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

年報 2022
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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
10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tower One, Lippo Centre
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Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai Shimao Tower
No.55, West Weifang Road
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PRC
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103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
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

Harneys Fiduciary (Cayman) Limited
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Grand Cayman KY1-1002
Cayman Islands

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 873

INVESTOR AND MEDIA RELATIONS

Investor Relations Department
Email: ir@shimaowy.com
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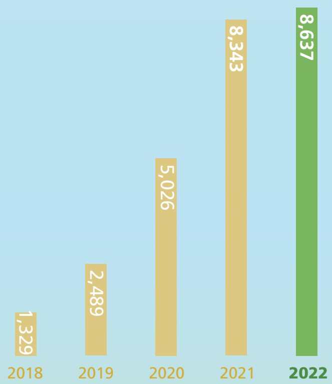
FIVE YEARS FINANCIAL SUMMARY

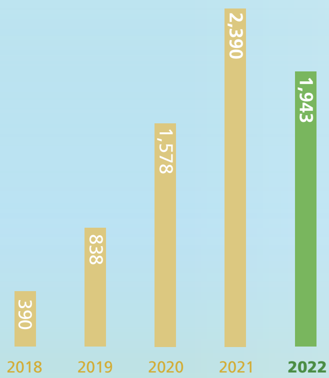
REVENUE

(RMB million)



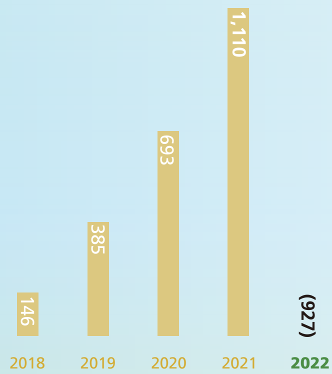
GROSS PROFIT

(RMB million)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB million)



FIVE YEARS FINANCIAL SUMMARY

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**8,636,811**	8,343,432	5,025,688	2,489,086	1,329,323
Cost of sales and services	**(6,693,853)**	(5,953,343)	(3,447,939)	(1,651,005)	(939,033)
Gross profit	**1,942,958**	2,390,089	1,577,749	838,081	390,290
Selling and marketing expenses	**(233,485)**	(184,342)	(52,444)	(17,823)	(6,416)
Administrative expenses	**(1,356,454)**	(688,990)	(562,336)	(303,907)	(192,601)
Impairment losses on financial assets – net	**(743,659)**	(251,148)	(70,527)	(3,372)	(8,611)
Impairment loss on intangible assets	**(725,620)**	–	–	–	–
Fair value changes in derivative embedded in convertible bonds	**57**	144,746	–	–	–
Other income	**94,412**	75,301	40,873	17,478	4,008
Other gains/(losses) – net	**252,791**	26,492	(24,662)	(2,606)	132
Other operating expenses	**(40,789)**	(6,855)	(11,601)	(6,694)	(784)
Operating profit	**(809,789)**	1,505,293	897,052	521,157	186,018
Finance income	**54,616**	30,775	11,407	37,935	76,070
Finance costs	**(216,298)**	(53,761)	(14,587)	(51,833)	(66,901)
Finance (costs)/income – net	**(161,682)**	(22,986)	(3,180)	(13,898)	9,169
Share of results of associates accounted for using the equity method	**12,749**	13,396	10,915	(1,208)	–
Profit before income tax	**(958,722)**	1,495,703	904,787	506,051	195,187
Income tax expense	**82,050**	(278,857)	(180,469)	(121,520)	(48,991)
Profit for the year	**(876,672)**	1,216,846	724,318	384,531	146,196
Profit attributable to:					
Equity holders of the Company	**(927,120)**	1,110,447	692,952	384,531	146,196
Non-controlling interests	**50,448**	106,399	31,366	–	–
Non-current assets	**5,313,601**	4,226,524	2,488,113	444,495	56,171
Current assets	**9,285,961**	13,933,933	8,416,910	3,130,436	3,138,749
Current liabilities	**5,552,777**	7,831,183	4,026,423	3,315,162	1,724,463
Net current assets	**3,733,184**	6,102,750	4,390,487	(184,726)	1,414,286
Total assets less current liabilities	**9,046,785**	10,329,274	6,878,600	259,769	1,470,457
Non-current liabilities	**679,558**	1,102,151	137,755	25,974	222,946
Equity attributable to equity holders of the Company	**7,567,544**	8,527,037	6,447,987	233,795	1,247,511
Non-controlling interests in equity	**799,683**	700,086	292,858	–	–
Total equity	**8,367,227**	9,227,123	6,740,845	233,795	1,247,511

CHAIRMAN'S STATEMENT

Dear shareholders,

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

Market and Industry

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

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

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

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

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

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

Annual Results

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

Achieving High Quality Development

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

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

CHAIRMAN'S STATEMENT

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

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

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

Strategies with Determination, Management with Perseverance, Operation with Tenacity

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

- ***Vertical Integration***

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

- ***Related Diversification***

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

- ***Centralisation***

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

- ***Renewal***

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

The Company's Vision

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

Future Outlook

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

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

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

Social Responsibility

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

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

Acknowledgement

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

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

Hui Sai Tan, Jason
Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Overview

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

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

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

➢ **Property Management Services**

- ***Representing 58.4% of total revenue and 58.0% of total gross profit***
  During the year, the Group's revenue from property management services reached RMB5,042.0 million, representing an increase of 20.9% as compared to RMB4,169.6 million for the same period of 2021. Revenue from property management services continued to rise, which was driven by the unceasing growth in GFA under management.

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

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

- ***Sustained growth in GFA***

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

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

➢ Community Value-added Services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

- ***For carpark asset operation services, revenue was RMB323.0 million, representing a year-on-year decrease of 24.6% as compared to RMB428.1 million for the same period of last year***
  In 2022, revenue from the sale of car parking spaces decreased year-on-year due to significant reduction in new supply as a result of the downturn in the real estate sector; the city closure and control across the country due to the COVID-19 pandemic, which severely affected public travel, also led to significant decline in revenue from car parking services as compared to previous years.

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

- ***For home decoration services, revenue was RMB123.9 million, representing a year-on-year decrease of 35.0% as compared to RMB190.5 million for the same period of last year***
  Home decoration services business mainly consists of decorative home furnishing and home furnishing product referral services. In 2022, due to the downturn in the property industry and the decrease in new project deliveries, revenue of the decoration and home furnishing business slid year-on-year, while gross profit margin decreased significantly due to the increase in business costs as a result of the COVID-19 pandemic. For furniture referral services, revenue and gross profit margin were generally the same as last year.

- ***For new retail services, revenue was RMB127.9 million, representing a year-on-year decrease of 70.5% as compared to RMB433.9 million for the same period of last year***
  In 2022, as a result of the COVID-19 pandemic, community closure control was tight, which severely impacted daily business operations and in turn led to sharp decline in revenue from new retail services. During the pandemic, our new retail team provided owners in certain communities under closed management with "guaranteed supply" service for daily necessities. The service was well-received by our customers, which effectively brought our business teams and customers closer together and allowed a trusted partnership among them, laying a foundation for carrying out future business.

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

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

- ***For campus value-added services, revenue was RMB397.9 million, representing a year-on-year decrease of 13.9% as compared to RMB462.2 million for the same period of last year***
  The campus value-added service mainly leverages on the comprehensive property services platform of Zheda Sinew to develop its business, which principally includes canteen group catering service, accommodation service and business trading service, etc., providing a wide range of value-added services on campus study and life for teachers and students.

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

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

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

- ***For elderly care services, revenue was RMB141.5 million, representing a year-on-year increase of 482.3% as compared to RMB24.3 million for the same period of last year***
  Our elderly care services are provided on the Home Care Service Platform of Healthtop.

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

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

➢ Value-added Services to Non-property Owners

- ***Representing 6.1% of total revenue and 5.8% of total gross profit***
  During the year, revenue amounted to RMB525.1 million, representing a year-on-year decrease of 39.7% from RMB870.5 million for the same period of 2021. Percentage of revenue from value-added services to non-property owners to total revenue continued to decrease to 6.1% in 2022 from 10.4% in 2021.

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

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

➢ City Services

- ***Representing 16.0% of total revenue and 9.2% of total gross profit***
  During the year, the revenue amounted to RMB1,381.4 million, representing a year-on-year increase of 61.5% from RMB855.1 million for the same period of 2021; gross profit margin was 13.0%, which remained substantially flat as compared to 12.7% for the same period of last year.

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

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

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

Impacts of the COVID-19 Pandemic

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

Financial Review

During the year, the Group realised:

Revenue

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

Cost of Sales and Services

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

Selling and Marketing Expenses

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

Administrative Expenses

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

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

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

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

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

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

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

Impairment Losses on Financial Assets – Net

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

Impairment Losses on Intangible Assets

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

Operating (Loss)/Profit

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

Finance Costs – Net

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

(Loss)/Profit before Income Tax

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

Income Tax Credit/(Expense)

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

The 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". 2022 was the third year of entitlement to such preferential tax policy. Hailiang Property, headquartered in Tibet, enjoyed tax benefits; while Chengdu Xinyi, Xi'an Fangrui and the newly established "second headquarter" enjoyed the preferential tax policy for "Western Region Development".

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

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

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

(Loss)/Profit for the Year

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

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

Investment Properties, Property, Plant and Equipment

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

Intangible Assets

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

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

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

Trade Receivables

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

Trade Payables

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

Liquidity, Reserves and Capital Structure

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

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

Capital Expenditure Commitments

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

Share Award Scheme

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

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

Proceeds from the Listing

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

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

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

Equity Fund Raising Activities and Use of Proceeds

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

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

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

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

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

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

Consent Solicitation in relation to the Convertible Bonds

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

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

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

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

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

Optional Redemption of Convertible Bonds

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

Redemption of Convertible Bonds at Maturity

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

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

Intended use of net proceeds	Net proceeds available from Top-Up Placing for utilisation (RMB million)	Net proceeds available from the Bonds Issue for utilisation (RMB million)	Total net proceeds available for utilisation (RMB million)	Net proceeds available for utilisation as of 31 October 2022 (RMB million)	Allocation percentage %	Utilised net proceeds as of 31 December 2022 (RMB million)	Unutilised net proceeds as of 31 December 2022 (RMB million)	Expected timeline for utilising the remaining unutilised net proceeds
(1) Potential M&A	1,140	2,013	3,153	1,140	80%	–	1,140	2024
(2) Business expansion	143	251	394	143	10%	–	143	2024
(3) General working capital and general corporate uses	143	251	394	143	10%	–	143	2024
Total	1,426	2,515	3,941	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, easing the overall growth rate of the industry significantly. Under these circumstances, the Group's management switches their strategy focus from the 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 function and capacity. The Group's management will continue to identify suitable acquisition targets under the ideal opportunity as well as the recovery of the property services industry. Based on the above assessment, the utilisation of the proceeds has been postponed from the expected year 2023 to year 2024, and the Company considers that a prudent and flexible approach for utilising the proceeds effectively and efficiently will benefit the overall development of the Group from a long-term perspective.

