Net current assets		3,938,816	3,733,184
Total assets less current liabilities		8,996,315	9,046,785

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	Notes	As at 31 December 2023 RMB'000	 2022 RMB'000
Non-current liabilities			
Borrowings	30	**67,788**	251,365
Lease liabilities	34	**35,954**	53,900
Deferred tax liabilities	35	**156,631**	176,012
Provisions for other liabilities and charges	29	**30,311**	30,893
Deposits received, accruals and other payables	33	**59,478**	167,388
Total non-current liabilities		**350,162**	679,558
Net assets		**8,646,153**	8,367,227
Equity			
Share capital	27	**21,358**	21,358
Reserves	28	**7,895,082**	7,546,186
Equity attributable to equity holders of the Company		**7,916,440**	7,567,544
Non-controlling interests		**729,713**	799,683
Total equity		**8,646,153**	8,367,227

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements were approved by the Board of Directors on 28 March 2024 and were signed on its behalf by:

Hui Sai Tan, Jason
Director

Cao Shiyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital RMB'000 (Note 27)	Share premium* RMB'000 (Note 28)	Statutory reserves* RMB'000 (Note 28)	Other reserves* RMB'000 (Note 28)	Treasury stock* RMB'000	Retained earnings* RMB'000 (Note 28)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	21,445	8,490,762	184,490	(1,681,078)	(145,985)	1,657,403	8,527,037	700,086	9,227,123
(Loss)/profit for the year	–	–	–	–	–	(927,120)	(927,120)	50,448	(876,672)
Other comprehensive expense	–	–	–	(63,005)	–	–	(63,005)	–	(63,005)
Total comprehensive (expense)/ income for the year	–	–	–	(63,005)	–	(927,120)	(990,125)	50,448	(939,677)
Equity-settled share-based payment-share award scheme (Note 36)	–	–	–	29,773	–	–	29,773	–	29,773
Vesting of shares under equity-settled share-based payment-share award scheme (Note 36)	–	(8,372)	–	(33,867)	42,239	–	–	–	–
Lapse of shares under equity-settled share-based payment-share award scheme (Note 36)	–	–	–	(12,410)	12,410	–	–	–	–
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(6,339)	(6,339)
Dispose of a subsidiary (Note 39(b))	–	–	–	–	–	–	–	(1,379)	(1,379)
Acquisition of non-controlling interests	–	–	–	859	–	–	859	(859)	–
Acquisition of subsidiaries (Note 39(a))	–	–	–	–	–	–	–	51,234	51,234
Capital injection from ultimate holding company (Note 36)	–	–	–	7,107	(7,107)	–	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	6,492	6,492
Cancellation of the repurchased shares (Note 27(i)(a))	(87)	(66,327)	–	–	66,414	–	–	–	–
Appropriation to statutory reserves	–	–	34,876	–	–	(34,876)	–	–	–
Balance at 31 December 2022	21,358	8,416,063	219,366	(1,752,621)	(32,029)	695,407	7,567,544	799,683	8,367,227

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital RMB'000 (Note 27)	Share premium* RMB'000 (Note 28)	Statutory reserves* RMB'000 (Note 28)	Other reserves* RMB'000 (Note 28)	Treasury stock* RMB'000	Retained earnings* RMB'000 (Note 28)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	21,358	8,416,063	219,366	(1,752,621)	(32,029)	695,407	7,567,544	799,683	8,367,227
Profit for the year	–	–	–	–	–	273,245	273,245	43,503	316,748
Other comprehensive income	–	–	–	4,278	–	–	4,278	–	4,278
Total comprehensive income for the year	–	–	–	4,278	–	273,245	277,523	43,503	321,026
Equity-settled share-based payment-share award scheme (Note 36)	–	–	–	17,445	–	–	17,445	–	17,445
Vesting of shares under equity-settled share-based payment-share award scheme (Note 36)	–	2,919	–	(41,758)	38,839	–	–	–	–
Lapse of shares under equity-settled share-based payment-share award scheme (Note 36)	–	–	–	(2,329)	2,329	–	–	–	–
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(57,076)	(57,076)
Acquisition of non-controlling interests (Note 39(c))	–	(47,480)	–	115,679	–	–	68,199	(60,377)	7,822
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	3,980	3,980
Repurchase of shares	–	–	–	–	(14,271)	–	(14,271)	–	(14,271)
Appropriation to statutory reserves	–	–	30,133	–	–	(30,133)	–	–	–
Balance at 31 December 2023	21,358	8,371,502	249,499	(1,659,306)	(5,132)	938,519	7,916,440	729,713	8,646,153

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		Year ended 31 December	
	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash from/(used in) operations	38(a)	**1,041,582**	(1,406,160)
Interest received on bank deposits		**78,106**	54,616
Income tax paid		**(89,277)**	(160,281)
Net cash generated from/(used in) operating activities		**1,030,411**	(1,511,825)
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired	39(a)	**(249,496)**	(385,784)
Proceeds from disposal of a subsidiary, net of cash disposed	39(b)	**–**	(57)
Payments for property, plant and equipment	17	**(189,362)**	(235,288)
Proceeds from disposal of property, plant and equipment		**47,653**	71,998
Proceeds from disposal of computer software		**48**	–
Payments of software development costs and acquisition of intangible assets		**(54,188)**	(20,858)
Loss on early termination of lease		**(3,792)**	–
Dividend from associates	16	**10,000**	–
Deregistration of an associate	16	**513**	(2,450)
Decrease (increase) in time deposits with maturity over three months	26	**1,360,000**	(2,360,000)
Net cash generated from/(used in) investing activities		**921,376**	(2,932,439)
Cash flows from financing activities			
Capital injection from non-controlling interests of subsidiaries		**3,980**	6,492
Redemption of convertible bonds	31	**–**	(2,724,768)
Payment for repurchase of shares	27	**(14,271)**	–
Payment for acquisition of non-controlling interests	39(c)	**(85,382)**	(859)
Dividends paid to non-controlling interests		**(57,076)**	(6,339)
Proceeds from bank borrowings		**67,972**	88,210
Repayments of bank borrowings		**(294,899)**	(378,682)
Proceeds from other borrowings		**54,229**	100,901
Repayments of other borrowings		**(57,943)**	(29,101)
Interest paid on borrowings		**(35,414)**	(42,304)
Interest paid on other borrowings		**(6,179)**	(9,213)
Interest paid on convertible bonds	31	**–**	(52,813)
Interest paid on leased liabilities	34(b)	**(4,339)**	(3,762)
Payments for leased liabilities	34(c)	**(41,492)**	(39,124)
Net cash used in financing activities		**(470,814)**	(3,091,362)
Net increase/(decrease) in cash and cash equivalents		**1,480,973**	(7,535,626)
Cash and cash equivalents at beginning of year		**2,307,301**	9,842,099
Effects of exchange rate changes on cash and cash equivalents		**26**	828
Cash and cash equivalents at end of year		**3,788,300**	2,307,301

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 Main Board of 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") 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").

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 HKFRSs 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 Note 4.

2.2 Changes in accounting policy and disclosures

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by HKICPA which are mandatorily effective for the Group's financial year beginning 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

(i) Amendments to Hong Kong Accounting Standard ("HKAS") 1, Disclosure of Accounting Policies

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2.2 Changes in accounting policy and disclosures *(CONTINUED)*

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

(ii) Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong Special Administrative Region ("HKSAR")

In June 2022, the HKSAR Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (the "Transition Date") Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on long service payment ("LSP") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the "Practical expedient") to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPFLSP offsetting mechanism in HKSAR" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a "simple type of contributory plans" to which the Practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the Practical expedient and reattribute the deemed employee contributions on a straightline basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). The cumulative effect of recognising these adjustments as of 31 December 2022 or for the year ended was not material and hence no adjustment was made to the beginning accumulated losses, or another component of equity.

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, in the consolidated financial statements, except as described below:

Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2025.

The Group is in the progress of making assessments of the potential impact of these new amendments to HKFRSs upon initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.3 Material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.3 Material accounting policies *(CONTINUED)*

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns. When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

In the Company's statement of financial position, investments in subsidiaries is stated at cost less impairment losses (see Note 2.3(d)), unless the investment is classified as held for sale.

2.3 Material accounting policies *(CONTINUED)*

(b) Business combinations and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the acquirer elects not to apply the test, the Group shall then perform the assessment to determine if the inputs and substantive process that together significantly contribute to the ability to create output are present to determine whether the set of activities and assets is a business.

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase. And subsequently, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.3 Material accounting policies *(CONTINUED)*

(c) Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income included in the consolidated statement of profit or loss and other comprehensive income, respectively. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investments in associates are accounted for using the equity method from the date on which the investees become associates. On acquisition of the investment in associates, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the equity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group assesses whether there is an objective evidence that the investments in associates may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the policy described in Note 2.3(d).

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.3 Material accounting policies *(CONTINUED)*

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress are stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over the shorter of their estimated useful lives or, in case of leasehold improvements, lease term, as follows:

	Estimated useful lives
Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Office equipment	5 years
Machinery and equipment	5 years
Vehicles	5 years
Leasehold improvements	Over the shorter of their estimated useful lives or lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised within 'Other losses – net' in consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(f) Investment properties

Investment properties, representing commercial properties held for leases, are held for rental yields and are not occupied by the Group.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 to 40 years and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

2.3 Material accounting policies *(CONTINUED)*

(g) Intangible assets

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

(i) Computer software

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

(ii) Research and development

Costs associated with research and development software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria in above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) Customer relationship

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

(iv) Concession intangible assets

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

2.3 Material accounting policies *(CONTINUED)*

(h) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(i) The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

2.3 Material accounting policies *(CONTINUED)*

(h) Leases (continued)

(i) The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised profit or loss when the event or conditions that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

2.3 Material accounting policies *(CONTINUED)*

(h) Leases (continued)

(ii) The Group as a lessor

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Subleases for which the Group is an intermediate lessor are classified as finance or operating leases. Whenever the terms of the sublease transfer substantially all the risks and rewards incidental to ownership of head lease to the lessee, the contract is classified as a finance lease. All other head leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as finance lease receivables at commencement date at amounts equal to net investments in the leases, measured using the incremental borrowing rate in the respective leases and recognised the difference between the right-of-use assets and the net investment in the subleases in consolidated profit or loss. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. The lease receivable under lease arrangements are recognised as "other receivable" in the consolidated statement of financial position.

Rental income from operating leases is recognised in consolidated profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the head lease, and such costs are recognised as an expense on a straight-line basis over the lease term consistent with investment properties from leased properties under sub-leases.

Rental income and finance income which are derived from the Group's ordinary course of business are presented as revenue.

(i) Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Classification and subsequent measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit of loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVPL, transaction costs. Transaction costs directly attributable to the acquisition of financial assets at FVPL are recognised immediately in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

2.3 Material accounting policies *(CONTINUED)*

(i) Financial assets (continued)

All other financial assets are subsequently measured at FVPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss ("ECL") assessment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating and recognising interest income and interest expense in consolidated profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but not considering the expected credit losses.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting period, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Accounting policy of impairment of financial assets measured at amortised cost is stated below.

Interest income which are derived from the Group's ordinary course of business are presented as other income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.3 Material accounting policies *(CONTINUED)*

(i) Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment of financial assets and other items subject to impairment of assets under HKFRS 9

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12-m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. For all other financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet their obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3(c) details how the Group determines whether there has been a significant increase in credit risk. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.3 Material accounting policies *(CONTINUED)*

(i) Financial assets (continued)

Impairment of financial assets and other items subject to impairment of assets under HKFRS 9 (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The ECL on trade receivables and contract assets are assessed individually for debtors with significant balances and collectively for other debtors based on the Group's internal credit rating, historical credit loss experience and expected settlement dates, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

At every reporting date, the estimated default rates are reassessed and changes in the forward-looking estimates are considered.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

2.3 Material accounting policies *(CONTINUED)*

(i) Financial assets (continued)

Impairment of financial assets and other items subject to impairment of assets under HKFRS 9 (continued)

Measurement and recognition of ECL (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-m ECL at the current reporting date.

ECL is measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(j) Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities subsequently measured at amortised cost

After initial recognition, the financial liabilities including trade payable, accruals and other payables, lease liabilities, dividend payables, bank borrowings and debt component of convertible bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial liabilities measured at FVPL

Financial liabilities at FVPL include (1) contingent consideration of an acquirer in a business combination; (2) held-for-trading; or (3) designated as at FVPL. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequently to initial recognition, the changes in fair value of the financial liabilities measured at fair value is recognised in profit or loss in the period in which they arise.

Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

(k) Offsetting financial instruments

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

2.3 Material accounting policies *(CONTINUED)*

(l) Convertible bond contains debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bond carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the debt and derivative components in proportion to their relative fair values. Transactions costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bond using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposure and are readily separate and independent of each other.

(m) Inventories

(i) Carparks

Costs of purchased carparks are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Costs of other inventories is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(i) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(ii) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 26.

2.3 Material accounting policies *(CONTINUED)*

(o) Provisions

Provisions for legal claims are recognised when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

(q) Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or when agreed by majority of the holders.

The Group recognised the convertible redeemable preferred shares as an equity instrument as the redemption obligation does not rest with the Company. They are initially recognised at proceeds received. Any directly attributable transaction costs are recognised as finance costs in profit or loss.

(r) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.3 Material accounting policies *(CONTINUED)*

(r) Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax asset and current tax liabilities and the deferred tax assets and deferred tax liabilities relating to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

(t) Borrowing costs

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

(u) Employee benefits

(i) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

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

2.3 Material accounting policies *(CONTINUED)*

(u) Employee benefits (continued)

(ii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Employee leave entitlements

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

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

(v) Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer that is not yet conditional. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment in accordance with HKFRS 9, details of which are included in the accounting policies for impairment of financial assets. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

2.3 Material accounting policies *(CONTINUED)*

(v) Revenue recognition (continued)

Contract costs

Other than the costs which are capitalised as property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Contracts with multiple performance obligations (including allocation of transaction price)

If contracts involve the sale of multiple services, the transaction prices will be allocated to each performance obligation based on their relative stand-alone selling prices.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, which is estimated based on expected cost plus a margin or an adjusted market assessment approach, depending on the availability of observable information.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group provides property management services, value-added services and pre-delivery and consulting services. Revenue from contracts with customers is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Depending on the terms of the contracts and the laws that apply to the contract, services may be recognised over time or at a point in time.

2.3 Material accounting policies *(CONTINUED)*

(v) Revenue recognition (continued)

Property management services

Property management services mainly includes security, cleaning, greening and gardening, repair and maintenance as a subcontractor to construction companies, property owners, gardening companies and other property management companies. The Group recognizes revenue on a gross basis when the services are rendered.

The Group recognises certain property management service under lump sum basis and under commission basis.

For revenue from the property management services is recognised in the accounting period in which the services are rendered as the customers simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

For property management services income from properties managed under a lump sum basis, where the Group acts as principal and is primarily responsible for providing the general property management services to the property owners by on-site staff which the labour costs are borne by the Group. Other expenses associated with general management services are borne by the Group. If the amount of general property management fees received is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the Group the shortfall. The Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under a commission basis, the general property management services are delivered by on-site staff which the labour costs are borne by the property owners, the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by labours and other suppliers to the property owners. Expenses associated with general management services are covered by the balance of the gross general property management fees paid by the property owners after deducting the commissions payable to the Group. The Group is not responsible for any shortfall if the amount of general property management fees received is not sufficient to cover all the associated expenses incurred. All shortfall or surplus are assumed or entitled by the property owners. The Group recognises the commission, which is calculated by a certain percentage of the total property management fee received or receivable from the property owners.