Connected Transaction

Termination of Disclosable and Connected Transaction

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

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

Continuing Connected Transaction – Deposit

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

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

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

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

Continuing Connected Transaction – Multiple Services Master Agreements with Shimao Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 2022.

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 2022 are set out on pages 74 to 176 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 2022 (2021: 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 Tuesday, 6 June 2023, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Tuesday, 6 June 2023 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 30 May 2023.

Business Review

A business review of the Group for the year ended 31 December 2022 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 11 and the Management Discussion and Analysis on pages 12 to 32 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 the separate Sustainability Report of the Group, which was available 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 44 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 2022 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 RMB469,803 (2021: RMB416,948).

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 2022 are set out in note 27 to the consolidated financial statements.

Issuance of Convertible Bonds

On 2 November 2021, Crystal Idea Group Limited ("Crystal Idea"), a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK$3,110 million 2.25% senior unsecured guaranteed convertible bonds due 2022 (the "Bonds") which is unconditionally and irrevocably guaranteed by the Company. On 18 August 2022, Crystal Idea redeemed HK$1,399.5 million, being 45% of the aggregate principal amount of the outstanding Bonds on a pro rata basis in relation to the optional redemption for consent solicitation of the Bonds. After the optional redemption, Crystal Idea repurchased an aggregate principal amount of HK$593 million and has redeemed all the outstanding Bonds in full at their principal amount together accrued and unpaid thereon on the maturity date of 31 October 2022. The Bonds were subsequently cancelled and delisted from the official list of Singapore Exchange Securities Trading Limited.

During the year ended 31 December 2022, no Bonds had been converted, nor were there any shares of the Company issued under the Bonds. Details of the Bonds are set out in note 31 to the consolidated financial statements and the section headed "Management Discussion and Analysis" under this annual report.

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 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
Mr. Liu Yu *(resigned on 31 July 2022)*

Non-executive Director

Ms. Tang Fei

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice *(resigned on 24 August 2022)*
Mr. Gu Yunchang
Ms. Zhou Xinyi
Mr. Hui Wai Man, Lawrence *(appointed on 24 August 2022)*

In accordance with Article 113 of the Articles of Association, Mr. Hui Wai Man, Lawrence who was appointed as Director after the last AGM, was re-elected as Director at the extraordinary general meeting of the Company held on 28 March 2023.

In accordance with Article 109 of the Articles of Association, three directors, namely, Mr. Hui Sai Tan, Jason, Mr. Gu Yunchang and Ms. Zhou Xinyi 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 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 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.

During the year ended 31 December 2022, 4,017,105 award shares were granted to certain Directors and eligible employees of the Group under the Share Award Scheme, details of which are as follows:

		Number of Awarded Shares				
Name of Directors	**Date of grant**	**As at 1 January 2022**	**Granted during the year**	**Vested during the year**	**Lapsed/ cancelled during the year**	**As at 31 December 2022**
Mr. Cao Shiyang	16 November 2022	–	242,362	–	–	242,362
Mr. Cai Wenwei	16 November 2022	–	144,424	–	–	144,424
Sub-total		**–**	**386,786**	–	–	**386,786**
Eligible employees of the Group	16 November 2022	–	3,630,319	–	–	3,630,319
Total		**–**	**4,017,105**	**–**	**–**	**4,017,105**

Note:

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.

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 2022, 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 10 of 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 (Note 1)	0.002%
Ye Mingjie	Beneficial owner	1,904,728 (Note 2)	0.077%
Cao Shiyang	Beneficial owner/ Interest of spouse	470,343 (Note 3)	0.019%
Cai Wenwei	Beneficial owner	287,486 (Note 4)	0.012%
Tang Fei	Beneficial owner	53,418 (Note 1)	0.002%

Notes:

1. These interests disclosed represent deemed interests in 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") on 3 May 2021 (the "2021 Shimao Group Share Award Scheme").

2. These interests disclosed include deemed interests in 441,891 shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme.

3. These interests disclosed include deemed interests in 316,754 shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme and the Share Award Scheme of the Company respectively, and 22,000 shares held by the spouse of Mr. Cao Shiyang.

4. These interests disclosed include deemed interests in 201,649 shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme and the Share Award Scheme of the Company respectively.

(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 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 2022, 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	1,553,905,505	62.958%
Shimao Group Holdings	Note 1	1,553,905,505	62.958%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,553,905,505	62.958%
Gemfair Investments Limited ("Gemfair")	Note 3	1,585,839,664	64.252%
Mr. Hui Wing Mau	Note 4	1,596,696,006	64.691%

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) 3,419,326 shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under 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) 3,419,326 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) 3,419,326 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 2022, 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 confirmed that the Undertaking Controlling Shareholders have 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 2022 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 2022, Crystal Idea, a wholly-owned subsidiary of the Company, redeemed all the outstanding Bonds due on 31 October 2022.

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

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 2022 are as follows:

(i) Continuing Connected Transactions

(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 will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Master Promotion Services Agreement

On 16 October 2020, the Company entered into a master promotion services agreement (the "Master Promotion Services Agreement") with Shimao Group Holdings, pursuant to which Shimao Group Holdings together with its subsidiaries (the "Shimao Group") agreed to provide promotion services to the Group including providing marketing and promotion services at sales offices and display units in respect of our home improvement business (the "Promotion Services"). The Master Promotions Services Agreement has a term commencing from 30 October 2020 (the "Listing Date") until 31 December 2022. The proposed annual caps of the transactions contemplated under the Master Promotion Services Agreement for the three years ending 31 December 2022 are RMB36.0 million, RMB66.6 million and RMB108.3 million, respectively.

Shimao Group Holdings is one of 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 under the Master Promotion Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2022, there is no service fee payable by the Group in relation to the Promotion Services, therefore did not exceed the annual cap of RMB108.3 million.

(3) Master Property Management and Related Services Agreement

On 16 October 2020, the Company entered into a master property management and related services agreement (the "Master Property Management and Related Services Agreement") with Shimao Group Holdings, pursuant to which the Group agreed to provide to the Shimao Group and its associates property management and related services, including but not limited to (i) property management services for the properties owned or used by the Shimao Group and its associates; (ii) pre-delivery cleaning, gardening and security services; (iii) smart community solutions; (iv) repair and maintenance services during the warranty period of residential properties and other properties; (v) display units and property sales office management services; and (vi) preliminary planning and design consultancy services at the pre-delivery stage (the "Property Management and Related Services"). The Master Property Management and Related Services Agreement has a term commencing from the Listing Date until 31 December 2022. The proposed annual caps of the transactions contemplated under the Master Property Management and Related Services Agreement for the three years ending 31 December 2022 are RMB983.0 million, RMB1,237.0 million and RMB1,510.0 million, respectively.

Shimao Group Holdings is one of 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 under the Master Property Management and Related Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2022, the total amount of service fee payable to the Group in relation to the Property Management and Related Services amounted to RMB674.7 million which did not exceed the annual cap of RMB1,510.0 million.

(4) Master Carpark Sales Agency Services Agreement

On 16 October 2020, the Company entered into a master carpark sales agency services agreement (the "Master Carpark Sales Agency Services Agreement") with Shimao Group Holdings, pursuant to which the Group agreed to provide carpark space sales agency services, including but not limited to providing marketing and sales services for carpark space developed by the Shimao Group and its associates (the "Carpark Sales Agency Services"). Under such agency arrangement, the Group acts as an agent for the property developer and earn a commission for the successful sale of a carpark. The common market practice in the PRC for this type of agency services is for the property management services company to pay an interest-free deposit to the property developer to secure the right to act as the agent for the sale of the carpark space. The Group also operates under this market model and would enter into sales agency agreements with property developers and pay deposits which are later refunded to the Group after the Group has helped the property developer to sell the carpark spaces.

The Master Carpark Sales Agency Services Agreement has a term commencing from the Listing Date until 31 December 2022. The proposed annual caps of the transactions contemplated under the Master Carpark Sales Agency Services Agreement for the three years ending 31 December 2022 are RMB210.0 million, RMB395.0 million and RMB592.0 million, respectively.

Shimao Group Holdings is one of 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 under the Master Carpark Sales Agency Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. In addition, the payment of the deposit for the carrying out of the Carpark Sales Agency Services also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules as disclosed in the announcement of the Company dated 8 November 2022.

For the year ended 31 December 2022, the total amount of service fee received by the Group and carpark deposit receivable in relation to the Carpark Space Sales Agency Services amounted to RMB341.0 million which did not exceed the annual cap of RMB592.0 million.

Further details of the above Trademark Licensing Agreement, Master Promotion Services Agreement, Master Property Management and Related Services Agreement and Master Carpark Sales Agency Services have been set out in the section "Connected Transactions" in the Prospectus.

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) New Continuing Connected Transactions

Reference is made to the Prospectus of the Company in relation to, among others, the above continuing connected transactions with Shimao Group Holdings. Such continuing connected transactions were due to expire on 31 December 2022. With a view to continue the businesses with Shimao Group Holdings, on 6 December 2022, the Company entered into (1) Carpark Sales Agency Services Master Agreement; (2) Leasing Master Agreement; (3) Sales Office Operation Master Agreement; (4) IoT Services Master Agreement; (5) Engineering Services Master Agreement; (6) Property Management Services Master Agreement; (7) Value-added Services to Non-property Owners Master Agreement; (8) Information Technology Services Master Agreement; and (9) Procurement and Supply Master Agreement for each of the financial year ending 31 December 2023, 2024 and 2025, particular of which are as follows:

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

(1) 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.

(2) 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 non-residential 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.

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 under Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions – Subject to the reporting, annual review, announcement and the independent shareholder's approval requirements

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) *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.

(8) *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.

(9) *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.