Community value-added services

Community value-added services mainly include community asset management services, home decoration services, carpark asset operation services, smart community solutions, campus value-added services and new retail services of selling commodities to customers through online and offline communities, as well as elderly care services.

The Group provides community asset management services, which is leasing common spaces and public facilities owned by property owners to third parties. The Group provides agency services for property owners and recognises the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage at the point in time when the rental agreement is signed.

The Group provides home decoration services, mainly including supply chain services of decoration materials and marketing and promotion services. For supply chain services of decoration materials provided to third party home furnishing companies, revenues are recognised on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods when the goods are delivered to customers. For marketing and promotion services provided to third party service providers who provides renovation services to property owners, the Group charges a fixed upfront fee and recognises such fee as revenue over the period that the service providers are entitled to use the platform provided by the Group. When the gross sales amount of the renovation services exceed certain threshold and the Group is entitled to charge a variable fee based on the certain pre-determined percentage of the excessive gross sales amount of the services to property owners and the revenue there on is recognised when condition is met.

2.3 Material accounting policies *(CONTINUED)*

(v) Revenue recognition (continued)

Community value-added services (continued)

The Group provides carpark asset operation services, mainly including carpark sales agency service carpark sales business and public parking areas rental service. For carpark sales agency service provided to property owners and property developers, the Group acts as an agent in the carpark sales agency service as the Group is not the primary obligor to provide the carpark to property owners and the Group has no inventories risk and pricing discretion in sales of carparks. The Group recognises the commission on a net basis, which is calculated by a percentage of the sales price when the carpark is delivered to property owners. For carpark sales business, the Group acts as a principal in carpark sales business as the Group obtains control of the carparks before the control of carparks transferred to property owners. Revenues are recognised when or as the control of the carparks is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the carpark is transferred at a point in time. For public parking areas rental service, the Group leases public parking areas owned by property owners to third parties, The Group provides agency services for property owners and recognises the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage at the point in time when the rental agreement is signed.

The Group provides smart community solutions and sells intelligent hardware devices and software to property owners, property developers, technology companies, and other property management companies, and provides software maintenance services to other property management companies. The Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods or services, revenue is recognised on gross basis when the goods or services are delivered to customers. For software maintenance services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period.

The Group also provides the technical solutions services and carry out data analytics and mobile APP mini-program development for big data marketing and demand generation for its property and community users. The Group provides agency services for property and community users and recognises revenue on a net basis as the Group is not primarily responsible for fulfilling the obligation to provide specified services at the point in time when the services are delivered to customers.

The Group provides campus value-added services, mainly including catering services, accommodation services and business trading services. For catering services provided to teachers, students and staff who dine on campus. The Group recognises the fee received or receivable from payment by customers as its revenue and all related catering services costs as its cost of service. The Group recognises its presentation of its catering services revenue on a gross basis when the services are rendered. For accommodation services provided to students and people participating in summer camp projects or other short-term programs, Control of the accommodation service is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs. Therefore, the accommodation fees are recognised proportionately over the school year or the duration of customers' stay. The Group made payments to certain schools to obtain the operation right of the students' apartments. The payments are considered as payment to customers and deducted from the revenue on a straight-line basis within 31 to 42 years based on such operation periods. The Group recognises accommodation services revenue on a gross basis when the services are rendered. For business trading services, The Group sells a wide range of products to customers on campus. The Group recognises revenues from the sale of products on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified foods to customers. The Group recognises revenue at the point when the goods are delivered to customers and all the related costs of purchased goods as the costs of revenue.

The Group provides new retail services of selling commodities to customers through online and offline communities. The Group recognises revenues from the sale of commodities on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods when the goods are delivered to customers.

The Group provides elderly care related services. These services are provided under our own contracts with our customers. Revenue from services rendered is recognized over time as the customers simultaneously receive and consume the benefits provided by the Group.

2.3 Material accounting policies *(CONTINUED)*

(v) Revenue recognition (continued)

Value-added services to non-property owners

Value-added services to non-property owners mainly include display units and property sales venue management services and preliminary planning and design consultancy services to property developers at the pre-delivery stage, repair and maintenance management services to property developers during the warrant period of the residential units. The Group agrees the price for each service with the property developers upfront and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group recognises its presentation of these services revenue on a gross basis when the services are rendered.

The Group also provides the engineering services and carry out construction and engineering jobs such as electrical and electronic work, interior decoration, landscaping and other civil work for work and living spaces to property developers. The Group recognises revenue on a net basis as the Group is not primarily responsible for fulfilling the obligation to provide specified services at the point in time when the services are delivered to customers.

City services

The Group provides city services, mainly city operation services, city upgrades services and city asset management services to relevant government bodies. For city operation services, the Group provides the city lighting design services and infrastructure maintenance services and recognises revenue on a gross basis when the services are rendered. For city upgrades services, the Group acts as principal and is primarily responsible for providing the general property management services to the under-maintained and underserved communities by on-site staff which the labour costs are borne by the Group. For city asset management services, the Group provides agency services for relevant government bodies and recognises the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage at the point in time when the rental agreement is signed. The Group agrees the price for each service with relevant government bodies upfront and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

The Group also provides construction services under service concession arrangements. Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced.

Revenue from other sources

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes and loans to related parties. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM") who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive and non-executive directors that makes strategic decisions.

(x) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "Other losses – net" in the profit or loss.

2.3 Material accounting policies *(CONTINUED)*

(x) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(y) Dividend distribution

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

(z) Share-based payments

The Company operates a restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the Company's equity at the date at which they are granted. The grant by Shimao Group of the shares of the Company is treated as a capital contribution in equity (recorded in "Other reserves").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of share-based payments scheme is reflected as additional share dilution in the computation of earnings per share.

2.3 Material accounting policies *(CONTINUED)*

(aa) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(ab) Fair value measurement

The Group measures its financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.3 Material accounting policies *(CONTINUED)*

(ab) Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The Group is exposed to foreign exchange risk primarily through cash and bank balances that are denominated in a currency other than the functional currency of the operations in which they relate. The currencies giving rise to this risk are primarily HK$, US$ and GBP£.

The carrying amounts of the Group's cash and bank balances denominated in a currency other than the functional currencies of the Group entities in net position as at the end of reporting period are as follows:

	Assets	
	2023 RMB'000	2022 RMB'000
HK$	**657,640**	491,132
US$	**1,403,497**	20,398
GBP£	**208,502**	–

3. Financial risk management objectives and policies *(CONTINUED)*

(a) Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after income tax and retained earnings that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after income tax and retained earnings RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after income tax and retained earnings RMB'000
HK$	5%	24,662	5%	24,557
	(5%)	(24,662)	(5%)	(24,557)
US$	5%	52,631	5%	1,020
	(5%)	(52,631)	(5%)	(1,020)
GBP£	5%	7,819	–	–
	(5%)	(7,819)	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after income tax and retained earnings measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

(b) Interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose the Group to fair value interest rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than cash and cash equivalents, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of the interest-bearing assets are not expected to change significantly.

As at 31 December 2023, the Group has no floating-interests-rate interest bearing liabilities.

3. Financial risk management objectives and policies *(CONTINUED)*

(c) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, deposits and other receivables, contract assets and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position. The management has a credit policy in place and the exposures to these credit risks are monitored and controlled on an ongoing basis. It considers available reasonable and supportive forward-looking information.

The Group has two types of assets that are subject to the expected credit loss model:

– Trade receivables and contract assets; and

– Other financial assets at amortised cost.

(i) Trade receivables and contract assets

As part of the Group's credit risk management, the Group monitors procedures to ensure that follow-up action is taken to recover overdue debts and applies internal credit rating for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Group applies simplified approach to measure the ECL which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets. The Group performs impairment assessment under ECL model on trade and bills receivables and contract assets individually or based on provision matrix.

Except for related parties and customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables and contract assets, representing larger number of small customers are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over past three (2022: three) years and the corresponding historical credit losses experienced within the period. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had considered that the PRC's gross domestic growth is the most relevant factor, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

Related parties and individual customers with significant balances are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

The Group rebutted the presumption of default under ECL model for trade and bills receivables over 90 days past due based on the good repayment records for those customers with continuous partial settlement.

3. Financial risk management objectives and policies *(CONTINUED)*

(c) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The loss allowance provision for the trade receivables was determined as follows:

	Third parties							
	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Over 5 years RMB'000	Related parties RMB'000	Total RMB'000
As at 31 December 2023								
Expected credit loss rate	**5%**	**18%**	**30%**	**66%**	**100%**	**100%**	**56%**	**22%**
Gross carrying amount	**2,130,828**	**442,932**	**654,768**	**118,855**	**7,869**	**995**	**749,914**	**4,106,161**
Expected credit losses	**113,676**	**80,115**	**196,136**	**78,240**	**7,869**	**995**	**419,952**	**896,983**
As at 31 December 2022								
Expected credit loss rate	6%	19%	26%	61%	100%	100%	52%	19%
Gross carrying amount	2,045,908	897,737	253,491	8,555	314	1,152	786,563	3,993,720
Expected credit losses	127,531	167,418	66,979	5,213	314	1,152	406,847	775,454

During the year ended 31 December 2023, no impairment losses on contract assets were recognised (2022: Nil).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously impaired are credited against the same line item.

The movement of allowance for impairment of trade receivables is disclosed in Note 23 to these consolidated financial statements.

Except for the balances with the related parties, concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

(ii) Other financial assets at amortised cost

For the deposits and other receivables other than balances with related parties, they are closely monitored for recoverability and collectability and the Group maintains close communications with the counterparties. The Group uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition. As at the reporting date, the balances are not past due, and based on historical experience, majority of these balances were settled shortly upon maturity, hence the associated credit risk is minimal. The management considered that the identified impairment loss under expected credit loss model was immaterial.

Related parties are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

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

The Group estimated expected credit losses by applying a loss rate approach with reference to the historical loss record of Group. The loss rate is adjusted to reflect to the current conditions and forecasts of future economic conditions, as appropriate.

3. Financial risk management objectives and policies *(CONTINUED)*

(c) Credit risk (continued)

(ii) Other financial assets at amortised cost (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Performing	The counterparty has a low to moderate risk of default and does not have any past-due amounts	Lifetime ECL – not-credit impaired	12m ECL
Underperforming	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not-credit impaired	Lifetime ECL – not-credit impaired
Non-performing	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2023 RMB'000	Gross carrying amount 2022 RMB'000
Financial assets at amortised cost:					
Trade receivables	23	Performing	Lifetime ECL (collective assessment)	**2,806,087**	2,790,489
		Performing	Lifetime ECL (individual assessment)	**422,441**	406,647
		Non-performing	Lifetime ECL (credit-impaired)	**877,633**	796,584
Contract assets	24	Performing	Lifetime ECL (collective assessment)	**–**	–
		Performing	Lifetime ECL (individual assessment)	**176,234**	181,704
Deposits and other receivables, excluding prepayments and goods and services tax receivables	25	Performing	12m ECL	**1,629,311**	1,753,702
		Non-performing	Lifetime ECL (credit-impaired)	**355,865**	477,944
Cash and cash equivalents	26	N/A	12m ECL	**3,788,300**	2,307,301
Restricted bank balances	26	N/A	12m ECL	**36,898**	92,122
Time deposits with maturity less than three months	26	N/A	12m ECL	**1,000,000**	2,360,000

3. Financial risk management objectives and policies *(CONTINUED)*

(d) Liquidity risk

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of its development projects, and flexibility through the use of stand-by credit facilities.

The table below set out the Group's financial liabilities by relevant maturity grouping at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the end of the reporting period equal to their carrying amounts in the statements of financial position, as the impact of discount is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Total Carrying amounts RMB'000
As at 31 December 2023						
Trade payables	**1,212,521**	**–**	**–**	**–**	**1,212,521**	**1,212,521**
Deposits received, accruals and other payables*	**1,325,802**	**–**	**–**	**–**	**1,325,802**	**1,325,802**
Borrowings	**249,979**	**19,850**	**54,551**	**4,231**	**328,611**	**299,942**
Lease liabilities	**34,966**	**18,028**	**14,515**	**9,143**	**76,652**	**68,337**
	2,823,268	**37,878**	**69,066**	**13,374**	**2,943,586**	**2,906,602**
As at 31 December 2022						
Trade payables	1,175,103	–	–	–	1,175,103	1,175,103
Deposits received, accruals and other payables*	1,967,899	–	–	–	1,967,899	1,967,899
Borrowings	284,269	193,908	45,032	48,932	572,141	526,869
Lease liabilities	38,114	26,072	24,032	9,335	97,553	88,303
	3,465,385	219,980	69,064	58,267	3,812,696	3,758,174

* Excluding non-financial liabilities of accrued payroll and other taxes payable

(e) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for capital management during the year ended 31 December 2023.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

3. Financial risk management objectives and policies *(CONTINUED)*

(e) Capital management (continued)

The gearing ratios as at the end of each reporting period are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Borrowings (Note 30)	**(299,942)**	(526,869)
Lease liabilities (Note 34)	**(68,337)**	(88,303)
Less: Cash and cash equivalents (Note 26)	**3,788,300**	2,307,301
Net cash	**3,420,021**	1,692,129
Total equity	**8,646,153**	8,367,227
Gearing ratio	**Note**	Note

Note: The Group is at a net cash position and there is no gearing as of 31 December 2023 (2022: Same).

(f) Fair value estimation

(i) Financial instruments not measured at fair value

Except for the below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

(ii) Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Financial risk management objectives and policies *(CONTINUED)*

(f) Fair value estimation (continued)

(ii) Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2023 and 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Assets				
Financial assets at FVPL	**–**	**–**	**124,178**	**124,178**
Liabilities				
Consideration payable arising from non-controlling shareholders' put options (Note 33)	**–**	**–**	**50,513**	**50,513**
Purchase consideration (Note 33)	**–**	**–**	**412,264**	**412,264**
	–	**–**	**462,777**	**462,777**
As at 31 December 2022				
Assets				
Financial assets at FVPL	–	–	84,250	84,250
Liabilities				
Consideration payable arising from non-controlling shareholders' put options (Note 33)	–	–	331,261	331,261
Purchase consideration (Note 33)	–	–	387,535	387,535
	–	–	718,796	718,796

The following table presents the changes of assets/(liabilities) in level 3 instruments for the reporting period:

	Financial assets at FVPL RMB'000	Consideration payable arising from non-controlling shareholders' put option RMB'000	Purchase consideration RMB'000	Derivatives embedded in convertible bonds RMB'000
As at 1 January 2022	–	(344,532)	(464,888)	(57)
Additions	–	–	(117,111)	–
Payment	–	–	103,379	–
Non-cash transaction (Note 21)	(91,085)	–	91,085	–
Change in fair value recognised in the profit or loss	175,335	13,271	–	57
As at 31 December 2022 and 1 January 2023	84,250	(331,261)	(387,535)	–
Additions	–	–	(94,858)	–
Payment	–	–	301,590	–
Non-cash transaction	(4,410)	–	4,410	–
Transfer	–	147,502	(147,502)	–
Acquisition of non-controlling interests	–	115,679	–	–
Change in fair value recognised in the profit or loss (Note 21)	44,338	17,567	(88,369)	–
As at 31 December 2023	**124,178**	**(50,513)**	**(412,264)**	**–**

3. Financial risk management objectives and policies *(CONTINUED)*

(f) Fair value estimation (continued)

(ii) Financial instruments measured at fair value (continued)

There were no transfers between the three Levels during the reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The non-cash transaction of RMB95,496,000 (2022: RMB91,085,000) represent the set-off of the financial asset at FVTPL arising from the relevant terms of profit guarantee of the sales and purchase agreement with the consideration payable of the acquisition as set out in Note 21 of the consolidated financial statement.

Financial instruments	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Consideration payable arising from non-controlling shareholders' put option	Discounted cash flow	Expected discount rate	N/A (2022:11%-12.8%)	Increase in discount rate would result in decrease in fair value (note 1)
Purchase consideration	Discounted cash flow	Expected revenue	RMB49,500,000 – RMB922,000,000 (2022: RMB49,500,000 – RMB1,327,690,000)	Increase in expected revenue and net profit would result in increase in fair value (note 2)
		Expected net profit	RMB60,590,000 (2022: RMB94,600,000)	

The Group manages the valuation of Level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group's Level 3 instruments by using valuation techniques.

Notes:

(1) No sensitivity is provided as the management of the Company considered that disclosure is insignificant for the put options has been lapsed during the year ended 31 December 2023.

(2) An increase in the expected revenue used in isolation would result in an increase in the fair value, and vice versa. 5% and 5% higher/lower expected revenue holding all other variables constant would increase/decrease the fair value by RMB10,057,000/RMB12,090,000, respectively (2022: N/A).

4. Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

(a) Revenue recognition

The Group provides certain value-added services to its customers, which involves the principal versus agent assessment. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to: (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; (c) whether the entity has discretion in establishing the prices for the specified service; and (d) whether the entity has discretion in selecting suppliers. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on different circumstances.

(b) Provision of ECLs on other receivables

Provision of ECLs on the other receivables are estimated based on assumptions about the risk of default and credit risk of counterparties, which involves high degree of estimation and uncertainty. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional provision to profit or loss.

Advances to related parties included in other receivables will use lifetime ECL when the credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitatively and qualitatively reasonable and supportable forward-looking information including available counterparties' historical data and existing and forecast market conditions.

ECLs on other receivables which are not assessed to be credit-impaired are estimated based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's historical settlement records of the debtors, past due status, current economic and market conditions and the forward-looking information at the end of each reporting period. In assessing forward-looking information, the Group considers factors including macroeconomic factors, industry risks and changes in debtors' conditions. Judgement is applied in identifying the most appropriate ECL model as well as for determining the assumptions used in the model, including those related to key drivers of credit risk.

The information about the ECL on other receivables including the advances to related parties are disclosed in Notes 3(c)(ii) and 25.

(c) Provision of ECLs on trade receivables

The Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix.

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the Group used provision matrix to calculate the ECL for its trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed settlement records. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

(d) Impairment of goodwill and identifiable intangible assets arising from business combination

For the purposes of goodwill impairment assessment, management considered each of the acquired property management groups a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired subsidiaries. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include the discount rates, budgeted revenue, revenue growth rate and gross profit margin during the forecast period. The information about the goodwill is disclosed in Note 20(a).

(e) Fair value measurement of contingent consideration payable

The fair value measurement of the contingent consideration payable in relation to the acquisition of subsidiaries at the date of acquisition were determined using the probabilistic approach with possible scenarios under different financial forecasts of subsidiaries. The fair value of the contingent consideration payable at the end of the reporting period was also determined using the probabilistic approach which is primarily based on the financial forecast of subsidiaries. The application of financial forecast or management accounts requires the Group to estimate whether the targeted revenue and profit, are likely to be met. The information about the contingent consideration payable is disclosed in Note 33.

5. 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, 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 2023 (2022: Same).

As at 31 December 2023, all of the non-current assets of the Group were located in the PRC (2022: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

5. Segment information *(CONTINUED)*

The segment revenue and results are as follows:

	Property management services RMB'000	City services RMB'000	Total RMB'000
Year ended 31 December 2023			
Reportable segment revenue	**6,867,893**	**1,334,775**	**8,202,668**
Reportable segment results	**485,273**	**(106,138)**	**379,135**
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	**(59,961)**	**(26,634)**	**(86,595)**
Impairment losses on intangible assets	**(15,391)**	**(105,925)**	**(121,316)**
Fair value gain on financial assets at FVPL	**4,876**	**39,462**	**44,338**
Net gain on disposal of property, plant and equipment	**(2,495)**	**2,765**	**270**
Depreciation of property, plant and equipment, right-of-use assets and investment properties	**(112,005)**	**(92,429)**	**(204,434)**
Amortisation of intangible assets	**(139,542)**	**(48,401)**	**(187,943)**
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 – net	(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 on 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)

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Segment results	**379,135**	(985,961)
Fair value changes in derivative embedded in convertible bonds	**–**	57
Other gains and losses – net	**(23,976)**	252,791
Share of results of associates	**12,102**	12,749
Finance costs	**(45,932)**	(216,298)
Finance income	**78,106**	54,616
Unallocated expenses	**(11,590)**	(76,676)
Profit/(loss) before income tax	**387,845**	(958,722)

5. Segment information *(CONTINUED)*

The segment assets and liabilities are as follows:

	Property management services RMB'000	City services RMB'000	Total RMB'000
As at 31 December 2023			
Segment assets	**9,615,366**	**1,866,551**	**11,481,917**
Segment liabilities	**3,923,212**	**820,901**	**4,744,113**
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

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Segment assets	**11,481,917**	13,512,701
Deferred tax assets	**255,538**	257,529
Interests in associates	**61,019**	59,786
Other corporate assets	**2,441,564**	769,546
Total assets	**14,240,038**	14,599,562
Segment liabilities	**4,744,113**	5,052,691
Deferred tax liabilities	**156,631**	176,012
Income tax liabilities	**393,199**	393,989
Borrowings	**299,942**	526,869
Other corporate liabilities	**–**	82,774
Total liabilities	**5,593,885**	6,232,335

6. 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			
	2023		2022	
	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	**5,291,917**	**4,226,488**	5,042,007	3,915,218
Community value-added services	**442,999**	**290,623**	414,747	256,577
Value-added services to non-property owners	**213,088**	**174,604**	525,096	412,722
City services	**1,334,775**	**1,147,727**	1,381,440	1,201,933
	7,282,779	**5,839,442**	7,363,290	5,786,450
Revenue from customer and recognised at a point in time:				
Community value-added services	**919,889**	**716,794**	1,273,521	907,403
	8,202,668	**6,556,236**	8,636,811	6,693,853
Gross basis	**8,016,576**	**6,466,881**	8,425,520	6,601,216
Net basis	**186,092**	**89,355**	211,291	92,637
	8,202,668	**6,556,236**	8,636,811	6,693,853

For the year ended 31 December 2023, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 4.37% and 0.55% (2022: 6.68%, and 1.56%) of the Group's revenue from property management services, community value-added services and value-added services to non-property owners, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2023 (2022: Nil).

6. Revenue and cost of sales and services *(CONTINUED)*

(a) Contract liabilities

The Group had recognised the following revenue-related contract liabilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Property management services	**885,874**	749,090
Community value-added services	**362,347**	466,711
Value-added services to non-property owners	**1,466**	8,345
City services	**3,671**	3,753
	1,253,358	1,227,899
– Related parties (Note 40(d))	**61,563**	56,516
– Third parties	**1,191,795**	1,171,383
	1,253,358	1,227,899

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Property management services	**749,090**	1,004,065
Community value-added services	**466,711**	522,990
Value-added services to non-property owners	**8,345**	18,819
City services	**3,753**	4,519
	1,227,899	1,550,393

Movement of contract liabilities is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
As at 1 January	**1,227,899**	1,550,393
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	**1,253,358**	1,227,899
Decrease in contract liabilities as a result of recognizing revenue during the year	**(1,227,899)**	(1,550,393)
	1,253,358	1,227,899

6. Revenue and cost of sales and services *(CONTINUED)*

(c) Unsatisfied performance obligations

For property management services, part of value-added services and city services, the Group recognizes revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

For other value-added services related to property management, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

7. Profit/(loss) before income tax

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

		Year ended 31 December	
	Notes	**2023 RMB'000**	2022 RMB'000
Employee benefit expenses (excluding directors' and chief executive's remuneration)	8	**3,914,366**	4,199,528
Equity-settled share-based payment			
– Employees other than directors	8	**12,049**	17,011
– Directors	9(a)	**5,396**	12,762
		17,445	29,773
Impairment losses on financial assets – net			
– Third parties			
Impairment losses on trade receivables and contract assets	23	**114,487**	122,143
Impairment losses on other financial assets included in deposits and other receivables	25	**8,250**	47,751
– Related parties			
Impairment losses on trade receivables	23	**13,105**	339,915
Impairment losses on other financial assets included in deposits and other receivables	25	**(49,247)**	233,850
Total provision of impairment losses on financial assets – net		**86,595**	743,659

7. Profit/(loss) before income tax *(CONTINUED)*

	Notes	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Depreciation and amortisation:			
Depreciation of property, plant and equipment	17	**156,396**	130,673
Depreciation of right-of-use assets, included in administrative expenses	18	**47,066**	48,305
Depreciation of investment properties	19	**972**	934
Amortisation of intangible assets	20	**187,943**	169,425
		392,377	349,337
Auditors' remuneration			
– Annual and other audit services		**3,300**	3,300
– Non-audit services		**500**	1,100
		3,800	4,400
Cleaning cost		**662,311**	647,723
Greening and gardening costs		**113,439**	119,298
Security costs		**627,281**	460,402
Maintenance costs		**235,425**	230,763
System operation and upgrade costs		**40,130**	217,166
City services cost		**1,147,727**	1,201,933
Cost of inventories sold		**267,798**	393,508
Cost of selling parking lots		**1,230**	54,177
Raw materials used in catering services		**138,115**	109,526

8. Employee benefit expense

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
Wages, salaries and bonuses	**3,332,417**	3,586,533
Pension costs	**230,060**	241,190
Housing funds, medical insurances and other social Insurances (Note)	**213,259**	257,873
Equity-settled share-based payment (note 7)	**12,049**	17,011
Other employment benefits	**126,581**	96,921
	3,914,366	4,199,528

Note: Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution.

8. Employee benefit expense *(CONTINUED)*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one (2022: three) director for the year ended 31 December 2023, whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining four (2022: two) individual(s) for the year are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**3,733**	2,054
Pension costs	**231**	125
Housing funds, medical insurances and other social insurances	**306**	155
Equity-settled share-based payment	**205**	2,606
	4,475	4,940

The emoluments of remaining four (2022: two) individual(s) fell within the following bands:

	Number of individuals Year ended 31 December	
	2023	2022
Emolument bands		
HK$900,001 – HK$2,000,000 (equivalents to RMB810,162 – RMB1,800,360)	**4**	2

During the year ended 31 December 2023, the highest paid non-director individuals did not receive any emolument from the Group as an inducement to join or upon joining the Group, nor leave the Group or as compensation for loss of office (2022: Nil).

9. Directors' benefits and interests

As the date of the report, the following directors and senior managements were appointed:

Executive Directors
Mr. Hui Sai Tan, Jason
Mr. Ye Mingjie
Mr. Cao Shiyang
Mr. Cai Wenwei (Note (a)(i))

Non-executive Director
Ms. Tang Fei

Independent Non-executive Directors
Mr. Gu Yunchang
Ms. Zhou Xinyi
Mr. Hui Wai Man, Lawrence (Note (a)(ii))
Ms. Kan Lai Kuen, Alice (Note (a)(iii))

9. Directors' benefits and interests *(CONTINUED)*

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2023 as follows:

Name	Fees RMB'000	Salaries RMB'000	Bonus RMB'000	Equity-settled share-based payments RMB'000	Housing allowances and contributions to a retirement scheme RMB'000	Total RMB'000
Executive Directors						
Mr. Hui Sai Tan, Jason	–	–	–	–	–	–
Mr. Ye Mingjie	–	2,373	–	4,037	151	6,561
Mr. Cao Shiyang	–	759	–	893	78	1,730
Mr. Cai Wenwei (note (a)(i))	–	708	–	466	151	1,325
Non-executive Director						
Ms. Tang Fei	–	–	–	–	–	–
Independent non-executive Directors						
Mr. Gu Yunchang	324	–	–	–	–	324
Ms. Zhou Xinyi	324	–	–	–	–	324
Mr. Hui Wai Man, Lawrence (note (a)(ii))	324	–	–	–	–	324
	972	3,840	–	5,396	380	10,588

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2022 as follows:

Name	Fees RMB'000	Salaries RMB'000	Bonus RMB'000	Equity-settled share-based payments RMB'000	Housing allowances and contributions to a retirement scheme RMB'000	Total RMB'000
Executive Directors						
Mr. Hui Sai Tan, Jason	–	–	–	–	–	–
Mr. Ye Mingjie	–	1,691	–	9,688	143	11,522
Mr. Cao Shiyang	–	996	–	1,749	73	2,818
Mr. Cai Wenwei (note (a)(i))	–	975	–	1,325	143	2,443
Mr. Liu Yu (note (a)(iv))	–	846	–	–	77	923
Non-executive Director						
Ms. Tang Fei	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. Gu Yunchang	309	–	–	–	–	309
Ms. Zhou Xinyi	309	–	–	–	–	309
Mr. Hui Wai Man, Lawrence (note (a)(ii))	109	–	–	–	–	109
Ms. Kan Lai Kuen, Alice (note (a)(iii))	206	–	–	–	–	206
	933	4,508	–	12,762	436	18,639

9. Directors' benefits and interests *(CONTINUED)*

(a) Directors' emoluments (continued)

(i) Mr. Cai Wenwei resigned as the Company's executive director on 10 December 2023.

(ii) Mr. Hui Wai Man, Lawrence was appointed as the Company's independent non-executive director on 24 August 2022.

(iii) Ms. Kan Lai Kuen, Alice resigned as the Company's independent non-executive director on 24 August 2022.

(iv) Mr. Liu Yu resigned as the Company's executive director on 31 July 2022.

(b) Retirement benefits of directors

During the years ended 31 December 2023, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC (2022: Nil).

(c) Termination benefits of directors

During the year ended 31 December 2023, there were no termination benefits received by the directors (2022: Nil).

(d) Consideration provided to third parties for making available the services of directors

During the year ended 31 December 2023, no consideration was paid for making available the services of the directors or senior management of the Company (2022: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2023, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2022: Nil).

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at 31 December 2023 (2022: Nil) or at any time during the year ended 31 December 2023 (2022: Nil).

10. Other income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants	**49,451**	73,227
Value-added tax deductibles	**16,578**	21,185
	66,029	94,412

Note: Government grants consisted mainly of financial subsidies granted by the local government. There are no unfulfilled conditions or other conditions attached to the government grant recognised during the year ended 31 December 2023 (2022: Same).