Under above 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 are subject to the reporting, announcement, annual review and the independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

The above Non-exempt CCT Agreements and the transactions contemplated thereunder, and the respective annual caps in relation thereto for the three years ending 31 December 2025 were approved by the independent shareholders at the extraordinary general meeting of the Company held on 28 March 2023. 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.

(iii) Termination of Connected Transaction

On 13 December 2021, the Company entered into the asset sale agreement (the "Asset Sale Agreement") with Shanghai Shimao under which the Company has conditionally agreed to acquire and Shanghai Shimao has conditionally agreed to sell the property management business and related value-added services being carried out by Shanghai Shimao in the PRC for a consideration of RMB1,653.5 million (the "Acquisition").

Shanghai Shimao is a subsidiary of Shimao Group Holdings, the controlling shareholder of the Company, and is hence a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition are more than 5% and less than 25%, the Acquisition thereunder constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

On 23 December 2022, the Company and Shanghai Shimao have mutually agreed to terminate the Asset Sale Agreement in respect of the Acquisition, and both parties were released and discharged from their respective rights and obligations under the Asset Sale Agreement. Details of the termination of the Acquisition was set out in the announcement of the Company dated 23 December 2022.

Related Party Transactions

The significant related party transactions entered by the Group for the year ended 31 December 2022 are set out in note 41 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted 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 2022 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 50 to 63 of this annual report.

Auditors

On 17 January 2023, Moore Stephens CPA Limited ("Moore Stephens") resigned as the auditor of the Company and the Board, with the recommendation from the Audit Committee, has resolved to appoint Elite Partners as the new auditor of the Company to fill the casual vacancy following the resignation of Moore Stephens and to hold office until the conclusion of the next AGM of the Company. For the details, please refer to the announcement of the Company dated 17 January 2023.

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 the forthcoming AGM of the Company. A resolution for the re-appointment of Elite Partners as the auditor of the Company will be proposed for shareholders' approval at the forthcoming AGM of the Company.

On behalf of the Board
Hui Sai Tan, Jason
Chairman

Hong Kong, 31 March 2023

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, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company complied with all the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") throughout the financial year ended 31 December 2022.

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 10 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 2022.

C. Directors

C.1 The Board

As at the date of this report, the board of directors of the Company (the "Board") consisted of eight Directors, comprising four 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 2022, four 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 55. 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 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 2022 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
Mr. Liu Yu *(resigned on 31 July 2022)*

Non-executive Director
Ms. Tang Fei

Independent Non-executive Directors
Ms. Kan Lai Kuen, Alice *(resigned on 24 August 2022)*
Mr. Gu Yunchang
Ms. Zhou Xinyi
Mr. Hui Wai Man, Lawrence *(appointed on 24 August 2022)*

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 four 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 audit committee of the Company (the "Audit Committee") comprises only Independent Non-executive Directors.

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

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

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

	Number of Directors
Designation	
Executive Directors	4
Non-executive Director	1
Independent Non-executive Directors	3
Gender	
Male	6
Female	2
Age	
41–50 years old	4
51–60 years old	2
61–70 years old	1
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	✓	✓	✓		
Mr. Cai Wenwei	✓	✓	✓	✓	✓
Non-executive Director					
Ms. Tang Fei	✓	✓	✓	✓	
Independent Non-executive Directors					
Mr. Gu Yunchang	✓	✓	✓		
Ms. Zhou Xinyi	✓	✓	✓		
Mr. Hui Wai Man, Lawrence *(appointed on 24 August 2022)*	✓	✓	✓	✓	
Coverage (Approximate % of entire Board)	100%	100%	100%	38%	13%

C.4 Appointments, Re-election and Removal

Other than Mr. Hui Wai Man, Lawrence, 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 amended and restated articles of association of the Company (the "Articles"). The Articles state that each Director shall retire from office by rotation at least once every three years after he/she was last elected or re-elected and Directors holding offices as chairman and managing director are also subject to retirement by rotation. The Articles also provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

C.5 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 Company's website at www.shimaofuwu.com.

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 2022. Details of the attendance records of the Nomination Committee members are set out in the table on page 55.

The work performed by the Nomination Committee during the financial year ended 31 December 2022 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 a board diversity policy of the Company (the "Board Diversity Policy");

(c) make recommendation to the Board for the re-election of the retiring Directors at 2022 annual general meeting (the "2022 AGM") of the Company; and

(d) make recommendation to the Board for approval the appointment of Mr. Hui Wai Man, Lawrence as an Independent Non-executive Director of the Company, the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee 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) 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. In August 2022, the Nomination Committee reviewed the qualification, experience, expertise and other factors of a candidate for appointment as Independent Non-executive Director. At the recommendation of the Nomination Committee, the Board appointed Mr. Hui Wai Man, Lawrence as an Independent Non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company with effect from 24 August 2022 in replacement of Ms. Kan Lai Kuen, Alice (who resigned as an Independent Non-executive Director and ceased to be the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company on the same day).

Board Diversity Policy

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 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 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 Company has two female Directors and the Board will review the proportion of female members over time as when required for ensuring gender parity on the Board. The Nomination Committee will review and monitor from time to time the implementation of the Board Diversity Policy, as appropriate, to ensure its effectiveness.

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	✓
Mr. Liu Yu *(resigned on 31 July 2022)*	✓
Ms. Tang Fei	✓
Ms. Kan Lai Kuen, Alice *(resigned on 24 August 2022)*	✓
Mr. Gu Yunchang	✓
Ms. Zhou Xinyi	✓
Mr. Hui Wai Man, Lawrence *(appointed on 24 August 2022)*	✓

Individual attendance records of the Directors at board meetings, board committees' meeting and 2022 AGM during the financial year ended 31 December 2022, are set out below:

	Attendance/Number of Meeting(s)				
Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	2022 AGM
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A	1/1
Mr. Ye Mingjie	4/4	N/A	N/A	N/A	1/1
Mr. Cao Shiyang	4/4	N/A	N/A	N/A	0/1
Mr. Cai Wenwei	4/4	N/A	N/A	N/A	1/1
Mr. Liu Yu *(resigned on 31 July 2022)*	2/2	N/A	N/A	N/A	N/A
Ms. Tang Fei	4/4	N/A	N/A	N/A	0/1
Ms. Kan Lai Kuen, Alice *(resigned on 24 August 2022)*	2/2	5/5	1/1	1/1	1/1
Mr. Gu Yunchang	4/4	6/6	1/1	1/1	0/1
Ms. Zhou Xinyi	4/4	6/6	1/1	1/1	1/1
Mr. Hui Wai Man, Lawrence *(appointed on 24 August 2022)*	2/2	1/1	N/A	N/A	N/A

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. Remuneration of Directors and Senior Management and Board Evaluation

D.1 The Level and Make-up of Remuneration and Disclosure

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 Company's website at www.shimaofuwu.com.

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 2022. Details of the attendance records of the Remuneration Committee members are set out in the table on page 55.

The work performed by the Remuneration Committee during the financial year ended 31 December 2022 is summarized below:

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

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

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.

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 2022:

(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 Group 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 rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute 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 Company's business operations are conducted in compliance with our risk management policy, taking into consideration 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 2022. 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 fully comply 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 2022. 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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.

E.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 Company's website at www.shimaofuwu.com.

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 six Audit Committee meetings held during the financial year ended 31 December 2022. Details of the attendance records of the Audit Committee members are set out in the table on page 55.

The work performed by the Audit Committee during the financial year ended 31 December 2022 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 recommendation to the Board on the change of auditors of the Company;

(c) review and consider the re-appointment of external auditor and approval of the remuneration and terms of engagement of external auditor;

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

(e) review the unaudited annual consolidated financial results of the Group for the year ended 31 December 2021 before submission to the Board;

(f) review the audited annual consolidated financial results of the Group for the year ended 31 December 2021 and the 2021 Annual Report before submission to the Board;

(g) review the unaudited interim results of the Group for the six months ended 30 June 2022 and the 2022 Interim Report before submission to the Board;

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

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

(j) review the continuing connected transactions of the Company during the year ended 31 December 2022; and

(k) review the compliance status of the Deed of Non-Competition during the year ended 31 December 2022.

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 2022 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 69 to 73 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 2022 is set out as follows:

Services rendered	RMB'000
Audit services	
– Annual and other audit services	3,300
Non-audit services	1,100
Total	4,400

Compliance with the Deed of Non-Competition

The Independent Non-executive Directors were delegated with the authority to review, on an annual basis, the compliance with the deed of non-competition (the "Deed of Non-Competition") dated 16 October 2020 executed by Shimao Group Holdings Limited and Mr. Hui Wing Mau (the "Undertaking Controlling Shareholders") in favor of the Company (for itself and for each of subsidiaries of the Company).

Each of the Undertaking Controlling Shareholders has confirmed that during the financial year ended 31 December 2022, his/its close associates have fully complied with the Deed of Non-Competition and the 2007 Non-Competition Agreement as referred to the "Report of the Directors" under this annual report. Details of the Deed of Non-Competition and 2007 Non-Competition Agreement are set out under "Relationship with Controlling Shareholders" in the prospectus of the Company dated 20 October 2020.

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 confirmed that the Undertaking Controlling Shareholders have complied with the Deed of Non-Competition and were not aware of any non-compliance of the 2007 Non-Competition Agreement.

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; and

(c) 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. The policy is subject to review on a regular basis to ensure its implementation and effectiveness.

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) for enquiry purpose only, 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.

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 both the HKEx and the Company.

The 2022 AGM of the Company was held on 18 August 2022. Details of attendance of the Directors in the 2022 AGM are set out in the table on page 55. The Company's external auditor is also invited to attend the 2022 AGM, during which its representative was available to answer questions raised by the Shareholders.

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, any one or more shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "EGM 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 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, 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. The Company's website (www.shimaofuwu.com) provides email address (for enquiry purpose only) by which the Shareholders may at any time send their enquiries to the Board.

J. Constitutional Documents

During the financial year ended 31 December 2022, there was no significant change in the amended and restated memorandum and articles of association of the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Executive Directors

Hui Sai Tan, Jason (Chairman)

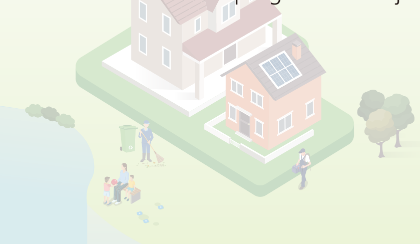
Mr. Hui Sai Tan, Jason, aged 46, has been the Chairman and an Executive Director of Shimao Services Holdings Limited (the "Company", together with its subsidiaries, the "Group") since 1 June 2020 and is primarily responsible for the overall strategic planning and business management of the Group. Mr. 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 24 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 44, 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 17 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 48, 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 16 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 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.