11. Other gains and losses – net

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Net fair value gains of non-controlling shareholders' put options (Note 33(b))	**17,567**	13,271
Gain on disposal of financial assets at FVPL	**–**	17,725
Net gain on disposal of property, plant and equipment	**270**	34,554
Net loss on disposal of a subsidiary (Note 39(b))	**–**	(343)
Net foreign exchange gain	**26**	828
Fair value gain on financial assets at FVPL (Note 21)	**44,338**	175,335
Fair value changes in purchase consideration	**(88,369)**	–
Impairment loss on property, plant and equipment	**(6,457)**	–
Others	**8,649**	11,421
	(23,976)	252,791

12. Finance income/(costs) – net

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Interest income on bank deposits	**78,106**	54,616
Finance income	**78,106**	54,616
Interest expense on convertible bonds (Note 31)	**–**	(161,019)
Interest and finance charges paid/payable for borrowing and liabilities and others	**(45,932)**	(55,279)
Finance costs	**(45,932)**	(216,298)
Finance income/(costs) – net	**32,174**	(161,682)

13. Income tax (expense)/credit

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Current income tax expense – PRC		
– Corporate income tax	**(88,487)**	(156,526)
– Under-provision in prior years	**–**	(4,312)
	(88,487)	(160,838)
Deferred tax credit (Note 35)		
– PRC corporate income tax	**17,390**	242,888
	(71,097)	82,050

13. Income tax (expense)/credit *(CONTINUED)*

(a) Cayman Island income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) BVI income tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(c) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax for the year ended 31 December 2023 (2022: Nil).

(d) PRC enterprise income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the year ended 31 December 2023.

Tibet Shimao Tiancheng Property Management Co., Ltd. applied a renewal of preferential tax rate of 15% until 31 December 2030 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Shanghai to Tibet on 19 December 2017.

Xi'an Fangrui Property Management Co., Ltd., Chengdu Xinyi Property Co., Ltd. and Tibet Shimao Tiancheng Property Management Co., Ltd. applied a preferential tax rate of 15% for its head office in the Western province.

In accordance with Caishui Circular [2012] No. 27 ("Circular No. 27"), Shimao Wulianwang is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2021 after utilising all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

Shanghai Chunqiji Elderly Care Service Co., Ltd., Shenzhen Shiluyuan Environment Co., Ltd. (formerly known as Shenzhen Shenxiong Environmental Co., Ltd.) and Wuxi Jinshatian Technology Co., Ltd. established in the PRC that were acquired during the year are qualified as "High and New Technology Enterprise" subject to a preferential income tax rate of 15% for three years from 1 December 2020, 11 December 2020, 18 November 2022, respectively.

The corporate income tax rate applicable to the entities located in PRC out of Tibet Autonomous Region is 25% according to the Enterprise Income Tax Law of the PRC (2022: 25%).

(e) PRC withholding income tax

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

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

As at 31 December 2023, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB2,239,367,000 (2022: RMB3,558,422,539), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

13. Income tax (expense)/credit *(CONTINUED)*

(f) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated profit or loss to the income tax expenses is listed below:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Profit/(loss) before income tax	**387,845**	(958,722)
Tax expense/(credit) calculated at applicable corporate income tax rate of 25%	**96,961**	(239,680)
Tax effects of:		
– Expenses not deductible for taxation purposes	**33,182**	186,441
– Income not taxable for tax purpose	**(2,621)**	(3,214)
– Tax loss not recognised	**5,503**	3,110
– Utilisation of temporary difference previously not recognised	**(27,450)**	(2,604)
– Different tax rate applied	**(34,478)**	(30,415)
– Under-provision in prior years	**–**	4,312
Income tax expense/(credit)	**71,097**	(82,050)

14. Earnings/(loss) per share

	Year ended 31 December	
	2023	2022
Profit/(loss) attributable to equity holders of the Company (RMB'000)	**273,245**	(927,120)
Weighted average number of ordinary shares (in thousands)	**2,470,683**	2,464,126
Basic earnings/(loss) per share (expressed in RMB per share)	**0.11**	(0.38)

Diluted earnings/(loss) 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 (Note 36).

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 earnings per share.

	Year ended 31 December	
	2023	2022
Profit/(loss) attributable to ordinary holders of the Company (RMB'000)	**273,245**	(927,120)
Profit/(loss) for the year, attributable to owners of the Company for diluted earnings/(loss) per shares (RMB'000)	**273,245**	(927,120)
Weighted average number of equity shares for basic earnings/(loss) per share (in thousands)	**2,470,683**	2,464,126
Adjustments: share award scheme (in thousands)	**5,082**	–*
Weighted average number of ordinary shares for dilutive earnings/(loss) per share (in thousands)	**2,475,765**	2,464,126

* 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.

15. Subsidiaries

The following is a list of principal subsidiaries at the reporting period, all of these are limited companies:

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group As at 31 December 2023	2022	Principal activities/ place of operation
Shimao Services (BVI) Limited	BVI 4 December 2019	USD1	100%*	100%*	Investment holding, BVI
Origin Prime Property Services Limited	Hong Kong 18 April 2019	USD10,000	100%	100%	Investment holding, Hong Kong
Super Rocket Limited	Hong Kong 16 May 2017	HK$1	100%	100%	Investment holding, Hong Kong
Virtue Faith limited	Hong Kong 31 July 2023	HK$1	100%	–	Investment holding, Hong Kong
Shanghai Aoling Enterprise Management Co., Ltd.	The PRC 17 June 2019	RMB4,305,000,000	100%	100%	Investment holding, the PRC
Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng")	The PRC 16 September 2005	RMB5,400,000,000	100%	100%	Property management services in the PRC
Quanzhou Shimao Sanyuan Real Estate Management Co., Ltd. ("Quanzhou Sanyuan")	The PRC 26 June 2003	RMB5,000,000	51%	51%	Property management services in the PRC
Shanghai Runshang Real Estate Agent Co., Ltd.	The PRC 9 August 2012	RMB52,500,000	100%	100%	Real estate agent services in the PRC
Shanghai Fanying Environmental Engineering Co., Ltd.	The PRC 30 December 2014	RMB127,000,000	100%	100%	Gardening and greening services in the PRC
Shanghai Shibin E-Commerce Co., Ltd.	The PRC 24 December 2014	RMB52,500,000	100%	100%	Wholesales and retail trading in the PRC
Shanghai Shimao Wulianwang Technology Co., Ltd. ("Shimao Wulianwang")	The PRC 29 December 2018	RMB300,000,000	100%	100%	Technology services in the PRC
Shanghai Ruiyun data Technology Co., LTD	The PRC 9 May 2023	RMB10,000,000	100%	–	Technology services in the PRC
Shanghai Maoyi Management Consulting Co., Ltd.	The PRC 19 March 2014	RMB10,500,000	100%	100%	Business Services in the PRC
Shanghai Shibei Intelligent Engineering Co., Ltd.	The PRC 30 December 2014	RMB8,500,000	100%	100%	Construction decoration and other construction in the PRC
Shanghai Guanghe Education Technology Co., Ltd.	The PRC 9 April 2019	RMB5,500,000	100%	100%	Education in the PRC
Tibet Shimao Tiancheng Property Management Co., Ltd. ("Tibet Shimao Tiancheng Subgroup")	The PRC 7 July 2014	RMB50,000,000	100%	100%	Property management services in the PRC

15. Subsidiaries *(CONTINUED)*

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group As at 31 December 2023	2022	Principal activities/ place of operation
Chengdu Xinyi Property Co.,Ltd. ("Chengdu Xinyi")	The PRC 14 December 2000	RMB10,000,000	**100%**	67%	Property management services in the PRC
Nanjing Haixia Real Estate Management Co., Ltd.	The PRC 11 October 2011	RMB500,000	**100%**	100%	Property management services in the PRC
Mudanjiang Feixia Management Co., Ltd. ("Mudanjiang Feixia")	The PRC 25 October 2019	RMB550,000	**100%**	100%	Property management services in the PRC
Shanghai Maosheng Intelligent Technology Co., Ltd.	The PRC 30 December 2019	RMB10,000,000	**51%**	51%	Technology services in the PRC
Xianghe Wantong Real Estate Management Co., Ltd. ("Xianghe Wantong")	The PRC 27 July 2011	RMB1,000,000	**100%**	100%	Property management services in the PRC
Mudanjiang Maoju Household Products Co., Ltd. ("Mudanjiang Maoju")	The PRC 17 April 2018	RMB1,050,000	**100%**	100%	Wholesale and retail trading in the PRC
Shanghai Huiguan Garden Landscape Engineering Co., Ltd. ("Shanghai Huiguan")	The PRC 6 May 2011	RMB10,000,000	**100%**	100%	Investment holding, the PRC
Suifenhe Shifu Home Supplies Co., Ltd. ("Suifenhe Shifu")	The PRC 10 December 2018	HK$2,000,000	**100%**	100%	Wholesale and retail trading in the PRC
Shanghai Jiashu Enterprises Management Co., Ltd.	The PRC 17 July 2019	RMB100,000,000	**100%**	100%	Investment holding, the PRC
Guangzhou Yuetai Property Services Co., Ltd.	The PRC 2 June 1999	RMB5,000,000	**100%**	100%	Property management services in the PRC
Fusheng Life Services Group Co., Ltd.	The PRC 17 July 2018	RMB100,000,000	**51%**	51%	Property management services in the PRC
Beijing Guancheng Hotel Management Co., Ltd. ("Beijing Guancheng")	The PRC 22 September 1998	RMB20,000,000	**100%**	100%	Property management services in the PRC
Shanghai Yunyu space Intelligent Technology Co., Ltd.	The PRC 14 April 2017	RMB84,000,000	**100%**	100%	Engineering Construction in the PRC
Shanghai Shijihui Entrepreneurship Management Co., Ltd.	The PRC 18 March 2020	RMB11,000,000	**100%**	100%	Property management services in the PRC
Zhejiang Zheda Sinew Property Services Group Co., Ltd. (Zhejiang Sinew)	The PRC 21 January 2001	RMB50,000,000	**72.76%**	70%	Property management services in the PRC
Tianjin Hexing Property Management Co., Ltd. ("Tianjin Hexing")	The PRC 1 August 2005	RMB10,000,000	**100%**	70%	Property management and hotel management in the PRC

15. Subsidiaries *(CONTINUED)*

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group As at 31 December 2023	2022	Principal activities/ place of operation
Kangqiao Property Co., Ltd. ("Yantai Kangqiao")	The PRC 31 October 2007	RMB50,000,000	**80%**	80%	Property management and hotel management in the PRC
Hangshou Jinhu Property Management Co., Ltd. ("Hangshou Jinhu")	The PRC 26 August 1996	RMB11,000,000	**100%**	100%	Property management and hotel management in the PRC
Xi'an Fangrui Property Management Co., Ltd. ("Xi'an Fangrui")	The PRC 23 March 2001	RMB50,000,000	**70%**	70%	Property management and hotel management in the PRC
Zhejiang Yefeng Property Service Co., Ltd.	The PRC 14 June 1996	RMB50,500,000	**100%**	100%	Property management and hotel management in the PRC
Shenzhen Shiluyuan Environment Co., Ltd. ("Shi Lu Yuan")	The PRC 18 March 2003	RMB123,180,000	**67%**	67%	Urban and rural environmental sanitation integrated services in the PRC
Wuxi Jinshatian Technology Co., Ltd. ("Wuxi Jinshatian")	The PRC 14 March 2003	RMB105,000,000	**60%**	60%	Smart environmental protection integrated solutions services in the PRC
Wuhan Ruizheng Xindadi Property Management Co., Ltd.	The PRC 10 December 2003	RMB10,000,000	**60%**	60%	Property management and hotel management in the PRC
Shanghai Chunqiji Elderly Care Service Co., Ltd.	The PRC 3 December 2014	RMB29,411,800	**56%**	56%	Elderly support services and consultancy services in the PRC
Hubei Shimao Yunrui Property Management Co., Ltd.	The PRC 1 September 2020	RMB5,000,000	**51%**	51%	Property management and hotel management in the PRC
Shanghai Maojia Property Service Co., Ltd.	The PRC 3 August 2020	RMB10,000,000	**100%**	100%	Investment holding, the PRC
Suzhou Chong Tian Intelligent Chemical Engineering Co., Ltd.	The PRC 3 April 2020	RMB50,000,000	**100%**	100%	House and city infrastructure construction services in the PRC
Zhejiang Xiangyu Investment Co., Ltd.	The PRC 15 May 2009	RMB20,000,000	**69.4%**	63%	Investment holding,the PRC
Suzhou Maozhiyuan Construction Decoration Engineering Co., Ltd.	The PRC 16 December 2020	RMB10,000,000	**100%**	100%	Electricity infrastructure construction and inner renovation services in the PRC
Jiangsu Shimao Ankang City Operation Management Service Co., Ltd.	The PRC 1 December 2020	RMB10,000,000	**51%**	51%	City park management and greening services in the PRC
Hangzhou Huizhen Supply Chain Management Co., Ltd.	The PRC 1 July 2021	RMB4,000,000	**51%**	51%	Supply chain management in the PRC

15. Subsidiaries *(CONTINUED)*

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group As at 31 December 2023	2022	Principal activities/ place of operation
Anhui Shimao Hongshun Property Service Co., Ltd.	The PRC 18 November 2020	RMB5,000,000	**51%**	51%	Property management and hotel management in the PRC
Quanzhou Shimao Youda Real Estate Services Co., Ltd.	The PRC 29 July 2021	RMB1,000,000	**N/A^**	51%	Property management and real estate consultancy services in the PRC
Shanxi Shimao Jiahui Property Service Co., Ltd.	The PRC 19 July 2021	RMB2,000,000	**51%**	51%	Property management and corporate management services in the PRC
Shimao Ruide (Heilongjiang) City Construction Services Co., Ltd.	The PRC 12 July 2021	RMB2,000,000	**51%**	51%	Property management and public infrastructure management in the PRC
Suzhou Maokang Retirement Service Co., Ltd.	The PRC 20 August 2021	RMB60,000,000	**100%**	100%	Investment holding,the PRC
Jinjiang Shimao Jinqiu Property Services Limited	The PRC 20 October 2021	RMB1,000,000	**N/A^**	65%	Property management and property agency services in the PRC
Chengdu Shimao Tiancheng Enterprise Management Co., Ltd.	The PRC 27 October 2021	RMB500,000,000	**100%**	100%	Corporate management services and property management services in the PRC
Suqian Shimao Yufeng City Service Co., Ltd.	The PRC 27 September 2021	RMB4,000,000	**55%**	55%	Energy saving services and information technology integration services in the PRC
Hubei Shimao Wantai Property Management Co., Ltd.	The PRC 2 December 2021	RMB5,000,000	**51%**	51%	Property management and hotel management in the PRC
Quanzhou Youda property management services Co., Ltd	The PRC 26 June 2003	RMB9,405,800	**51%**	51%	Property management in the PRC
Suzhou Tianxiang property management services Co., Ltd	The PRC 15 October 1996	RMB10,000,000	**70%**	70%	Property management in the PRC
Hunan Jili property management services Co., Ltd	The PRC 15 November 2001	RMB10,000,000	**70%**	70%	Property management in the PRC
Zhejiang Xindadi property management services Co., Ltd	The PRC 10 November 2008	RMB10,080,000	**100%**	100%	Property management in the PRC
Tianjin Rongwei Security service Co., Ltd	The PRC 25 May 2016	RMB20,000,000	**70%**	70%	Security services in the PRC

* Directly held by the Company
^ Deregistered during the year ended 31 December 2023

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For the year ended 31 December 2023

16. Interests in associates

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
At the beginning of the year	**59,786**	42,184
Addition from acquisition of subsidiaries (Note 39(a))	**–**	2,403
Addition	**–**	2,450
Share of profits	**12,102**	12,749
Deregistration	**(869)**	–
Dividends	**(10,000)**	–
At the end of the year	**61,019**	59,786

Set out below is the associates of the Group:

Name of entity	Place of business/ country of incorporation	% of ownership interest 2023 %	2022 %	Principal activities
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd	The PRC	**49**	49	At technology development and technical supporting services
Kunming Ruixin City Operation Management Co., Ltd	The PRC	**33**	33	Property management services
Shanghai Maoyuan Property Management Co., Ltd.	The PRC	**49**	49	Property management services
Zhejiang Xinyu Trade Co., Ltd.	The PRC	**40**	40	School supermarket operation
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	**30**	30	School logistics servers
Jiaxing Longzhong Rehabilitation Aids Service Co., Ltd.	The PRC	**N/A**	25	Manufacturing of elderly supporting device
Fuzhou Fulv Shimao property management services Co., Ltd	The PRC	**49**	49	Property management services
Suzhou Xianglv property management services Co., Ltd	The PRC	**40**	40	Property management services
Suzhou Shanghezhi property management services Co., Ltd	The PRC	**N/A^**	49.5	Property management services
Right Goal Global Limited	BVI	**48.5#**	N/A	Business Services

\# Established during the year ended 31 December 2022
^ Deregistration during the year ended 31 December 2023

16. Interests in associates *(CONTINUED)*

Summarised financial information in respect of the Group's material associates, Zhejiang Xinyu Trade Co., Ltd., is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2023 **RMB'000**	2022 RMB'000
As at 31 December		
Current assets	**211,215**	179,435
Non-current assets	**26,354**	17,590
Current liabilities	**(135,085)**	(99,433)
Non-current liabilities	**–**	–
Net assets	**102,484**	97,592
Proportion of the Group's ownership interests	**40%**	40%
Carrying amount of the Group's interests	**40,994**	39,037
For the year ended 31 December		
Revenue	**699,840**	626,341
Profit and total comprehensive income for the year	**24,893**	22,818
Dividends received for the year	**(8,000)**	–

Aggregate information of associates that are not individually material:

	2023 **RMB'000**	2022 RMB'000
The Group's share of profit for the year	**2,146**	3,622
Aggregate carrying amount of the Group's interests	**20,025**	20,749
Dividends received for the year	**(2,000)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

17. Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
As at 1 January 2022							
Cost	22,692	36,382	159,570	163,755	98,535	97,969	578,903
Accumulated depreciation	(1,435)	(9,144)	(21,555)	(6,933)	(28,091)	–	(67,158)
Carrying amounts	21,257	27,238	138,015	156,822	70,444	97,969	511,745
Year ended 31 December 2022							
Opening carrying amounts	21,257	27,238	138,015	156,822	70,444	97,969	511,745
Additions from acquisition of subsidiaries (Note 39(a))	6,073	809	1,169	3,588	–	–	11,639
Additions	17,040	2,025	20,218	78,819	91,010	26,176	235,288
Depreciation charge (Note 7)	(2,531)	(2,439)	(22,236)	(68,634)	(34,833)	–	(130,673)
Disposals	–	–	(4,370)	(33,074)	–	–	(37,444)
Closing carrying amounts	41,839	27,633	132,796	137,521	126,621	124,145	590,555
As at 31 December 2022 and 1 January 2023							
Cost	45,805	39,216	176,587	213,088	189,545	124,145	788,386
Accumulated depreciation	(3,966)	(11,583)	(43,791)	(75,567)	(62,924)	–	(197,831)
Carrying amounts	41,839	27,633	132,796	137,521	126,621	124,145	590,555
Year ended 31 December 2023							
Opening carrying amounts	**41,839**	**27,633**	**132,796**	**137,521**	**126,621**	**124,145**	**590,555**
Additions	**26,507**	**4,488**	**9,025**	**59,491**	**74,218**	**15,633**	**189,362**
Impairment loss on fixed assets	**–**	**–**	**–**	**(6,457)**	**–**	**–**	**(6,457)**
Depreciation charge (Note 7)	**(4,320)**	**(4,114)**	**(19,315)**	**(62,072)**	**(66,575)**	**–**	**(156,396)**
Disposals	**–**	**–**	**(5,358)**	**(24,891)**	**–**	**(14,886)**	**(45,135)**
Closing carrying amounts	**64,026**	**28,007**	**117,148**	**103,592**	**134,264**	**124,892**	**571,929**
As at 31 December 2023							
Cost	**72,312**	**43,704**	**180,254**	**247,688**	**263,763**	**124,892**	**932,613**
Accumulated depreciation	**(8,286)**	**(15,697)**	**(63,106)**	**(137,639)**	**(129,499)**	**–**	**(354,227)**
Impairment loss	**–**	**–**	**–**	**(6,457)**	**–**	**–**	**(6,457)**
Carrying amounts	**64,026**	**28,007**	**117,148**	**103,592**	**134,264**	**124,892**	**571,929**

As at 31 December 2023, no buildings was pledged to secure borrowings granted to the Group (2022: Nil) (Note 30).

As at 31 December 2023, an aggregated amount of approximately RMB62,554,650 of certain machinery and equipment and vehicles used in city services segment were pledged to secure the other borrowings of the Group (2022: RMB50,129,726) as set out in Note 33(d).

18. Right-of-use assets

The Group has leases contracts for its commercial properties in the PRC used in operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease terms vary between 1 and 8 years (2022: 1 and 5 years) and the lease payments are paid monthly or yearly. No extension or termination options, nor variable lease payments were contained in the above lease contracts.

	Land-use-right RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2022			
Cost	9,131	76,994	86,125
Accumulated depreciation	(430)	(41,753)	(42,183)
Carrying amounts	8,701	35,241	43,942
Year ended 31 December 2022			
Opening carrying amounts	8,701	35,241	43,942
Additions	–	114,082	114,082
Disposals	–	(7,754)	(7,754)
Depreciation charge (Note 7)	(316)	(47,989)	(48,305)
Closing carrying amounts	8,385	93,580	101,965
As at 31 December 2022 and 1 January 2023			
Cost	9,131	183,322	192,453
Accumulated depreciation	(746)	(89,742)	(90,488)
Carrying amounts	8,385	93,580	101,965
Year ended 31 December 2023			
Opening carrying amounts	**8,385**	**93,580**	**101,965**
Additions	**–**	**26,967**	**26,967**
Disposals	**–**	**(1,649)**	**(1,649)**
Depreciation charge (Note 7)	**(175)**	**(46,891)**	**(47,066)**
Closing carrying amounts	**8,210**	**72,007**	**80,217**
As at 31 December 2023			
Cost	**9,131**	**208,640**	**217,771**
Accumulated depreciation	**(921)**	**(136,633)**	**(137,554)**
Carrying amounts	**8,210**	**72,007**	**80,217**

19. Investment properties

	Buildings RMB'000
As at 1 January 2022	
Cost	22,131
Accumulated depreciation	(1,954)
Carrying amounts	20,177
Year ended 31 December 2022	
Opening carrying amounts	20,177
Depreciation charge (Note 7)	(934)
Closing carrying amounts	19,243
As at 31 December 2022 and 1 January 2023	
Cost	22,131
Accumulated depreciation	(2,888)
Carrying amounts	19,243
Year ended 31 December 2023	
Opening carrying amounts	**19,243**
Depreciation charge (Note 7)	**(972)**
Closing carrying amounts	**18,271**
As at 31 December 2023	
Cost	**22,131**
Accumulated depreciation	**(3,860)**
Carrying amounts	**18,271**

During the year ended 31 December 2023, there is no rental income arising from investment properties (2022: Nil), and no direct operating expenses from investment properties (2022: Nil).

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognised professional qualification and has relevant experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realized or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

As at 31 December 2023, certain significant inputs used in the determination of fair value of the investment properties are arrived by reference to certain significant unobservable market data, the fair value of the investment properties of the Group is included in level 3 of the fair value measurement hierarchy (2022: Same). In estimating the fair value of the investment properties, the highest and best use of the investment properties in their current use. There were no changes to the valuation techniques during the year ended 31 December 2023 (2022: Same).

As at 31 December 2023, the fair value of the investment properties is approximately RMB19,320,000 (2022: RMB19,720,000). As at 31 December 2023, none of investment properties were pledged (2022: Same).

20. Intangible assets

	Computer Software RMB'000	Goodwill RMB'000 (Note (a))	Customer relationship RMB'000 (Note (b))	Concession Intangible assets RMB'000 (Note (c))	Brand name RMB'000 (Note (d))	Total RMB'000
As at 1 January 2022						
Cost	145,659	2,129,483	1,070,800	79,058	16,000	3,441,000
Accumulated amortisation	(16,740)	–	(142,504)	(4,163)	(667)	(164,074)
Carrying amounts	128,919	2,129,483	928,296	74,895	15,333	3,276,926
Year ended 31 December 2022						
Opening carrying amounts	128,919	2,129,483	928,296	74,895	15,333	3,276,926
Additions from acquisition of subsidiaries (Note 39(a))	–	315,898	194,200	–	–	510,098
Additions	20,858	–	–	–	–	20,858
Impairment loss on intangible assets (note (a & b))	–	(705,081)	(20,539)	–	–	(725,620)
Amortisation charge (Note 7)	(26,337)	–	(129,023)	(12,065)	(2,000)	(169,425)
Closing carrying amounts	123,440	1,740,300	972,934	62,830	13,333	2,912,837
As at 31 December 2022 and 1 January 2023						
Cost	166,517	1,740,300	1,244,461	79,058	16,000	3,246,336
Accumulated amortisation	(43,077)	–	(271,527)	(16,228)	(2,667)	(333,499)
Closing carrying amounts	123,440	1,740,300	972,934	62,830	13,333	2,912,837
Year ended 31 December 2023						
Opening carrying amounts	**123,440**	**1,740,300**	**972,934**	**62,830**	**13,333**	**2,912,837**
Additions	**50,394**	**–**	**–**	**3,794**	**–**	**54,188**
Disposals	**(48)**	**–**	**–**	**–**	**–**	**(48)**
Impairment loss on intangible assets (note (a & b))	**–**	**(15,391)**	**(105,925)**	**–**	**–**	**(121,316)**
Amortisation charge (Note 7)	**(38,012)**	**–**	**(136,010)**	**(11,921)**	**(2,000)**	**(187,943)**
Closing carrying amounts	**135,774**	**1,724,909**	**730,999**	**54,703**	**11,333**	**2,657,718**
As at 31 December 2023						
Cost	**216,863**	**2,445,381**	**1,265,000**	**82,852**	**16,000**	**4,026,096**
Impairment loss on intangible assets	**–**	**(720,472)**	**(126,464)**	**–**	**–**	**(846,936)**
Accumulated amortisation	**(81,089)**	**–**	**(407,537)**	**(28,149)**	**(4,667)**	**(521,442)**
Carrying amounts	**135,774**	**1,724,909**	**730,999**	**54,703**	**11,333**	**2,657,718**

20. Intangible assets *(CONTINUED)*

(a) Goodwill

Impairment tests for goodwill arising from business combinations in year prior to 2022

Goodwill of approximately RMB2,129,483,000 has been allocated to the CGUs of the subsidiaries acquired in prior years for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2023. The recoverable amounts of these subsidiaries are determined based on value-in use calculation. The value-in-use calculation determining the recoverable amount of the cash-generating unit to which the intangible assets belong to, is the present value of the future cash flows the Group expected to arise from the CGU. The future cash flow projection is based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate set out in below table as at end of the reporting period. The cash flows beyond the five-year period are extrapolated using 2.5% growth rate. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December	
	2023	2022
Revenue growth rate during the forecast period	**-2% to +41%**	-4% to +56%
Gross profit margin during the forecast period	**+6% to +28%**	+7% to +28%
Pre-tax discount rate	**+16% to +20%**	+16% to +22%

Impairment tests for goodwill arising from business combinations in 2022

Goodwill of approximately RMB315,898,000 has been allocated to the CGUs of the subsidiaries acquired during the year for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2023. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation. The value-in-use calculation determining the recoverable amount of the cash-generating unit to which the intangible assets belong to, is the present value of the future cash flows the Group expected to arise from the CGU. The future cash flow projection is based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rate set out in below table as at end of the reporting period. The cash flows beyond the five-year period are extrapolated using 2.5% growth rate. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December 2022
Revenue growth rate during the forecast period	–2% to +21%
Gross profit margin during the forecast period	+12% to +25%
Pre-tax discount rate	+16% to +19%

20. Intangible assets *(CONTINUED)*

(a) Goodwill (continued)

Impairment tests for goodwill arising from business combinations in 2022 (continued)

For the purpose of impairment testing, goodwill has been allocated to 22 (2022: 22) groups of CGUs, grouped by timing of their acquisitions by the Group, operating in the property management services and city services segment. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these CGUs are as follows:

	2023 RMB'000	2022 RMB'000
Property management services segment:		
3 group entities acquired in 2019	176,318	176,318
Zhejiang Sinew acquired in 2020	348,102	348,102
Yantai Kangqiao acquired in 2020	28,408	28,408
Xi'an Fangrui acquired in 2020	62,859	65,684
Other 6 group entities acquired in 2020	299,750	312,316
3 group entities acquired in 2021	133,947	133,947
Suzhou Tianxiang acquired in 2022	150,203	150,203
Other 4 group entities acquired in 2022	165,695	165,695
	1,365,282	1,380,673
City services segment:		
Wuxi Jinshatian acquired in 2021	359,627	359,627
	359,627	359,627
	1,724,909	1,740,300

Based on management's assessment on the recoverable amounts of the subsidiaries acquired in prior years an impairment loss on goodwill of RMB15,391,000 was made for the year ended 31 December 2023 (2022: RMB705,081,000).

In addition to impairment testing using the base case assumptions, separate sensitivity analyses were performed by either (i) increasing the discount rate of 1% from the base case; or (ii) decreasing the revenue growth rate of 1% from the base case.

The sensitive tests using a lower revenue growth rate by deduct 1% indicate that the impairment loss of the Group would have been increased by RMB4,828,000 (2022: RMB290,113,000).

The sensitive tests using a higher discount rate of plus 1% indicate that the impairment loss of the Group would have been increased by RMB128,022,000 (2022: RMB394,859,000).

20. Intangible assets *(CONTINUED)*

(b) Customer relationships

The identified customer relationships are arising from acquisitions of several property management and sanitation companies, which represents valid contractual arrangement of acquiree's customers as at acquisition date with useful lives ranging from 8-10 years. Details are as follows:

	2023 RMB'000	2022 RMB'000
Shenzhen Shiluyuan Environment Co., Ltd	**105,925**	20,539
Impairment of customer relationship	**105,925**	20,539

(c) Concession intangible assets

In prior year, the Group acquired sanitation company. The identified concession intangible assets which represent the services concession agreements entered into with the local government, acquired and with useful lives ranging from 15-25 years, were recognised by the Group as intangible assets.

(d) Brand name

In prior year, the Group acquired an elderly care services company. The identified brand name, which helps the acquiree's customers to identify and differentiate the services from another, acquired and with useful lives ending in 2030, were recognised by the Group as intangible assets.

21. Financial assets at fair value through profit or loss

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Contingent consideration receivables arising from acquisitions of subsidiaries	**124,178**	84,250

At 31 December 2023, the financial assets at fair value through profit or loss represent the contingent consideration receivables arising from acquisitions of subsidiaries which are measured at fair value of RMB219,674,000 (2022: RMB175,335,000), net of the corresponding purchase considerations of RMB95,496,000 (2022: RMB91,085,000) (Note 33). During the year ended 31 December 2023, a fair value gain of RMB44,338,000 is recognised in profit or loss (2022: RMB175,335,000) (Note 11). According to the relevant sales and purchase agreement, the gain from the derivatives will be settled through the consideration payables which due after 12 months from the end of the reporting period and is classified as non-current assets.

22. Inventories

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Car parking space purchased from third parties – net	**175,476**	167,904
Other inventories	**35,407**	25,859
	210,883	193,763

23. Trade receivables

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables		
– Related parties (Note 40(d))	**748,477**	781,044
– Third parties	**3,354,689**	3,205,927
	4,103,166	3,986,971
Note receivables		
– Related parties (Note 40(d))	**1,437**	5,519
– Third parties	**1,558**	1,230
	2,995	6,749
Less: allowance for impairment losses on trade receivables	**(896,983)**	(775,454)
	3,209,178	3,218,266

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 (2022: 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 (2022: 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 recognition date and before impairment, is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Within 1 year	**2,396,233**	2,641,297
1 to 2 years	**790,945**	1,045,831
2 to 3 years	**758,392**	289,169
3 to 4 years	**148,100**	9,016
4 to 5 years	**8,330**	370
Over 5 years	**1,166**	1,288
	4,103,166	3,986,971

As at 31 December 2023, the trade receivables were denominated in RMB (2022: Same).

As at 31 December 2023, total note receivables (before impairment) amounting to RMB2,995,000 (2022: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

23. Trade receivables *(CONTINUED)*

The movements in lifetime ECL that has been recognised for trade receivables under the simplified approach are as follows:

	Third parties			Related parties		
	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	233,110	13,354	246,464	66,932	–	66,932
Transfer to credit-impaired	–	–	–	(66,932)	66,932	–
Charge/(credit) for the year	128,818	(6,675)	122,143	–	339,915	339,915
As at 31 December 2022	**361,928**	**6,679**	**368,607**	**–**	**406,847**	**406,847**
Transfer to credit-impaired	**–**	**–**	**–**	**–**	**–**	**–**
Written off	**–**	**(6,063)**	**(6,063)**	**–**	**–**	**–**
Charge/(credit) for the year	**27,999**	**86,488**	**114,487**	**–**	**13,105**	**13,105**
As at 31 December 2023	**389,927**	**87,104**	**477,031**	**–**	**419,952**	**419,952**

Further details on the Group's credit policy for trade receivables are set out in Note 3(c)(i).

As at 31 December 2023, trade receivables of approximately RMB83,011,000 was pledged to secure borrowings granted to the Group (2022: RMB101,766,000) (Note 30).

24. Contract assets

	As at 31 December	
	2023 RMB'000	2022 RMB'000
City services		
– Third parties	**176,234**	181,704
Non-current	**165,406**	173,853
Current	**10,828**	7,851
	176,234	181,704

Contract assets primarily relates to the Group's right to consideration for work performed at reporting date arising from city services contracts. Pursuant to the service concession agreements, the Group receives no payment from the grantors during the construction period and receives service fees when relevant services are rendered during the operating periods. Upon the completion of construction, the balance of contract assets will transfer to concession intangible assets.

25. Prepayments, deposits and other receivables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments		
Non-current prepayments		
– Prepayments to customers (note (a))	**20,234**	28,612
– Other prepayments	**17,861**	2,992
	38,095	31,604
Current prepayments		
– Related parties (note 40(d))	**32,147**	17,910
– Utilities	**54,615**	49,312
– Raw materials for value-added services	**38,726**	67,505
– Other prepayments	**191,025**	162,725
	316,513	297,452
Subtotal	**354,608**	329,056
Other receivables		
– Advance to related parties (notes (b) and note 40(d))	**355,865**	477,944
– Advance to employees	**23,038**	24,747
– Payments on behalf of property owners (note (c))	**7,397**	87,866
– Deposits	**175,828**	178,784
– Deposits paid for an exclusive right in sales of carparks (note (d))	**1,164,597**	1,164,597
– Others	**258,451**	297,708
Subtotal	**1,985,176**	2,231,646
Total	**2,339,784**	2,560,702
Less: allowance for impairment of other receivables (note (e))	**(290,109)**	(340,461)
	2,049,675	2,220,241
Non-current	**1,123,223**	1,113,583
Current	**926,452**	1,106,658
	2,049,675	2,220,241

Notes:

(a) Prepayments to customers is the initial consideration paid to these schools to obtain the operation of the students' apartments. The amortisation period is 31 to 42 years based on such operation periods (2022: Same).

(b) Other receivables from related parties were unsecured, interest-free and repayable on demand. They mainly represent payment to third parties for sale of the right of car park spaces, the payment would be refunded to the Group upon relevant car parking spaces are sold.

(c) Balances represent the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

25. Prepayments, deposits and other receivables *(CONTINUED)*

(d) Balances represent the deposit paid to a third party for an exclusive right in selling of carparks and earning commission fee. Such deposits are expected to be refund in June 2025.

(e) The movement in provision for impairment of other receivables are as follows:

	Third parties			Related parties		
	12 ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000	12m ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At the beginning of year	**91,930**	**–**	**91,930**	–	248,531	248,531
Written off	**(9,611)**	**–**	**(9,611)**	–	–	–
Charge/(reversal) for the year (Note 7)	**8,250**	**256**	**8,506**	–	(49,247)	(49,247)
At the end of the year	**90,569**	**256**	**90,825**	–	199,284	199,284

Further details on the Group's credit policy for other receivables are set out in Note 3(c)(ii).

26. Cash and cash equivalents/Time deposits with maturity over three months

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Cash on hand	**2,029**	1,734
Time deposits with maturity over three months	**1,000,000**	2,360,000
Cash at bank	**3,823,169**	2,397,689
	4,825,198	4,759,423
Time deposits with maturity over three months	**(1,000,000)**	(2,360,000)
Restricted bank balances	**(36,898)**	(92,122)
	3,788,300	2,307,301

Cash and cash equivalents include cash at bank and short term time deposits with a maturity of less than three months. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Restricted bank balances were cash deposit of performance security as at 31 December 2023 (2022: same).

As at 31 December 2023, restricted bank balances, time deposits with maturity over three months and cash and cash equivalents of the Group which is denominated in Renminbi amounted to approximately RMB2,555,559,000 (2022: RMB4,247,893,000). The Renminbi is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business. The remaining cash and cash equivalents denominated in Hong Kong dollars, United States dollars and Great British Pounds amounted to approximately RMB657,640,000 (2022: RMB491,132,000), RMB1,403,497,000 (2022: RMB20,398,000) and RMB208,502,000 (2022: Nil) respectively.

27. Share capital

(i) Ordinary shares

	Number of ordinary shares of HK$0.01 each	Share capital HK$	RMB
Authorised			
As at 31 December 2022, 1 January 2023 and 31 December 2023	**3,500,000,000**	**35,000,000**	**30,350,583**
Issued and fully paid			
As at 1 January 2022	2,478,973,000	24,789,730	21,444,970
Repurchase and cancellation of shares (note (a))	(10,800,000)	(108,000)	(87,158)
As at 31 December 2022, 1 January 2023 and 31 December 2023	**2,468,173,000**	**24,681,730**	**21,357,812**

Note:

(a) 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).

28. Reserves

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity.

Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Statutory reserve

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

28. Reserves *(CONTINUED)*

Other reserve

Other reserve account of the Group mainly comprises the merger reserve of approximately RMB223,785,000 (2022: RMB223,785,000), capital reserve of approximately RMB1,084,506,000 (2022: RMB1,200,184,000), share options reserve of approximately RMB51,112,000 (2022: RMB24,470,000), and exchange reserve of approximately RMB306,077,000 (2022: RMB310,354,000).

– Merger reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganisation. Details please refer to Note 1 to consolidated financial statements in 2020 Annual Report.

– Capital reserve represents the amount (i) arising from transactions undertaken with non-controlling interests and (ii) deemed as capital contribution from shareholders.

– Share options reserve represents award shares granted to certain directors and employees of the Group. The Group recognised share-based payment expense relating to the awarded shares granted pursuant to the share award scheme of approximately RMB17,445,000 (2022: RMB29,773,000) in profit or loss during the year (Note 7).

– Exchange reserve comprises all foreign exchange differences arising from translation of the financial statements of entities with functional currency other than RMB, the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2.3(x)(iii).

Treasury reserve

Treasury reserve account of the Group comprises (i) the amount of shares repurchased by the Company but not yet cancelled at the end of reporting period and (ii) the amount of shares deemed as capital contribution from shareholders granted under the share award scheme and held by Best Cosmos before being transferred to the employees of the Group when vesting conditions are fully met.

29. Provisions for other liabilities and charges

	As at 31 December			
	2023 RMB'000		2022 RMB'000	
	Current	**Non-current**	Current	Non-current
Claim provisions	**–**	**30,311**	–	30,893

As at 31 December 2023, the Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB30,311,000 (2022: RMB30,893,000).

30. Borrowings

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	**15,000**	16,000
– secured (note)	**237,407**	486,869
	252,407	502,869
Less: Portion of long-term bank borrowings due within one year	**(184,619)**	(251,504)
	67,788	251,365
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured (note)	**29,980**	–
– unsecured	**17,555**	24,000
Current portion of non-current borrowings	**184,619**	251,504
	232,154	275,504

Note: As at 31 December 2023, bank borrowing of RMB267,387,000 (2022: RMB486,869,000) are pledged by certain properties of directors of Group's subsidiaries, certain projects and receivables and equity interest of Group's subsidiaries.

For years ended 31 December 2023, the weighted average effective interest rates on borrowings were 5.2% (2022: 5.2%). The carrying amounts of the bank and other borrowings are denominated in RMB amounting to RMB299,942,000 (2022: RMB526,869,000).

31. Convertible bonds

On 2 November 2021, the Company issued a 2.25% convertible bond due on 31 October 2022 in an aggregate principal amount of HK$3,110,000,000 (equivalent to approximately RMB2,536,858,000). The convertible bond is listed on the Singapore Stock Exchange.

The principal terms of the convertible bond are set out below:

(1) Conversion right

The convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 13 December 2021 up to 10 trading days prior to the maturity date into fully paid ordinary shares with a par value of HK$0.01 each at an initial conversion price of HK$18.22 per share with no fixed exchange rate. The conversion price is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price.

31. Convertible bonds *(CONTINUED)*

(2) Redemption

Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each convertible bond at 100 percent of its outstanding principal amount on the maturity date of 31 October 2022.

Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice,

(a) redeem all, but not some only, of the convertible bond for the time being outstanding at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) if at least 90% in principal amount of the convertible bond originally issued have already been conversed, redeemed or purchased and cancelled; or

(b) redeem whole, but not in part, at any time if (i) the Company has or will become obliged to pay additional amounts as a result of any changes in, or amendment to, the laws or regulations of the BVI or, in each case, the PRC, or in any such case, any political subdivision of any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 19 October 2021; and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.

Redemption at the option of the bondholders

When (a) the shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive trading days, on the Stock Exchange or (b) a change of control occurs, the holder may, having given not later than 30 days following any such event, or if later, 30 days following the giving of notice by the Company of such events to require the Company to redeem all or some only of the convertible bond on the 14th day following the expiry of such 30-day period, at a redemption price equal to the principal amount) together with any interest accrued to but excluding the date fixed for redemption but unpaid).

The convertible bond contains two component, debt component and derivative component. Since the redemption amount, the principal payable on the maturity date are denominated and settled in HK$ which is not same as the Company's functional currency which is RMB, the conversion option will not result in an exchange of a fixed amount of cash (in the context of the functional currency of the Company) for a fixed number of shares and hence thee conversion option does not meet the definition of an equity instrument in accordance with the applicable accounting standards.

The derivative component is measured at fair value with changes in fair value recognised in profit or loss. The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers.

31. Convertible bonds *(CONTINUED)*

(2) Redemption (continued)

Redemption at the option of the bondholders (continued)

The movement of the debt and derivative components of the convertible bond for the year ended 31 December 2022 is set out as below:

	Debt component RMB'000	Derivative component RMB'000
As at 31 December 2021 and as at 1 January 2022	2,389,029	57
Effective interest expenses (Note 12)	161,019	–
Interest paid	(52,813)	–
Repurchased	(270,452)	–
Gain on repurchase	(17,725)	–
Redeemed upon Optional Redemption	(1,202,310)	–
Redeemed upon maturity	(1,252,006)	–
Fair value change	–	(57)
Foreign exchange adjustment	245,258	–
As at 31 December 2022	–	–

The effective interest rate of the debt component on initial recognition and the subsequent recognition of interest expense on the convertible bonds was calculated using effective interest rate of 8.32% per annum.

Transaction costs are apportioned between the debt component and derivative component based on their respective carrying amounts at the date of issue. The portion relating to the derivative component is charged directly to profit or loss.

The convertible bonds were guaranteed by the Company. No conversion of the convertible bond has occurred during the year ended 31 December 2022.

The shares of the Company are suspended in trading in the Stock Exchange from 3 May 2022 to 22 June 2022, the convertible bondholders, pursuant to the terms of subscription agreement, have the rights to give notice to the Company to redeem all or some of the convertible bonds they hold at a redemption price equal to the principal amount together with the interest accrued up to the date before fixed for redemption but unpaid when the shares of the Company are suspended for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange.

As a result of this unexpected incident, on 6 July 2022, the Company conducted a consent solicitation to seek waivers of its redemption obligations triggered and to amend the Company's optional redemption right of the convertible bond. On 1 August 2022, the Company received the requisite consent at a meeting of the holders of the convertible bonds to approve and implement an extraordinary resolution and to give effect to the waiver and the amendments, under which the Company will redeem HK$1,399.5 million (equivalent to RMB1,202,310,000), or 45%, of the aggregate principal amount of the outstanding convertible bonds (the "Optional Redemption"). On 4 August 2022, the Company fully paid all consent fee in an aggregate amount of HK$6,635,000 (equivalent to RMB5,717,000) and all other payments in an aggregate amount of HK$990,000 (equivalent to RMB853,000) to the holders of the convertible bonds and the consent solicitation was completed. On 18 August 2022 (the "Optional Redemption Date"), the Company redeemed HK$1,399,500,000 (equivalent to RMB1,202,310,000), or 45%, of the aggregate principal amount of the outstanding convertible bonds on a pro rata basis at their principal amount together with the interest accrued but unpaid up to but excluding the Optional Redemption Date, and such redeemed convertible bonds have been cancelled.

The total redemption price paid by the Issuer on the Optional Redemption Date is HK$1,408,772,000 (equivalent to RMB1,210,276,000). After the Optional Redemption, the Company has further repurchased and cancelled an aggregated principal amount of HK$593,000,000 (equivalent to RMB529,516,000) of the convertible bonds. Upon completion of the redemption on maturity date, the outstanding principal amount of HK$1,117,500,000 (equivalent to RMB1,021,741,000) of the convertible bonds was redeemed and all the principal amount of the convertible bonds was cancelled and no convertible bond was outstanding.

32. Trade payables

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Trade payables		
– Related parties (Note 40(d))	**6,291**	19,750
– Third parties	**1,206,230**	1,155,353
	1,212,521	1,175,103

The trade payables have a normal credit term of 30 to 90 (2022: 30 to 90) days. As at 31 December 2023, the carrying amounts of trade payables approximated to their fair values (2022: Same). At 31 December 2023, trade payables were denominated in RMB (2022: Same).