Cai Wenwei

Mr. Cai Wenwei, aged 48, was appointed as an Executive Director of the Company on 18 September 2020. Mr. Cai has been serving as an assistant president and the chief financial officer of the Group since February 2020 and is responsible for accounting management, tax planning and internal control management of the Group. Mr. Cai has over 24 years of experience in accounting and financial management. Mr. Cai joined the Group in February 2020, prior to that, he had served as an auditor at Ernst & Young and a senior manager at KPMG. Mr. Cai worked in Weldtech Technology (Shanghai) Co., Ltd (濠信節能科技(上海)有限公司) from July 2011 to October 2015, with his last position as the chief financial officer. Mr. Cai was an executive director of The Hong Kong Building and Loan Agency Limited (香港建屋貸款有限公司) from September 2014 to October 2015 and served as the chief financial officer of S-Enjoy Service Group Co., Ltd. (新城悅服務集團有限公司) (formerly known as Xinchengyue Holdings Limited (新城悅控股有限公司)) from July 2016 to April 2019, both companies of which are listed on the main board of the HKEx. From October 2015 to June 2016 and from April 2019 to January 2020, he worked at Seazen Group Limited (新城發展控股有限公司) (formerly known as Future Land Development Holdings Limited (新城發展控股有限公司)), a company listed on the main board of the HKEx, in its Shanghai branch. Mr. Cai obtained a Bachelor's Degree in International Finance from International Business School of Shanghai University (上海大學國際商學院) in the PRC in July 1997 and a Master's Degree in Economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2020. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2000 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Non-executive Director

Tang Fei

Ms. Tang Fei, aged 52, 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 29 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 79, 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 60, 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 66, was appointed as an Independent Non-executive Director of the Company on 24 August 2022. Mr. Lawrence Hui obtained a Bachelors Degree in Arts from Manchester Polytechnic, the United Kingdom (now known as Manchester Metropolitan University) in 1982 and has over 40 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 listed on the HKEx, 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

During the year ended 31 December 2022 and up to the date of this report, save as disclosed in the section headed "Change in Information of Directors" in the 2022 Interim Report of the Company, there is no other information required to be disclosed pursuant to Rule13.51B(1) of the Listing Rules.

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.

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 2023 AGM will be held on Tuesday, 6 June 2023. The notice of the 2023 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2023 AGM and the proxy form are also available on the Company's website in due course.

CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2023 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 30 May 2023
Closure of ROM	from Wednesday, 31 May 2023 to Tuesday, 6 June 2023 (both days inclusive)

INDEPENDENT AUDITOR'S REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Shimao Services Holdings Limited
(Incorporated in the 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 74 to 176, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

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 2022, 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 (the "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 aging analysis of trade receivables are prepared by the management; • Testing the accuracy of the aging 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 2022, 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 2022, the carrying amounts of trade receivables and other receivables of the Group were approximately RMB3,218,266,000 and RMB2,231,646,000 respectively. The Group’s aggregated impairment losses as at 31 December 2022 amounting to approximately RMB775,454,000 and RMB340,461,000, 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 of goodwill
(Refer to Note 20 to the consolidated financial statements)

Key audit matter	**How our audit addressed the Key audit matter**
We identified the impairment of goodwill 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 2022, the Group had goodwill of approximately RMB1,740,300,000 which arose from the Group's business combinations.	We have performed the following procedures to address this key audit matter: • Understanding the relevant key controls over the assessment of impairment of goodwill; • 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 Matters

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on these statements on 22 June 2022.

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 the 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 the 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 the 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. Wong Ho Kwan with Practising Certificate number P07543.

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 RMB'000	 2021 RMB'000
Revenue	6	**8,636,811**	8,343,432
Cost of sales and services	6	**(6,693,853)**	(5,953,343)
Gross profit		**1,942,958**	2,390,089
Selling and marketing expenses		**(233,485)**	(184,342)
Administrative expenses		**(1,356,454)**	(688,990)
Impairment losses on financial assets – net	7	**(743,659)**	(251,148)
Impairment losses on intangible assets	20	**(725,620)**	–
Fair value changes in derivative embedded in convertible bonds	31	**57**	144,746
Other income	10	**94,412**	75,301
Other gains and losses – net	11	**252,791**	26,492
Other operating expenses		**(40,789)**	(6,855)
Operating (loss)/profit		**(809,789)**	1,505,293
Finance income		**54,616**	30,775
Finance costs		**(216,298)**	(53,761)
Finance costs – net	12	**(161,682)**	(22,986)
Share of results of associates	16	**12,749**	13,396
(Loss)/profit before income tax	7	**(958,722)**	1,495,703
Income tax credit/(expense)	13	**82,050**	(278,857)
(Loss)/profit for the year		**(876,672)**	1,216,846
(Loss)/profit attributable to:			
– equity holders of the Company		**(927,120)**	1,110,447
– non-controlling interests		**50,448**	106,399
		(876,672)	1,216,846
Other comprehensive expense for the year, net of tax			
Item that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(63,005)**	(80,841)
Total comprehensive (expense)/income for the year		**(939,677)**	1,136,005

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

For the year ended 31 December 2022

		Year ended 31 December	
	Note	**2022** **RMB'000**	2021 RMB'000
Total comprehensive (expense)/income attributable to:			
– equity holders of the Company		**(990,125)**	1,029,606
– non-controlling interests		**50,448**	106,399
		(939,677)	1,136,005
(Loss)/earnings per share	14		
– Basic (RMB)		**(0.38)**	0.46
– Diluted (RMB)		**(0.38)**	0.46

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 2022

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	17	**590,555**	511,745
Right-of-use assets	18	**101,965**	43,942
Investment properties	19	**19,243**	20,177
Intangible assets	20	**2,912,837**	3,276,926
Deferred tax assets	35	**257,529**	95,236
Interests in associates	16	**59,786**	42,184
Financial assets at fair value through profit or loss	21	**84,250**	–
Contract assets	24	**173,853**	173,926
Prepayments, deposits and other receivables	25	**1,113,583**	62,388
Total non-current assets		**5,313,601**	4,226,524
Current assets			
Inventories	22	**193,763**	218,469
Trade receivables	23	**3,218,266**	3,154,942
Contract assets	24	**7,851**	–
Prepayments, deposits and other receivables	25	**1,106,658**	688,971
Restricted bank balances	26	**92,122**	29,452
Time deposits with maturity over three months	26	**2,360,000**	–
Cash and cash equivalents	26	**2,307,301**	9,842,099
Total current assets		**9,285,961**	13,933,933
Current liabilities			
Trade payables	32	**1,175,103**	1,143,127
Deposits received, accruals and other payables	33	**2,445,879**	2,065,830
Contract liabilities	6(a)	**1,227,899**	1,550,393
Income tax liabilities		**393,989**	390,864
Convertible bonds	31	**–**	2,389,029
Derivative embedded in convertible bonds	31	**–**	57
Borrowings	30	**275,504**	270,812
Lease liabilities	34	**34,403**	21,071
Total current liabilities		**5,552,777**	7,831,183
Net current assets		**3,733,184**	6,102,750
Total assets less current liabilities		**9,046,785**	10,329,274

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
Non-current liabilities			
Borrowings	30	**251,365**	546,529
Lease liabilities	34	**53,900**	10,302
Deferred tax liabilities	35	**176,012**	207,389
Provisions for other liabilities and charges	29	**30,893**	4,796
Other payables	33	**167,388**	333,135
Total non-current liabilities		**679,558**	1,102,151
Net assets		**8,367,227**	9,227,123
Equity			
Share capital	27	**21,358**	21,445
Reserves	28	**7,546,186**	8,505,592
Equity attributable to equity holders of the Company		**7,567,544**	8,527,037
Non-controlling interests		**799,683**	700,086
Total equity		**8,367,227**	9,227,123

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 31 March 2023 and were signed on its behalf by:

Ye Mingjie
Director

Cai Wenwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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
As at 1 January 2021	20,499	7,063,990	113,073	(1,581,284)	–	831,709	6,447,987	292,858	6,740,845
Profit for the year	–	–	–	–	–	1,110,447	1,110,447	106,399	1,216,846
Other comprehensive expense	–	–	–	(80,841)	–	–	(80,841)	–	(80,841)
Total comprehensive (expense)/ income for the year	–	–	–	(80,841)	–	1,110,447	1,029,606	106,399	1,136,005
Placing of new shares (Note 27(i)(a))	946	1,426,772	–	–	–	–	1,427,718	–	1,427,718
Equity-settled share-based payment – share award scheme (Note 36)	–	–	–	33,867	–	–	33,867	–	33,867
Dividends and distributions (Note 37)	–	–	–	–	–	(213,336)	(213,336)	–	(213,336)
Disposal of a subsidiary (Note 40(c))	–	–	–	–	–	–	–	(12,091)	(12,091)
Acquisition of non-controlling interests	–	–	–	(132,391)	–	–	(132,391)	(102,374)	(234,765)
Acquisition of subsidiaries (Note 40(b))	–	–	–	–	–	–	–	382,339	382,339
Capital injection from ultimate holding company (Note 36)	–	–	–	79,571	(79,571)	–	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	32,955	32,955
Repurchase of shares (Note 27(i)(b))	–	–	–	–	(66,414)	–	(66,414)	–	(66,414)
Appropriation to statutory reserves	–	–	71,417	–	–	(71,417)	–	–	–
As at 31 December 2021	21,445	8,490,762	184,490	(1,681,078)	(145,985)	1,657,403	8,527,037	700,086	9,227,123

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022

	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
As 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 interests	–	–	–	–	–	–	–	(6,339)	(6,339)
Disposal of a subsidiary (Note 40(c))	–	–	–	–	–	–	–	(1,379)	(1,379)
Acquisition of non-controlling interests	–	–	–	859	–	–	859	(859)	–
Acquisition of subsidiaries (Note 40(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)(b))	(87)	(66,327)	–	–	66,414	–	–	–	–
Appropriation to statutory reserves	–	–	34,876	–	–	(34,876)	–	–	–
As 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