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

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Within 1 year	**968,851**	924,628
1 to 2 years	**103,603**	182,699
2 to 3 years	**111,234**	64,536
3 to 4 years	**26,143**	2,170
4 to 5 years	**1,702**	805
Over 5 years	**988**	265
	1,212,521	1,175,103

33. Deposits received, accruals and other payables

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Other payables		
– Payable to related parties (note 40(d))	**143,890**	90,499
– Accrued expenses	**573,015**	815,533
– Amounts collected on behalf of property owners (note (c))	**264,873**	293,418
– Consideration payable arising from non-controlling shareholders' put options (note (b))	**50,513**	331,261
– Purchase consideration (note (a))	**412,264**	387,535
– Interest payable	**7,144**	4,624
– Deposits	**442,513**	389,293
– Other borrowings (note (d))	**134,398**	138,113
– Other payables	**150,976**	162,991
	2,179,586	2,613,267
Non-current	**59,478**	167,388
Current	**2,120,108**	2,445,879
	2,179,586	2,613,267

33. Deposits received, accruals and other payables *(CONTINUED)*

Notes:

(a) As at 31 December 2023, the outstanding contingent purchase consideration for business combination amounted to approximately RMB412,264,000 (2022: RMB387,535,000), which is measured at fair value.

The acquisition agreements require the Group to pay the non-controlling interests or the vendors additional consideration in cash depending on whether the acquired subsidiaries' revenue or profit after tax meet specified targets. The contingent consideration payables was valued by an independent valuer as at respective dates of acquisition and the end of each reporting period, by using the probabilistic approach with possible scenarios under different financial forecasts and adjusted by the estimated discount rate. The subsequent changes in fair value of contingent consideration payables is to be recognised in the profit or loss.

The fair value of the contingent consideration payable, classified as level 3, the details of the significant unobservable inputs are set forth in Note 3(f).

(b) As at 31 December 2023, there are several put options guaranteed to the non-controlling shareholders of some subsidiaries of the Group which they had the right to sell the remaining equity interests to the Group.

In November 2020, Shimao Tiancheng entered into an acquisition agreement with a third party to acquire 70% equity interest of Xi'an Fangrui and the acquisition agreement stipulates that the original shareholders were guaranteed a put option under which they can sell the remaining 30% equity of Xi'an Fangrui to the Group at their discretion within 3 months after 31 December 2023. The management foresee that, from the latest financial information obtained, Fangrui will not be able to achieve the revenue and profit targets as agreed in the acquisition agreement, therefore the fair value of the put option amount from Fangrui at the end of the year is recognised as Nil. A financial liability being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised in profit or loss. The initial amount of the put opinion is valued at RMB82,389,000 and fair value of the put option as at 31 December 2023 is RMB82,389,000 (2022: RMB82,774,000). As the terms in the acquisition agreement were not achieved and the Company do not have obligation to acquire the remaining equity, the fair value of the put option was transferred to the capital reserve of RMB82,389,000, with the fair value change of RMB385,000 credited to profit or loss during the year 2023.

In July 2020, Shimao Tiancheng entered into a partnership with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment Partnership (Limited Partnership) ("Ningbo Tianquan") (both of which are the original owners of Zhejiang Xinyu shareholders) entered into an acquisition agreement, and the acquisition agreement stated that the original shareholders of Zhejiang Xiangyu have been guaranteed by the put option, according to which they can sell Zhejiang Xiangyu's shares to the Group at their discretion within 3 months after 31 December 2022. The remaining of the 37.5% equity.

In April 2023, an equity transfer agreement was entered into with the original shareholders, confirming the acquisition of the remaining equity. The acquisition consideration was RMB147,503,000, and the financial liabilities (i.e., the present value of the redemption amount of the remaining equity acquired due to the exercise of the put option) have been recognized and such amount was from other payables transferred to the purchase consideration payable as at year end date. The fair value amount of the put option at the beginning of the year 2023 is RMB197,974,000, the portion recognised in capital reserve is RMB 33,290,000 and the fair value change of RMB17,182,000 credited to profit or loss during the year 2023.

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the seller will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting. The Group recognised the total consideration of RMB22,917,000 being the aforesaid cash consideration of RMB2,920,000 plus the consideration payable for the put option. The consideration payable for the put option is measured at fair value with the change in carrying amount recognised in profit or loss. As at 31 December 2023, the put option is valued as RMB50,513,000 (2022: RMB50,513,000).

Such options are accounted for as financial liabilities as there is an obligation for the Group to deliver cash or other financial assets in exchange of its own equity shares. The amount that may become payable under the options on exercise are initially recognised at present value of the redemption amount. The options are subsequently measured at fair value at the reporting date and the changes in fair value during the year is recognised in the profit or loss (Note 11).

33. Deposits received, accruals and other payables *(CONTINUED)*

(b) (continued)

In the event that the options expire unexercised, the liability is derecognised with corresponding adjustments to equity (i) for the portion previously recognised in capital reserve at it initial recognition; and (ii) profit or loss for the remaining portion representively the change of its fair value in the subsequent measurement during the year.

The fair value of the consideration payable arising from non-controlling shareholders' put options, is classified as level 3, the details of the significant unobservable inputs are set forth in Note 3(f).

The valuation of the consideration payable arising from non-controlling shareholders' put options was determined using the discount cash flow method under the income approach. The significant unobservable inputs are expected discount rate as at the exit date which was determined by the probability-weighted average of floating premiums under three financial projection scenarios prepared by the management, and the expected discount rate which was determine using the capital asset pricing model.

(c) The balance mainly comprised the utility charges temporarily received from property owners on behalf of utility companies.

(d) Other borrowings mainly represent the borrowings from financial institutions which are secured by certain of the Group's property, plant and equipment used in city service segment as set out in Note 17, and guaranteed by non-controlling interests of subsidiaries in city service segment, (ii) interest bearing from 4.03% to 8.50% (2022: 4.03% to 8%) and (iii) repayable within 1 to 3 years (2022: 1 to 3 years).

34. Leases liabilities

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

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Leased in properties for operation		
– Buildings	**68,337**	88,303
Lease liabilities		
Current	**32,383**	34,403
Non-current	**35,954**	53,900
	68,337	88,303

(b) Amounts recognised in the profit or loss

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Depreciation charge		
– Land-use-rights (Note 18)	**175**	316
– Buildings (Note 18)	**46,891**	47,989
Finance costs on leases	**4,339**	3,762
	51,405	52,067

34. Leases liabilities *(CONTINUED)*

(c) Amounts recognised in the consolidated statements of cashflows

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cash flow from financing activities		
Payments of interest element of lease liabilities	**4,339**	3,762
Payments of principal element of lease liabilities	**41,492**	39,124
	45,831	42,886

(d) A maturity analysis of lease liabilities is shown in the table below:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Minimum lease payments (Note 3(d))	**76,651**	97,553
Future finance charge	**(8,314)**	(9,250)
Total lease liabilities	**68,337**	88,303

35. Deferred tax

The analysis of deferred tax assets in the consolidated statement of financial position was as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**321,451**	294,495
Net-off with deferred tax liability	**(65,913)**	(36,966)
	255,538	257,529
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(193,408)**	(183,842)
– Deferred tax liability to be recovered within 12 months	**(29,136)**	(29,136)
Net-off with deferred tax asset	**65,913**	36,966
	(156,631)	(176,012)

35. Deferred tax *(CONTINUED)*

The net movement on the deferred tax account is as follows:

	As at 31 December	
	2023 RMB'000	2022 RMB'000
At beginning of the year	**81,517**	(112,153)
Additions from acquisition – excess of value of intangible assets identified in business combination	**–**	(49,218)
Credited to consolidated statements of profit or loss (Note 13)	**17,390**	242,888
At end of the year	**98,907**	81,517

The movement in deferred tax assets and liabilities during the reporting period, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision RMB'000	**Deductible tax loss** RMB'000	**Accrued expense** RMB'000	**Put Option Fair Value Change** RMB'000	**Deferred tax credit arise from profit guarantee provisions** RMB'000	**Total** RMB'000
As at 1 January 2022	93,064	6,537	17,952	5,186	–	122,739
Credited/(charged) to the consolidated statements of profit or loss	169,211	1,156	(1,929)	3,318	–	171,756
As at 31 December 2022 and 1 January 2023	**262,275**	**7,693**	**16,023**	**8,504**	**–**	**294,495**
Credited/(charged) to the consolidated statements of profit or loss	**14,695**	**2,035**	**(182)**	**(8,504)**	**18,912**	**26,956**
As at 31 December 2023	**276,970**	**9,728**	**15,841**	**–**	**18,912**	**321,451**

Deferred tax liabilities

	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries and others RMB'000	**Deferred tax expense arise from profit guarantee** RMB'000	**Depreciation** RMB'000	**Total** RMB'000
As at 1 January 2022	(234,558)	–	(334)	(234,892)
Additions from acquisition of subsidiaries (Note 40(b))	(49,218)	–	–	(49,218)
Credited to profit or loss	70,963	–	169	71,132
As at 31 December 2022 and 1 January 2023	**(212,813)**	**–**	**(165)**	**(212,978)**
Credited to profit or loss	**(64,566)**	**54,918**	**82**	**(9,566)**
As at 31 December 2023	**(277,378)**	**54,918**	**(83)**	**(222,544)**

36. Share award scheme

Shimao Group operates a restricted share award scheme (the "Shimao Group Share Scheme") for the main purpose of recognising the contributions by the selected employees and providing them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The grantees of the scheme include the Company's directors, senior executives and employees. The scheme was adopted by the board of directors of Shimao Group (the "Group Board") on 3 May 2021 (the "Adoption Date I") and shall remain valid and effective for a period of ten years from the Adoption Date I. The maximum number of shares of the Company can be awarded is 0.3% (i.e. 7,091,919 shares of the Company) of the issued share capital of the Company as at the Adoption Date I.

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

At the Adoption Date I, a trust deed was entered into between Shimao Group and Best Cosmos whereby Shimao Group appointed Best Cosmos as trustee to hold the awarded shares. The grant by Shimao Group of the shares of the Company is treated as a capital contribution in equity (recorded in "Other reserves").

During the year ended 31 December 2021, a total of 4,866,137 shares were granted to 136 directors and employees of the Group (each, the "2021 Grantee"), and the said shares were granted to the 2021 Grantees at nil consideration. As of 31 December 2023, 4,075,309 shares (amounted to RMB66,631,000) and 757,447 shares (amounted to RMB12,385,000) out of the 4,866,137 shares granted in 2021 are vested and lapsed, the remaining 33,381 shares (amounted to RMB546,000) were unvested.

A Share Award Scheme of the Company (the "Shimao Services Share Award Scheme") was adopted by the Board on 28 June 2021 (the "Adoption Date II"). The purpose of the Shimao Services Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Shimao Services Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date II. The maximum number of shares which can be awarded under the Shimao Services Share Award Scheme is 3% (i.e. 70,919,190 shares) of the total number of issued shares of the Company as at the Adoption Date II. During the year ended 31 December 2022, a total of 169 employees (including two directors) of the Group (each, the "2022 Grantee") were awarded a total of 4,017,105 shares under the Shimao Services Share Award Scheme. All the said shares were granted to the 2022 Grantees at nil consideration. Pursuant to the Shimao Services Share Award Scheme, after meeting the vesting criteria and conditions of the Share Award Scheme, 60% of the award shares will be vested 6 months from the grant date, and 40% of the award shares will be vested after 18 months from the grant date. During the year ended 31 December 2023, 1,826,554 shares and 610,268 shares out of 4,017,105 shares granted in 2022 were vested and lapsed, respectively and the remaining 1,580,283 shares were unvested.

On 19 June 2023, a total of 125 employees (including three directors) of the Group (each, the "2023 Grantee") were awarded a total of 3,525,446 shares under the Shimao Services Share Award Scheme. All the said shares were granted to the 2023 Grantees at nil consideration. Subject to the satisfaction of the vesting criteria and conditions of the Shimao Services Share Award Scheme, 60% of the award shares will be vested after 12 months from the grant date, and 40% of the award shares will be vested after 24 months from the grant date.As of 31 December 2023, 386,768 shares out of 3,525,446 shares granted in 2023 were lapsed, and the remaining 3,138,678 shares were unvested.

The fair value of 2023 Grantee's services, 2022 Grantee's services and 2021 Grantee's services received in return for shares awarded of approximately HK$5,923,000, HK$10,645,000 and HK$97,323,000 (equivalent to approximately RMB5,391,000, RMB9,566,000 and RMB79,571,000), respectively, was measured by reference to the market price of the shares of the Company at grant date. No other feature of the shares was incorporated into the measurement of the fair value.

The Group recognised share-based payment expense relating to the shares granted pursuant to the Share Award Scheme of approximately RMB17,446,000 (2022: RMB29,733,000) in profit or loss during the year.

The weighted average fair value of the unvested shares granted during the year ended 31 December 2023 is HK$5,655,000, equivalent to RMB5,125,000 (31 December 2022: HK$15,379,899, equivalent to RMB13,738,403).

37. Dividends

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

38. Cash flow information

(a) Net cash used in/generated from operating activities

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit/(loss) before income tax	**387,845**	(958,722)
Adjustments for:		
– Depreciation and amortization (Note 7)	**392,377**	349,337
– Provision for impairment loss on financial assets – net (Note 7)	**86,595**	743,659
– Impairment losses on intangible assets (Note 20)	**105,925**	20,539
– Impairment losses on goodwill (Note 20)	**15,391**	705,081
– Impairment losses on property, plant and equipment (Note 11)	**6,457**	–
– Inventories write down	**1,230**	–
– Net gain on disposal of property, plant and equipment (Note 11)	**(270)**	(34,554)
– Gain on disposal of financial assets at fair value through profit or loss	**–**	(17,725)
– Finance cost (Note 12)	**45,932**	216,298
– Finance income (Note 12)	**(78,106)**	(54,616)
– Fair value gain of non-controlling shareholders' put options (Note 11)	**(17,567)**	(13,271)
– Fair value changes in consideration payable (Note 11)	**88,369**	–
– Fair value changes in derivative embedded in convertible bonds (Note 31)	**–**	(57)
– Fair value gain on financial assets at FVPL (Note 11)	**(44,338)**	(175,335)
– Net loss on disposal of a subsidiary (Note 11)	**–**	343
– Loss from deregistration of an associate (Note 16)	**356**	–
– Net foreign exchange gain (Note 11)	**(26)**	(828)
– Share of results of associates accounted for using the equity method (Note 16)	**(12,102)**	(12,749)
– Equity-settled share-based payment – Share Award Scheme (Note 7)	**17,445**	29,773
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
– Decrease/(increase) in restricted cash	**55,224**	(62,670)
– (Increase)/decrease in inventories	**(18,350)**	24,706
– Increase in trade receivables	**(118,504)**	(525,382)
– Decrease/(increase) in contract assets	**5,470**	(7,778)
– Decrease/(increase) in other operating assets	**211,563**	(1,468,882)
– Increase in trade payables	**37,418**	31,976
– Increase/(decrease) in contract liabilities	**25,459**	(322,494)
– (Decrease)/increase in other operating liabilities	**(152,211)**	127,191
	1,041,582	(1,406,160)

38. Cash flow information *(CONTINUED)*

(b) Recognition of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows financing activities.