* 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 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash (used in)/from operations	38(a)	**(1,406,160)**	1,294,512
Interest received on bank deposits		**54,616**	30,775
Income tax paid		**(160,281)**	(117,166)
Net cash (used in)/generated from operating activities		**(1,511,825)**	1,208,121
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired	40	**(385,784)**	(1,147,717)
Proceeds from disposal of a subsidiary, net of cash disposed	40	**(57)**	91,383
Payments for property, plant and equipment	17	**(235,288)**	(119,647)
Proceeds from disposal of property, plant and equipment		**71,998**	8,532
Payments for investment properties	19	**–**	(789)
Payments of software development costs	20	**(20,858)**	(73,526)
Dividend from associates	16	**–**	5,336
Payment for acquisition of an associate	16	**(2,450)**	–
Increase in time deposits with maturity over three months	26	**(2,360,000)**	–
Net cash used in investing activities		**(2,932,439)**	(1,236,428)
Cash flows from financing activities			
Capital injection from non-controlling interests of subsidiaries		**6,492**	32,955
Proceeds from placing of new shares		**–**	1,427,718
Proceeds from issuance of convertible bonds	31	**–**	2,536,858
Redemption of convertible bonds	31	**(2,724,768)**	–
Payment for repurchase of shares	27	**–**	(66,414)
Payment for acquisition of non-controlling interests		**(859)**	(117,274)
Dividends paid to non-controlling interests		**(6,339)**	–
Proceeds from bank borrowings		**88,210**	682,487
Repayments of bank borrowings		**(378,682)**	(51,175)
Proceeds from other borrowings		**100,901**	–
Repayments of other borrowings		**(29,101)**	–
Repayment of cash advance from related parties	41(b)(ii)	**–**	(38,549)
Interest paid on bank borrowings		**(42,304)**	(14,143)
Interest paid on other borrowings		**(9,213)**	(3,418)
Interest paid on convertible bonds	31	**(52,813)**	–
Interest paid on leased liabilities	34(c)	**(3,762)**	(4,860)
Payments for leased liabilities	34(c)	**(39,124)**	(21,074)
Dividend paid	37	**–**	(213,336)
Net cash (used in)/generated from financing activities		**(3,091,362)**	4,149,775
Net (decrease)/increase in cash and cash equivalents		**(7,535,626)**	4,121,468
Cash and cash equivalents at beginning of year		**9,842,099**	5,830,046
Effects of exchange rate changes on cash and cash equivalents		**828**	(109,415)
Cash and cash equivalents at end of year		**2,307,301**	9,842,099

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 2022

1. General information

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

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

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

2.1 Basis of preparation

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

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

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

2.3 Summary of significant accounting policies

The significant 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.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(a) Basis of consolidation (continued)

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 holders 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 holders 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 interests 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 earnings, 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.

(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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(b) Business combinations and goodwill (continued)

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.

After initial recognition, 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.

(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 if 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 associate. 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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(c) Investments in associates (continued)

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.

(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 lease term, in case of leasehold improvements, 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

2.3 Summary of significant accounting policies *(CONTINUED)*

(e) Property, plant and equipment (continued)

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 in profit or loss 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.

(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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(g) Intangible assets (continued)

(ii) Research and development (continued)

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 8 to 10 years for the customer relationship. The useful life 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 authorities) 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

2.3 Summary of significant accounting policies *(CONTINUED)*

(h) Leases (continued)

(i) The Group as a lessee (continued)

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.

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.

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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(h) Leases (continued)

(i) The Group as a lessee (continued)

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.

(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 receivables" 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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(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.

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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(i) Financial assets (continued)

Financial assets at amortised cost (continued)

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.

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.

2.3 Summary of significant accounting policies *(CONTINUED)*

(i) Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment 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 and contract 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 12-m 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 Summary of significant accounting policies *(CONTINUED)*

(i) Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment 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 each reporting date, the estimated default rates are reassessed and changes in the forward-looking estimates are considered.

2.3 Summary of significant accounting policies *(CONTINUED)*

(i) Financial assets (continued)

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

Measurement and recognition of ECL (continued)

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

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, or as amortised cost, 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, deposits received, accruals and other payables, 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 Summary of significant 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:

(a) 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

(b) 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 purposes of the consolidated statement of cash flows, cash and cash equivalents consist of 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 Summary of significant 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 Summary of significant 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 and associates, 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 Summary of significant 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 Summary of significant 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 Summary of significant 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, 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.

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 Summary of significant 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, under community 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.

2.3 Summary of significant 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 in the profit or loss.

2.3 Summary of significant 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 (loss)/earnings per share.

2.3 Summary of significant 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 Summary of significant 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 consolidated 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 and convertible bonds 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$.

The carrying amounts of the Group's major financial assets and financial liabilities 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		Liabilities	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
HK$	**491,132**	2,791,034	**–**	(2,389,029)
US$	**20,398**	56,212	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 (loss)/profit for the year 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.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) on loss for the year and retained earnings** RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit for the year and retained earnings RMB'000
HK$	**5%**	**24,557**	5%	20,100
	(5%)	**(24,557)**	(5%)	(20,100)
US$	**5%**	**1,020**	5%	2,811
	(5%)	**(1,020)**	(5%)	(2,811)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit for the year 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 2021.

(b) Interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings and convertible bonds 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 and interest-bearing cash advance ("the interest-bearing assets") from related party, 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 2022, 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, restricted bank balances, times deposits with maturity over three months 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 receivables and contract assets. The Group performs impairment assessment under ECL model on trade 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 (2021: 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 receivables over 90 days past due based on the good repayment records for those customers with continuous partial settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Related parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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**
As at 31 December 2021								
Expected credit loss rate	6%	24%	44%	73%	100%	100%	10.0%	9%
Gross carrying amount	2,402,412	340,563	33,261	3,612	2,698	13,354	672,438	3,468,338
Expected credit losses	132,133	81,007	14,635	2,637	2,698	13,354	66,932	313,396

During the year ended 31 December 2022, no impairment losses on contract assets were recognised (2021: 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 end of the reporting period, 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, restricted bank balances and time deposits with maturity over three months, 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 2022 RMB'000	Gross carrying amount 2021 RMB'000
Financial assets at amortised cost:					
Trade receivables	23	Performing	Lifetime ECL (collective assessment)	**2,790,489**	3,454,984
		Performing	Lifetime ECL (individual assessment)	**406,647**	–
		Non-performing	Lifetime ECL (credit-impaired)	**796,584**	13,354
Contract assets	24	Performing	Lifetime ECL (collective assessment)	**–**	–
		Performing	Lifetime ECL (individual assessment)	**181,704**	173,926
Deposits and other receivables, excluding prepayments and goods and services tax receivables	25	Performing	12m ECL	**1,753,702**	620,327
		Non-performing	Lifetime ECL (credit-impaired)	**477,944**	–
Cash and cash equivalents	26	N/A	12m ECL	**2,307,301**	9,842,099
Restricted bank balances	26	N/A	12m ECL	**92,122**	29,452
Time deposits with maturity over three months	26	N/A	12m ECL	**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 consolidated 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 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**
As at 31 December 2021						
Trade payables	1,143,127	–	–	–	1,143,127	1,143,127
Deposits received, accruals and other payables*	1,757,176	–	–	–	1,757,176	1,757,176
Borrowings	280,083	9,600	453,841	83,088	826,612	817,341
Convertible bonds and interest payments	2,617,869	–	–	–	2,617,869	2,389,029
Lease liabilities	22,485	6,806	3,821	–	33,112	31,373
	5,820,740	16,406	457,662	83,088	6,377,896	6,138,046

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

(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 2022.

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	
	2022	2021
	RMB'000	RMB'000
Borrowings (Note 30)	**(526,869)**	(817,341)
Lease liabilities (Note 34)	**(88,303)**	(31,373)
Convertible bonds (Note 31)	**–**	(2,389,029)
Less: Cash and cash equivalents (Note 26)	**2,307,301**	9,842,099
Net cash	**1,692,129**	6,604,356
Total equity	**8,367,227**	9,227,123
Gearing ratio	**Note**	Note

Note: The Group is at a net cash position and there is no gearing as of 31 December 2022 (2021: Same).

(f) Fair value estimation

(i) Financial instruments not measured at fair value

Except for the below, the directors 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);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 as at 31 December 2022 and 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Assets				
Financial assets at FVPL	–	–	**84,250**	**84,250**
Liabilities				
Consideration payables arising from non-controlling shareholders' put options (Note 33)	–	–	**331,261**	**331,261**
Purchase consideration payables (Note 33)	–	–	**387,535**	**387,535**
	–	–	**803,046**	**803,046**
As at 31 December 2021				
Liabilities				
Consideration payables arising from non-controlling shareholders' put options (Note 33)	–	–	344,532	344,532
Purchase consideration payables (Note 33)	–	–	464,888	464,888
Derivatives embedded in convertible bonds (Note 31)	–	–	57	57
	–	–	809,477	809,477

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

	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000	Consideration payables arising from non-controlling shareholders' put option RMB'000	Purchase consideration payables RMB'000	Derivatives embedded in convertible bonds RMB'000
As at 1 January 2021	–	356	(320,344)	(320,295)	–
Additions	–	–	–	(391,590)	(144,803)
Payment	–	–	–	246,997	–
Disposal	–	(356)	–	–	–
Change in fair value recognised in the profit or loss	–	–	(24,188)	–	144,746
As at 31 December 2021 and as at 1 January 2022	–	–	(344,532)	(464,888)	(57)
Additions	–	–	–	(117,111)	–
Payment	–	–	–	103,379	–
Non-cash transaction (note 21 and 33)	(91,085)	–	–	91,085	–
Change in fair value recognised in the profit or loss	175,335	–	13,271	–	57
As at 31 December 2022	**84,250**	**–**	**(331,261)**	**(387,535)**	**–**

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 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 and 33 of the consolidated financial statement.

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

(f) Fair value estimation (continued)

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

Financial instruments	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
Derivative embedded in convertible bonds	Binominal tree pricing model	Risk free rate	N/A (2021: 0.24%)	Increase in risk-free rate would result in decrease in fair value (Note 1)
		Expected volatility	N/A (2021: 41.15%)	Increase in volatility would result in increase in fair value (Note 1)
Consideration payables arising from non-controlling shareholders' put option	Discounted cash flow	Expected discount rate	11%-12.8% (2021: 8.5%)	Increase in discount rate would result in decrease in fair value (Note 2)
Purchase consideration payables	Discounted cash flow	Expected revenue	RMB49,500,000 – RMB1,327,690,000 (2021: RMB85,298,000 – RMB1,327,690,000)	Increase in expected revenue and net profit would result in increase in fair value (Note 3)
		Expected net profit	RMB94,600,000 (2021: RMB96,400,000)	
Contingent consideration receivables arising from acquisitions of subsidiaries	Discounted cash flow	Expected discount rate	10% (2021: N/A)	Increase in discount rate would result in decrease in fair value (Note 3)

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 as the whole amount of convertible bonds has been fully redeemed during the year ended 31 December 2022.

(2) An increase in the discount rate used in isolation would result in an decrease in the fair value, and vice versa. 5% higher/lower in discount rate holding all other variables constant would decrease/increase the fair value by RMB9,506,000/RMB7,657,000 (2021: RMB28,057,000/RMB14,139,000).

(3) No sensitivity is provided as the management of the Company considered that the disclosure is insignificant and the impact is not material to the financial statement during the year ended 31 December 2022.

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 judgement 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)*

(c) Provision of ECLs on trade receivables (continued)

The assessment of the correlation among historical observed settlement records, current economic and market conditions, and the forward-looking information and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Where the actual outcome or expectation in future is different from original estimate, such differences will impact the carrying amount of trade receivables and credit loss allowance in the period in which the estimate has been changed. The information about the ECLs on the Group's trade receivables is disclosed in Notes 23.

(d) Impairment of goodwill

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).

5. Segment information

Management has determined the operating segments based on the reports reviewed by the 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/(losses) – net, fair value changes in derivative embedded in convertible bonds, shares of results of associates accounted for usings the equity method and certain unallocated expenses.

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

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

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

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

5. Segment information *(CONTINUED)*

The segment revenue and results are as follows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

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

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

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

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

For the year ended 31 December 2022, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 6.68% and 1.56% (2021: 8.90%, and 2.80%) 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 2022 (2021: 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	
	2022	2021
	RMB'000	RMB'000
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
– Related parties (Note 41(d))	**56,516**	54,685
– Third parties	**1,171,383**	1,495,708
	1,227,899	1,550,393

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.

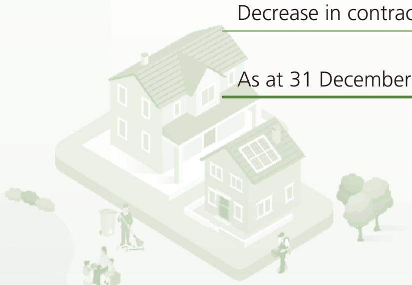
(b) Revenue recognised in relation to contract liabilities

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Property management services	**1,004,065**	505,147
Community value-added services	**522,990**	289,647
Value-added services to non-property owners	**18,819**	20,540
City services	**4,519**	–
	1,550,393	815,334

Movement of contract liabilities is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
As at 1 January	**1,550,393**	815,334
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	**1,227,899**	1,550,393
Decrease in contract liabilities as a result of recognising revenue during the year	**(1,550,393)**	(815,334)
As at 31 December	**1,227,899**	1,550,393



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 recognises 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 type 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 type of contracts.

7. (Loss)/profit before income tax

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

		Year ended 31 December	
	Notes	**2022 RMB'000**	2021 RMB'000
Employee benefit expenses (excluding directors' and chief executive's remuneration)	8	**4,199,528**	2,821,736
Equity-settled share-based payment			
– Employees other than directors	8	**17,011**	25,456
– Directors	9(a)	**12,762**	8,411
		29,773	33,867
Impairment losses on financial assets – net			
– Third parties			
Impairment losses on trade receivables and contract assets	23	**122,143**	131,607
Impairment losses on other financial assets included in deposits and other receivables	25	**47,751**	40,661
– Related parties			
Impairment losses on trade receivables	23	**339,915**	65,077
Impairment losses on other financial assets included in deposits and other receivables	25	**233,850**	13,803
Total impairment losses on financial assets – net		**743,659**	251,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

7. (Loss)/profit before income tax *(CONTINUED)*

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000
Depreciation and amortisation:			
Depreciation of property, plant and equipment	17	**130,673**	33,125
Depreciation of right-of-use assets, included in administrative expenses	18	**48,305**	26,745
Depreciation of investment properties	19	**934**	543
Amortisation of intangible assets	20	**169,425**	116,844
		349,337	177,257
Auditors' remuneration			
– Annual and other audit services (Note (a))		**3,300**	7,500
– Non-audit services (Note (b))		**1,100**	2,264
		4,400	9,764
Cleaning costs		**647,723**	662,614
Greening and gardening costs		**119,298**	125,430
Security costs		**460,402**	463,261
Maintenance costs		**230,763**	328,047
System operation and upgrade costs		**217,166**	74,988
City services costs		**1,201,933**	746,166
Cost of inventories sold		**393,508**	975,413
Cost of selling parking spaces		**54,177**	89,261
Raw materials used in catering services		**109,526**	135,196

Notes:

(a) Auditor's remuneration for the year ended 31 December 2021 included approximately RMB3,300,000 and RMB4,200,000 payable to 2021 and 2020 predecessor auditors respectively.

(b) Non-audit services for the year ended 31 December 2021 represented the services provided by the 2020 predecessor auditors in relation to the internal control review services and financial due diligent services, etc.

8. Employee benefit expense

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses	**3,586,533**	2,354,034
Pension costs	**241,190**	185,997
Housing funds, medical insurances and other social Insurances (Note)	**257,873**	189,204
Equity-settled share-based payment (Note 7)	**17,011**	25,456
Other employment benefits	**96,921**	67,045
	4,199,528	2,821,736

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 three (2021: four) directors for the year ended 31 December 2022, whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining two (2021: one) individual(s) for the year are as follows:

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Wages, salaries and bonuses	**2,054**	1,361
Pension costs	**125**	57
Housing funds, medical insurances and other social insurances	**155**	78
Equity-settled share-based payment	**2,606**	1,742
	4,940	3,238

The emoluments of remaining two (2021: one) individual(s) fell within the following bands:

	Number of individuals Year ended 31 December	
	2022	2021
Emolument bands		
HK$1,000,001 – HK$2,000,000 (equivalents to RMB859,000 – RMB1,718,000)	**2**	1

During the year ended 31 December 2022, 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 (2021: 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
Mr. Liu Yu (Note (a)(i))

Non-executive Directors
Ms. Tang Fei
Mr. Sun Yan (Note (a)(ii))

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 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	–	975	–	1,325	143	2,443
Mr. Liu Yu	–	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	109	–	–	–	–	109
Ms. Kan Lai Kuen, Alice	206	–	–	–	–	206
	933	4,508	–	12,762	436	18,639

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 2021 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	–	2,414	–	6,481	135	9,030
Mr. Cao Shiyang	–	1,237	144	1,091	74	2,546
Mr. Cai Wenwei	–	971	111	839	135	2,056
Mr. Liu Yu	–	90	14	–	8	112
Non-executive directors						
Ms. Tang Fei	–	–	–	–	–	–
Mr. Sun Yan	–	–	–	–	–	–
Independent Non-executive directors						
Ms. Kan Lai Kuen, Alice	294	–	–	–	–	294
Mr. Gu Yunchang	294	–	–	–	–	294
Ms. Zhou Xinyi	294	–	–	–	–	294
	882	4,712	269	8,411	352	14,626

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

(a) Directors' emoluments (continued)

(i) Mr. Liu Yu was appointed as the Company's executive director on 13 December 2021 and resigned as an executive director on 31 July 2022.

(ii) Mr. Sun Yan resigned as non-executive director on 13 December 2021.

(iii) Ms. Kan Lai Kuen, Alice resigned as an independent non-executive director on 24 August 2022. Mr. Hui Wai Man, Lawrence was appointed as the Company's independent non-executive director on 24 August 2022.

(b) Retirement benefits of directors

During the year ended 31 December 2022, 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 (2021: Nil).

(c) Termination benefits of directors

During the year ended 31 December 2022, there were no termination benefits received by the directors (2021: Nil).

(d) Consideration provided to third parties for making available the services of directors

During the year ended 31 December 2022, no consideration was paid for making available the services of the directors or senior management of the Company (2021: 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 2022, 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 (2021: Nil).

Except for mentioned above, no other 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 as at 31 December 2022 (2021: Nil) or at any time during the year ended 31 December 2022 (2021: Nil).

10. Other income

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

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 2022 (2021: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

11. Other gains and losses – net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net fair value gains/(losses) of consideration payables arising from non-controlling shareholders' put options (Note 33(b))	**13,271**	(24,188)
Gain/(loss) on disposal of financial assets at FVPL	**17,725**	(13,978)
Net gain on disposal of property, plant and equipment	**34,554**	4,796
Net (loss)/gain on disposal of a subsidiary (Note 40(c))	**(343)**	69,059
Net foreign exchange gains/(losses)	**828**	(6,422)
Fair value gain on financial assets at FVPL (Note 21)	**175,335**	–
Others	**11,421**	(2,775)
	252,791	26,492

12. Finance costs – net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest income on bank deposits	**54,616**	30,775
Finance income	**54,616**	30,775
Interest expense on convertible bonds (Note 31)	**(161,019)**	(31,340)
Interest and finance charges paid/payable for borrowings and liabilities and others	**(55,279)**	(22,421)
Finance costs	**(216,298)**	(53,761)
Finance costs – net	**(161,682)**	(22,986)

13. Income tax credit/(expense)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax expense – PRC		
– Corporate income tax	**(156,526)**	(317,841)
– Under-provision in prior years	**(4,312)**	(4,460)
	(160,838)	(322,301)
Deferred tax credit (Note 35)	**242,888**	43,444
	82,050	(278,857)

(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 2022 (2021: Nil).

(d) PRC enterprise income tax

Income tax provision of the Group in respect of operations in PRC 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 2022.

Tibet Shimao Tiancheng Property Management Co., Ltd. (Formerly known as Hailiang 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 and Chengdu Xinyi Property Co., Ltd and Hailiang Real Estate 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 Shi Lu yuan 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 (2021: 25%).

13. Income tax credit/(expense) *(CONTINUED)*

(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 2022, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB3,558,422,539 (2021: RMB2,975,583,000), 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.