	Other borrowings RMB'000	Borrowings RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	(66,312)	(817,341)	(2,389,029)	(31,373)	(3,304,055)
Addition of lease liabilities	–	–	–	(96,054)	(96,054)
Interest expenses (Note 12)	(9,213)	(42,304)	(161,019)	(3,762)	(216,298)
Cash flows	(62,587)	332,776	–	42,886	313,075
Interest paid	–	–	52,813	–	52,813
Repurchased	–	–	270,452	–	270,452
Gain on repurchase	–	–	17,725	–	17,725
Redeemed upon Optional Redemption	–	–	1,202,310	–	1,202,310
Redeemed upon maturity	–	–	1,252,006	–	1,252,006
Foreign exchange adjustment	–	–	(245,258)	–	(245,258)
At 31 December 2022 and 1 January 2023	**(138,112)**	**(526,869)**	**–**	**(88,303)**	**(753,284)**
Addition of lease liabilities	**–**	**–**	**–**	**(21,526)**	**(21,526)**
Interest expenses (Note 12)	**(6,179)**	**(35,414)**	**–**	**(4,339)**	**(45,932)**
Cash flows	**9,893**	**262,341**	**–**	**45,831**	**318,065**
At 31 December 2023	**(134,398)**	**(299,942)**	**–**	**(68,337)**	**(502,677)**

39. Acquisitions in and disposal of subsidiaries

(a) Summary of acquisition for the year ended 31 December 2022

(i) In January 2022, Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") completed its acquisition of 70% of the equity interests in Suzhou Tianxiang Real Estate Management Co., Ltd.* (蘇州市天翔物業管理有限公司) ("Suzhou Tianxiang") at a total consideration of approximately RMB211,147,000, which consisted of a cash consideration of approximately RMB147,420,000 and an estimated adjustable consideration of approximately RMB63,727,000.

The total consideration would be paid in five instalments, with the last instalment comprising the adjustable portion based on audited accounts at completion date will be payable after the auditors designated by the Group has completed the audit of Suzhou Tianxiang for the year with unmodified opinion and that the conditions of the performance undertaking as described in below have been met.

According to the acquisition agreement, the vendor has provided guarantees over the specified net profit growth rate of Suzhou Tianxiang for the years ending 31 December 2022 and 2023. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees. The consideration the Group transfers in exchange for the acquisition includes any asset or liability resulting from a contingent consideration arrangement. The Group has recognised the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for Suzhou Tianxiang.

(ii) The Group also acquired four other property management companies from independent third parties during the year ended 31 December 2022 at a total consideration of approximately RMB244,668,000.

(iii) The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

The acquired businesses contributed total revenues of RMB543,642,000 and net profits of RMB60,120,000 to the Group for the year from their respective acquisition dates.

The fair value of acquired trade and other receivables was approximately RMB212,939,000 and includes trade receivables with a fair value of approximately RMB144,857,000.

If the acquisition had occurred on 1 January 2022, the Group's consolidated pro forma revenue and net loss for the year ended 31 December 2022 would have been approximately RMB8,690,374,870 and RMB885,803,714, respectively.

39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(a) Summary of acquisition for the year ended 31 December 2022 (continued)

(iii) (continued)

Details of the purchase considerations, the net assets acquired and goodwill are as follows:

	Suzhou Tianxiang RMB'000 (Note (i))	Others RMB'000 (Note (ii))	Total RMB'000
Purchase consideration			
Consideration			
– Cash paid	147,420	191,284	338,704
– Payable	63,727	53,384	117,111
	211,147	244,668	455,815
Recognised amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	37,967	18,332	56,299
Trade receivables	40,974	103,883	144,857
Prepayments, deposits and other receivables	12,215	58,494	70,709
Interests in associates (Note 16)	2,403	–	2,403
Other current assets	62	2,398	2,460
Property, plant and equipment (Note 17)	8,942	2,697	11,639
Intangible assets: customer relationship (Note 20)	88,000	106,200	194,200
Other non-current assets	–	736	736
Trade payables	(2,377)	(4,554)	(6,931)
Accruals and other payables	(78,456)	(157,547)	(236,003)
Deferred tax liabilities (Note 35)	(22,668)	(26,550)	(49,218)
Net identifiable assets acquired	87,062	104,089	191,151
Less: Non-controlling interests	(26,119)	(25,115)	(51,234)
Add: Goodwill (Note 20)	150,203	165,695	315,898
Net assets acquired	211,146	244,669	455,815

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose.

(iv) Purchase consideration – cash outflows

	Total RMB'000
Cash consideration paid	338,704
Less: balance acquired – cash and cash equivalents	(56,299)
Net cash outflows on acquisitions	282,405

39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(b) Disposal of a subsidiary with loss of control

Year ended 31 December 2022

During the year ended 31 December 2022, the Group disposed 51% equity interest of Hainan Huamao Property Service Co., Ltd., to an independent third party at a consideration of RMB1,094,000. The disposal resulted in a net cash outflow of RMB57,000 and a net loss of RMB343,000 recognised during the year

Net assets disposed with reconciliation of disposal gains and cash inflow on disposal are as follow:

	Note	RMB'000
Cash and cash equivalents		1,150
Trade receivables		3,367
Trade payables		(1,160)
Contract liabilities		(542)
Total identifiable net assets		2,815
Less: non-controlling interests		(1,379)
Net assets attribute to the equity holders of the Company		1,436
Loss on disposal of subsidiary	11	(343)
Cash consideration received		1,093
Less: Cash and cash equivalents in the entities disposed of		(1,150)
Cash outflow from disposal		(57)

(c) Transaction with non-controlling interests for the year ended 31 December 2023

During the year ended 31 December 2023, the Group acquired additional 30%, 33% and 6.9% equity interests in three subsidiaries,respectively, for a total consideration of RMB107,857,000.

The Group recognised a decrease in non-controlling interests of RMB60,377,000 and an increase in equity attributable to the equity holders of the Company of RMB47,480,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarized as follows:

	RMB'000
Total consideration	107,857
Carrying amount of non-controlling interests acquired	(60,377)
Excess of carrying amount acquired recognised in equity	47,480

(d) Purchase consideration – cash outflow

Year ended 31 December 2022

Consideration	Suzhou Tianxiang RMB'000 (Note 39(a))	Others RMB'000 (Note 39(a))	Total RMB'000
Outflow of cash to acquire Subsidiaries, net of cash acquired			
Balance acquired – cash and cash equivalents	37,967	18,332	56,299
Less: cash consideration paid	(147,420)	(191,284)	(338,704)
	(109,453)	(172,952)	(282,405)

40. Related party transactions

(a) Names and relationship with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in Cayman Islands which owns 62.87% (2022: 62.96%) of the Company's shares). The directors consider Gemfair Investments Limited as the ultimate holding company, and the ultimate controlling shareholder of the Group is Mr. Hui Wing Mau.

(b) Transactions with related parties

(i) Continuing transactions

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Services provided to related parties		
– Shimao group	**358,138**	576,627
– Joint ventures and associates of Shimao Group	**45,034**	134,687
	403,172	711,314
Services received from related parties		
– Shimao Group	**–**	–
Interest on lease liabilities paid to related parties		
– Shimao Group	**1,063**	572
Payment of lease liabilities in relation to leases with a related company		
– Shimao Group	**7,355**	8,694

The Group entered certain lease in respect of properties from related parties of the Group. The amount of rental payable by the Group under the leases are approximately RMB661,000 (2022: RMB1,205,000) per month and the lease terms will be expired in 1-4 years.

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 9 is set out below:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries and other short-term employee benefits	**14,428**	15,384

40. Related party transactions *(CONTINUED)*

(d) Balances with related parties – trade

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Receivables from related parties		
Trade Receivables (note 23)		
– Shimao Group	**658,778**	755,984
– Joint ventures and associates of Shimao Group	**91,136**	30,579
	749,914	786,563
Prepayments, deposits and other receivables (Note 25) (note)		
– Shimao Group	**355,007**	418,398
– Joint ventures and associates of Shimao Group	**33,005**	77,456
	388,012	495,854
Total receivables from related parties (before allowance for credit losses)	**1,137,926**	1,282,417
Less: Allowance	**(619,236)**	(636,260)
Total receivables from related parties (net allowance for credit losses)	**518,690**	646,157
Payables to related parties		
Contract liabilities (Note 6)		
– Shimao Group	**47,512**	46,966
– Joint ventures and associates of Shimao Group	**14,051**	9,550
	61,563	56,516
Trade payables (Note 32)		
– Shimao Group	**6,291**	16,076
– Joint ventures and associates of Shimao Group	**–**	3,674
	6,291	19,750
Deposits received, accruals and other payables (Note 33)		
– Shimao Group	**124,208**	56,915
– Joint ventures and associates of Shimao Group	**19,682**	33,584
	143,890	90,499
Lease payable to related parties		
– Shimao Group	**17,016**	23,919
Total payables to related parties	**232,653**	190,684

Note: Included in the amount, the deposit of approximately RMB295,366,000 (2022: RMB304,437,326) was paid by the Group to Shimao Group for the sales rights of car parking spaces. Such deposit paid together with the commission income of approximately RMB34,028,000 (2022: RMB36,590,000) generated from the sales of car parking spaces constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. Related party transactions *(CONTINUED)*

(e) Guarantees provided by related parties

As at 31 December 2023, the Group' bank borrowings included a borrowing of approximately RMB166,010,000 (2022: RMB392,623,000) bearing a fixed interest at 5.50% per annum (2022: 4%-6.27% per annum) and expiring in 2024 (2022: in 2026).

41. Contingencies

As at 31 December 2023, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties (2022: Nil).

42. Partly-owned subsidiaries with material non-controlling interests

Financial information of the subsidiaries of the Group that had a material non-controlling interest ("NCI") is summarised below. The amounts disclosed are before any inter-company elimination:

NCI percentage	**Zhejiang Sinew 27.24% (2022: 30%) As at 31 December**	
	2023 RMB'000	2022 RMB'000
Current assets	**515,923**	626,952
Non-current assets	**401,556**	281,776
Current liabilities	**(325,674)**	(325,554)
Non-current liabilities	**(49,478)**	(17,388)
Equity attributable to owners of the Company	**(394,597)**	(396,050)
Non-controlling interests of Zhejiang Sinew	**(147,730)**	(169,736)

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue	**1,385,789**	1,306,360
Cost of sales	**(1,211,980)**	(1,136,046)
Profit and total comprehensive income for the year	**42,333**	81,550
Profit and total comprehensive income attributable to:		
– equity holders of the Company	**30,801**	57,085
– non-controlling interests	**11,532**	24,465
Dividend paid to non-controlling interests	**2,731**	1,650
Cash flow generated from/(used in) operating activities	**81,814**	(12,058)
Cash flow used in operating activities	**(47,479)**	(8,420)
Cash flow used in financing activities	**(15,000)**	(9,350)
Net cash inflow/(outflow)	**19,335**	(29,828)

42. Partly-owned subsidiaries with material non-controlling interests *(CONTINUED)*

NCI percentage	Wuxi Jinshatian 40% As at 31 December	
	2023 RMB'000	2022 RMB'000
Current assets	**962,654**	876,092
Non-current assets	**491,115**	315,985
Current liabilities	**(436,230)**	(395,551)
Non-current liabilities	**(243,692)**	(253,624)
Equity attributable to owners of the Company	**(464,308)**	(325,741)
Non-controlling interests of Wuxi Jinshatian	**(309,539)**	(217,161)

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue	**1,065,680**	1,062,749
Cost of sales	**(902,890)**	(898,028)
Profit and total comprehensive income for the year	**53,964**	26,673
Profit and total comprehensive income attributable to:		
– equity holders of the Company	**32,378**	16,004
– non-controlling interests	**21,796**	10,669
Dividend paid to non-controlling interests	**1,663**	4,689
Cash flow generated from operating activities	**105,866**	68,069
Cash flow used in operating activities	**(25,061)**	(50,865)
Cash flow used in financing activities	**(15,738)**	(41,805)
Net cash inflow/(outflow)	**65,067**	(24,601)

The above subsidiary's 2023 revenue is still under their performance audit process, the performance guarantee for the year 2023 provided by the vendor at the time of acquisition is subject to confirmation by the Company.

42. Partly-owned subsidiaries with material non-controlling interests *(CONTINUED)*

	Shi Lu Yuan 33% As at 31 December	
NCI percentage		
	2023 RMB'000	2022 RMB'000
Current assets	**286,955**	276,903
Non-current assets	**159,279**	78,839
Current liabilities	**(138,696)**	(111,908)
Non-current liabilities	**(2,283)**	(3,947)
Equity attributable to owners of the Company	**(204,521)**	(160,724)
Non-controlling interests of Shi Lu Yuan	**(100,734)**	(79,163)

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue	**269,577**	319,913
Cost of sales	**(248,773)**	(308,348)
Profit and total comprehensive income for the year	**(53,660)**	(34,310)
Profit and total comprehensive income attributable to:		
– equity holders of the Company	**(35,952)**	(22,987)
– non-controlling interests	**(17,708)**	(11,323)
Cash flow generated from operating activities	**28,078**	6,609
Cash flow used in operating activities	**(9,529)**	(59,635)
Cash flow used in financing activities	**(55,864)**	(5,728)
Net cash outflow	**(37,315)**	(58,754)

The above subsidiary's 2023 revenue is still under their performance audit process, the performance guarantee for the year 2023 provided by the vendor at the time of acquisition is subject to confirmation by the Company.

43. Statement of financial position and reserve movement of the Company

43(i) Statement of financial position of the Company

		As at 31 December	
	Notes	**2023 RMB'000**	2022 RMB'000
Assets			
Non-current assets			
Prepayments, deposits and other receivables		**9,249,071**	9,221,024
Investment in subsidiaries		**212,275**	212,275
Total non-current assets		**9,461,346**	9,433,299
Current assets			
Cash and cash equivalents		**118**	154
Total current assets		**118**	154
Current liabilities			
Other payables		**2,395,392**	2,349,264
Total current liabilities		**2,395,392**	2,349,264
Net assets		**7,066,072**	7,084,189
Equity attributable to owners of the Company			
Share capital	27	**21,357**	21,357
Reserves	43(ii)	**7,044,715**	7,062,832
Total equity		**7,066,072**	7,084,189

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf.

Hui Sai Tan, Jason
Director

Cao Shiyang
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

43. Statement of financial position and reserve movement of the Company *(CONTINUED)*

43(ii) Reserve movement of the Company

	Share premium RMB'000	Other reserves RMB'000	Treasury stock RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2022	8,490,762	(980,681)	(145,985)	(118,788)	7,245,308
Total comprehensive loss for the year	–	–	–	(212,336)	(212,336)
Equity-settled share-based payment-Share Award Scheme (Note 35)	–	29,773	–	–	29,773
Vesting of equity-settled share-based payment-Share Award Scheme	(8,372)	(33,867)	42,239	–	–
Lapse of equity-settled share-based payment-Share Award Scheme	–	(12,410)	12,410	–	–
Capital injection from ultimate holding company (Note 36)	–	7,107	(7,107)	–	–
Cancellation of repurchased shares	(66,327)	–	66,414	–	87
Balance at 31 December 2022 and 1 January 2023	**8,416,063**	**(990,078)**	**(32,029)**	**(331,124)**	**7,062,832**
Total comprehensive loss for the year	**–**	**–**	**–**	**(21,291)**	**(21,291)**
Equity-settled share-based payment-Share Award Scheme (Note 36)	**–**	**17,445**	**–**	**–**	**17,445**
Vesting of equity-settled share-based payment-Share Award Scheme	**2,919**	**(41,758)**	**38,839**	**–**	**–**
Lapse of equity-settled share-based payment-Share Award Scheme	**–**	**(2,329)**	**2,329**	**–**	**–**
Repurchase of shares	**–**	**–**	**(14,271)**	**–**	**(14,271)**
Balance at 31 December 2023	**8,418,982**	**(1,016,720)**	**(5,132)**	**(352,415)**	**7,044,715**


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