(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	
	2022 RMB'000	2021 RMB'000
(Loss)/profit before income tax	**(958,722)**	1,495,703
Tax (credit)/expense calculated at applicable corporate income tax rate of 25%	**(239,680)**	373,926
Tax effects of:		
– Expenses not deductible for taxation purposes	**186,441**	10,611
– Income not taxable for tax purpose	**(3,214)**	(3,199)
– Tax loss not recognised	**3,110**	1,864
– Utilisation of temporary difference previously not recognised	**(2,604)**	(69,765)
– Different tax rate applied	**(30,415)**	(39,040)
– Under-provision in prior years	**4,312**	4,460
Income tax (credit)/expense	**(82,050)**	278,857

14. (Loss)/earnings per share

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

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has potential ordinary shares arising from the share award scheme (Note 36) and convertible bonds (Note 31).

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

15. Subsidiaries

The following is a list of principal subsidiaries at the reporting period, all of these are limited companies:

Name of entity	Country/place and date of incorporation/ establishment	Registered capital/issued and fully paid share capital	Ownership interest held by the group As at 31 December 2022	2021	Principal activities/ place of operation
Shimao Services (BVI) Limited	BVI 4 December 2019	USD1	**100%**	100%	Investment holdings, the British Virgin Island
Origin Prime Property Services Limited	Hong Kong 18 April 2019	USD10,000	**100%***	100%*	Investment holdings, Hong Kong
Super Rocket Limited	Hong Kong 16 May 2017	HK$1	**100%***	100%*	Investment holdings, Hong Kong
Shanghai Aoling Enterprise Management Co., Ltd.	The PRC 17 June 2019	RMB4,305,000,000	**100%**	100%	Investment holdings, the PRC
Shimao Tiancheng Property Services Group Co., Ltd.	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. ("Quanshou 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	RMB50,000,000	**100%**	100%	Real estate agent services in the PRC
Shanghai Fanying Environmental Engineering Co., Ltd.	The PRC 30 December 2014	RMB121,000,000	**100%**	100%	Gardening and greening services in the PRC
Shanghai Shibin E-Commerce Co., Ltd.	The PRC 24 December 2014	RMB50,000,000	**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 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
Chengdu Xinyi Property Co.,Ltd. ("Chengdu Xinyi")	The PRC 14 December 2000	RMB10,000,000	**67%**	67%	Property management services in Sichuan
Nanjing Haixia Real Estate Management Co., Ltd.	The PRC 11 October 2011	RMB500,000	**100%**	100%	Property management services in Nanjing

15. Subsidiaries *(CONTINUED)*

Name of entity	Country/place and date of incorporation/ establishment	Registered capital/issued and fully paid share capital	Ownership interest held by the group As at 31 December 2022	2021	Principal activities/ place of operation
Mudanjiang Feixia Management Co., Ltd. ("Mudanjiang Feixia")	The PRC 25 October 2019	RMB500,000	**100%**	100%	Property management services in Mudanjiang
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	RMB1,000,000	**100%**	100%	Wholesales 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 holdings, the PRC
Suifenhe Shifu Home Supplies Co., Ltd. ("Suifenhe Shifu")	The PRC 10 December 2018	HK$2,000,000	**100%**	100%	Wholesales and retail trading in the PRC
Shanghai Jiashu Enterprises Management Co., Ltd..	The PRC 17 July 2019	RMB100,000,000	**100%**	100%	Investment holdings, the PRC
Guangzhou Yuetai Property Services Co., Ltd Estate	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 Shimao Meiju Home Technology Co., Ltd.	The PRC 14 April 2017	RMB80,000,000	**100%**	51%	Engineering Construction in the PRC
Shanghai Shijihui Entrepreneurship Management Co., Ltd.	The PRC 18 March 2020	RMB10,000,000	**100%**	100%	Property management services in the PRC
Zhejiang Sheda Sinew Property Services Group Co., Ltd. (Zhejiang Sinew)	The PRC 21 January 2001	RMB50,000,000	**70%**	70%	Property management services in the PRC
Tianjin Hexing Property Management Co., Ltd. ("Tianjin Hexing")	The PRC 1 August 2005	RMB10,000,000	**70%**	70%	Property management and hotel management in the PRC
Kangqiao Property Co., Ltd. ("Yantai Kangqiao")	The PRC 31 October 2007	RMB50,000,000	**80%**	80%	Property management and hotel management in the PRC
Hangzhou 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

15. Subsidiaries *(CONTINUED)*

Name of entity	Country/place and date of incorporation/ establishment	Registered capital/issued and fully paid share capital	Ownership interest held by the group As at 31 December 2022	2021	Principal activities/ place of operation
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.	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 holdings, 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	**63%**	63%	Investment holdings, 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 Yoshige 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
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
Hainan Huamao Property Service Co., Ltd.	The PRC 9 July 2021	RMB5,000,000	**N/A ^**	51%	Housekeeping and cleaning services in the PRC

15. Subsidiaries *(CONTINUED)*

Name of entity	Country/place and date of incorporation/ establishment	Registered capital/issued and fully paid share capital	Ownership interest held by the group As at 31 December 2022	2021	Principal activities/ place of operation
Quanzhou Shimao Youda Real Estate Services Co., Ltd.	The PRC 29 July 2021	RMB1,000,000	**51%**	51%	Property management and real estate consultancy services in the PRC
Shaanxi 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 holdings, the PRC
Jinjiang Shimao Jinqiu Property Services Limited	The PRC 20 October 2021	RMB1,000,000	**65%**	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%#**	N/A	Property management in the PRC
Suzhou Tianxiang property management services Co., Ltd	The PRC 15 October 1996	RMB10,000,000	**70%#**	N/A	Property management in the PRC
Hunan Jili property management services Co., Ltd	The PRC 15 November 2001	RMB10,000,000	**70%#**	N/A	Property management in the PRC
Zhejiang Xindadi property management services Co., Ltd	The PRC 10 November 2008	RMB10,080,000	**100%#**	N/A	Property management in the PRC
Tianjin Rongwei Security Service Co., Ltd	The PRC 25 May 2016	RMB20,000,000	**70%#**	N/A	Security services in the PRC

Newly acquired during the year ended 31 December 2022
^ Disposed during the year ended 31 December 2022
* Directly held by the Company

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For the year ended 31 December 2022

16. Interests in associates

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**42,184**	34,074
Addition from acquisition of subsidiaries (Note 40)	**2,403**	50
Addition	**2,450**	–
Share of profits	**12,749**	13,396
Dividends	**–**	(5,336)
At the end of the year	**59,786**	42,184

Set out below is the associates of the Group:

Name of entity	Country of business/ country of incorporation	% of ownership interest 2022 %	2021 %	Principal activities
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd	The PRC	**49**	49	AI 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 services
Jiaxing Longshong Rehabilitation Aids Service Co., Ltd.	The PRC	**25**	25	Manufacturing of elderly supporting device
Fuzhou Fulu Shimao property management services Co., Ltd	The PRC	**49**	N/A	Property management services
Suzhou Xianglv property management services Co., Ltd	The PRC	**40**	N/A	Property management services
Suzhou Shanghezhi property management services Co., Ltd	The PRC	**49.5**	N/A	Property management services

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.

	2022 RMB'000	2021 RMB'000
As at 31 December		
Current assets	**179,435**	170,842
Non-current assets	**17,590**	21,325
Current liabilities	**(99,433)**	(117,698)
Non-current liabilities	**–**	–
Net assets	**97,592**	74,469
Proportion of the Group's ownership interests	**40%**	40%
Carrying amount of the Group's interests	**39,037**	29,788
For the year ended 31 December		
Revenue	**626,341**	530,613
Profit and total comprehensive income for the year	**22,818**	26,462
Dividends received for the year	**–**	5,336

Aggregate information of associates that are not individually material:

	2022 RMB'000	2021 RMB'000
The Group's share of profit for the year	**3,622**	2,810
The Group's share of other comprehensive income	**–**	–
Aggregate carrying amount of the Group's interests	**20,749**	12,396

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 2021							
Cost	48,188	21,144	40,938	16,648	55,284	60,371	242,573
Accumulated depreciation	(990)	(8,069)	(12,841)	(2,697)	(11,833)	–	(36,430)
Carrying amounts	47,198	13,075	28,097	13,951	43,451	60,371	206,143
Year ended 31 December 2021							
Opening carrying amounts	47,198	13,075	28,097	13,951	43,451	60,371	206,143
Additions from acquisition of subsidiaries (Note 40(b))	12,883	16,946	55,564	149,236	–	27,049	261,678
Additions	483	848	64,516	–	43,251	10,549	119,647
Depreciation charge (Note 7)	(445)	(2,189)	(9,997)	(4,236)	(16,258)	–	(33,125)
Disposal of a subsidiary (Note 40(c))	(38,862)	–	–	–	–	–	(38,862)
Disposals	–	(1,442)	(165)	(2,129)	–	–	(3,736)
Closing carrying amounts	21,257	27,238	138,015	156,822	70,444	97,969	511,745
As at 31 December 2021 and 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 40(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							
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**

As at 31 December 2022, no buildings was pledged to secure borrowings granted to the Group (2021: RMB8,387,000) (Note 30).

As at 31 December 2022, an aggregated amount of approximately RMB50,129,726 of certain machinery and equipment and vehicles used in city service segment were pledged to secure the other borrowings of the Group (2021: RMB47,637,230) 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 (2021: 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 2021			
Cost	2,187	40,463	42,650
Accumulated depreciation	(401)	(15,037)	(15,438)
Carrying amounts	1,786	25,426	27,212
Year ended 31 December 2021			
Opening carrying amounts	1,786	25,426	27,212
Additions from acquisition of a subsidiary (Note 40(b))	8,750	12,771	21,521
Additions	6,527	25,215	31,742
Disposal of a subsidiary (Note 40(c))	–	(1,385)	(1,385)
Disposals	(8,333)	(70)	(8,403)
Depreciation charge (Note 7)	(29)	(26,716)	(26,745)
Closing carrying amounts	8,701	35,241	43,942
As at 31 December 2021 and 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			
Cost	**9,131**	**183,322**	**192,453**
Accumulated depreciation	**(746)**	**(89,742)**	**(90,488)**
Carrying amounts	**8,385**	**93,580**	**101,965**

The lease agreements do not impose any covenants, but leased assets may not be used as security of borrowing purpose.

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For the year ended 31 December 2022

19. Investment properties

	Buildings RMB'000
As at 1 January 2021	
Cost	21,342
Accumulated depreciation	(1,411)
Carrying amounts	19,931
Year ended 31 December 2021	
Opening carrying amounts	19,931
Additions	789
Depreciation charge (Note 7)	(543)
Closing carrying amounts	20,177
As at 31 December 2021 and 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	
Cost	**22,131**
Accumulated depreciation	**(2,888)**
Carrying amounts	**19,243**

During the year ended 31 December 2022, there is no rental income arising from investment properties (2021: Nil), and no direct operating expenses from investment properties (2021:Nil).

Investment properties were valued by direct comparison method where comparison is made based on prices realised 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 2022, 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 (2021: 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 2022 (2021: Same).

As at 31 December 2022, the fair value of the investment properties is approximately RMB19,720,000 (2021: RMB21,000,000).

As at 31 December 2022, none of investment properties were pledged (2021: 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 2021						
Cost	71,948	1,213,779	634,800	–	–	1,920,527
Accumulated amortisation	(6,046)	–	(41,184)	–	–	(47,230)
Carrying amounts	65,902	1,213,779	593,616	–	–	1,873,297
Year ended 31 December 2021						
Opening carrying amounts	65,902	1,213,779	593,616	–	–	1,873,297
Additions from acquisition of subsidiaries (Note 40(b))	185	915,704	436,000	79,058	16,000	1,446,947
Additions	73,526	–	–	–	–	73,526
Amortisation charge (Note 7)	(10,694)	–	(101,320)	(4,163)	(667)	(116,844)
Closing carrying amounts	128,919	2,129,483	928,296	74,895	15,333	3,276,926
As at 31 December 2021 and 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 40(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						
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)**
Carrying amounts	**123,440**	**1,740,300**	**972,934**	**62,830**	**13,333**	**2,912,837**

20. Intangible assets *(CONTINUED)*

(a) Goodwill

Impairment tests for goodwill arising from business combinations in prior year

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 2022. 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	2021
Revenue growth rate during the forecast period	**-4% to +56%**	+2% to +22%
Gross profit margin during the forecast period	**+7% to +28%**	+12% to +35%
Pre-tax discount rate	**+16% to +22%**	+15% to +22%

Impairment tests for goodwill arising from business combinations in current year

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 2022. 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 current year (continued)

For the purpose of impairment testing, goodwill has been allocated to 22 (2021: 17) 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:

	2022 RMB'000	2021 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**	226,600
Xi'an Fangrui acquired in 2020	**65,684**	103,601
Other 6 group entities acquired in 2020	**312,316**	359,158
3 group entities acquired in 2021	**133,947**	156,043
Suzhou Tianxiang acquired in 2022	**150,203**	–
Other 4 group entities acquired in 2022	**165,695**	–
	1,380,673	1,369,822
City services segment:		
Shi Lu Yuan acquired in 2021	**–**	249,725
Wuxi Jinshatian acquired in 2021	**359,627**	509,936
	359,627	759,661
	1,740,300	2,129,483

Based on management's assessment on the recoverable amounts of the subsidiaries acquired during the current and prior years, impairment losses on goodwill of RMB705,081,000 were made for the year ended 31 December 2022 (2021: Nil).

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 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 RMB394,859,000.

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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:

	2022 RMB'000	2021 RMB'000
Shenzhen Shi Lu Yuan Environmental Co., Ltd	20,539	–
Impairment of customer relationship	**20,539**	–

(c) Concession intangible assets

During the year ended 31 December 2021, the Group acquired sanitation company. The identified concession intangible assets which represents 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

During the year ended 31 December 2021, 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 ranging from 8-10 years or 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	
	2022 RMB'000	2021 RMB'000
Contingent consideration receivables arising from acquisitions of subsidiaries	84,250	–

At 31 December 2022, 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 RMB175,335,000 (2021: nil), net of the corresponding purchase considerations of RMB91,085,000 (2021: nil) (note 33). During the year ended 31 December 2022, a fair value gain of RMB175,335,000 is recognised in profit or loss (2021: nil) (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	
	2022 RMB'000	2021 RMB'000
Car parking space purchased from third parties	167,904	181,012
Other inventories	25,859	37,457
	193,763	218,469

23. Trade receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables		
– Related parties (Note 41(d))	**781,044**	528,460
– Third parties	**3,205,927**	2,784,809
	3,986,971	3,313,269
Note receivables		
– Related parties (Note 41(d))	**5,519**	143,978
– Third parties	**1,230**	11,091
	6,749	155,069
Less: allowance for impairment losses on trade receivables and note receivables	**(775,454)**	(313,396)
	3,218,266	3,154,942

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

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

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

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

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

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

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

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For the year ended 31 December 2022

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 2021	101,852	12,465	114,317	1,855	–	1,855
Charge for the year	130,718	889	131,607	65,077	–	65,077
Additions from acquisition of subsidiaries	540	–	540	–	–	–
As at 31 December 2021	**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**

Further details on the Group's credit policy for trade receivables are set out in Note 3(c)(i).

As at 31 December 2022, trade receivables of approximately RMB101,766,000 was pledged to secure borrowings granted to the Group (2021: RMB222,500,000) (Note 30).

24. Contract assets

	As at 31 December	
	2022 RMB'000	2021 RMB'000
City services – Third parties	**181,704**	173,926
Non-current	**173,853**	173,926
Current	**7,851**	–
	181,704	173,926

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	
	2022 RMB'000	2021 RMB'000
Prepayments		
Non-current prepayments		
– Prepayments to customers (Note (a))	**28,612**	61,353
– Other prepayments	**2,992**	1,035
	31,604	62,388
Current prepayments		
– Related parties (Note 41(d))	**17,910**	–
– Utilities	**49,312**	32,384
– Raw materials for value added services	**67,505**	12,613
– Other prepayments	**162,725**	82,507
	297,452	127,504
Subtotal	**329,056**	189,892
Other receivables		
– Advances to related parties (Notes (b) and 41(d))	**477,944**	303,143
– Advances to employees	**24,747**	6,552
– Payments on behalf of property owners (Note (c))	**87,866**	138,120
– Deposits	**178,784**	129,049
– Deposits paid for an exclusive right in sales of parking spaces (Note (d))	**1,164,597**	–
– Others	**297,708**	43,463
Subtotal	**2,231,646**	620,327
Total	**2,560,702**	810,219
Less: allowance for impairment of other receivables (Note (e))	**(340,461)**	(58,860)
	2,220,241	751,359
Non-current	**1,113,583**	62,388
Current	**1,106,658**	688,971
	2,220,241	751,359

(a) Prepayments to customers is the initial consideration paid to the schools under property management services to obtain the operation of the students' apartments. The amortisation period is 31 to 42 years based on such operation periods (2021: Same).

(b) Other receivables from related parties were unsecured, interest-free and repayable on demand. They mainly represent payment to related parties for the right of sales of car parking 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 utilities and elevator maintenance costs of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. Prepayments, deposits and other receivables *(CONTINUED)*

(d) Balances represent the deposit paid to a third party for an exclusive right in selling of parking spaces 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		
	12m ECL (not credit-impaired) RMB'000	**12m ECL (not credit-impaired)** RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2021	3,518	878	–	878
Charge for the year	40,661	13,803	–	13,803
As at 31 December 2021	**44,179**	**14,681**	**–**	**14,681**
Transfer to credit-impaired	**–**	**(14,681)**	**14,681**	**–**
Charge for the year	**47,751**	**–**	**233,850**	**233,850**
As at 31 December 2022	**91,930**	**–**	**248,531**	**248,531**

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/Restricted bank balances

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Cash on hand	**1,734**	806
Time deposits with maturity over three months	**2,360,000**	–
Cash at bank	**2,397,689**	9,870,745
	4,759,423	9,871,551
Time deposits with maturity over three months	**(2,360,000)**	–
Restricted bank balances	**(92,122)**	(29,452)
	2,307,301	9,842,099

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 2022 (2021: same)).

As at 31 December 2022, 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 RMB4,247,893,000 (2021: RMB7,024,307,000). 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 dollar and United States dollars amounted to approximately RMB491,132,000 (2021: RMB2,791,033,000) and RMB20,398,000(2021: RMB56,211,000) 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 2021, as at 1 January 2022 and as at 31 December 2022	3,500,000,000	35,000,000	30,350,583
Issued and fully paid			
As at 1 January 2021	2,363,973,000	23,639,730	20,499,417
Placing of new shares (Note (a))	115,000,000	1,150,000	945,553
As at 31 December 2021 and as at 1 January 2022	2,478,973,000	24,789,730	21,444,970
Repurchase and cancellation of shares (Note (b))	(10,800,000)	(108,000)	(87,158)
As at 31 December 2022	**2,468,173,000**	**24,681,730**	**21,357,812**

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

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

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 (2021: RMB223,785,000), capital reserve of approximately RMB1,200,184,000 (2021: 1,199,325,000), share options reserve of approximately RMB24,470,000 (2021: RMB33,867,000), and exchange reserve of approximately RMB310,354,000 (2021: RMB247,349,000).

– 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 (a) arising from transactions undertaken with non-controlling interests and (b) 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 RMB29,773,000 (2021: RMB33,867,000) 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.

Treasury reserve

Treasury reserve account of the Group comprises (a) the amount of shares repurchased by the Company but not yet cancelled at the end of reporting period and (b) the amount of shares deemed as capital contribution from shareholders granted under the share award scheme as set out in note 36 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			
	2022 RMB'000		2021 RMB'000	
	Current	**Non-current**	Current	Non-current
Claim provisions	**–**	**30,893**	–	4,796

As at 31 December 2022, the Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB30,893,000 (2021: RMB4,796,000).

30. Borrowings

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	**16,000**	20,000
– secured (Note)	**486,869**	752,541
	502,869	772,541
Less: Portion of long-term bank borrowings due within one year	**(251,504)**	(226,012)
	251,365	546,529
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured	**–**	39,800
– unsecured	**24,000**	5,000
Current portion of non-current borrowings	**251,504**	226,012
	275,504	270,812

Note: As at 31 December 2022, bank borrowings of RMB486,869,000 (2021: RMB792,341,000) 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 2022, the weighted average effective interest rates on borrowings were 5.2% (2021: 5.62%). All of the borrowings are denominated in RMB (2021: Same).

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 and 2021 is set out as below:

	Debt component RMB'000	Derivative component RMB'000
Issuance on 2 November 2021	2,392,055	144,803
Transaction cost on issuance	(19,136)	–
Effective interest expenses	31,340	–
Interest payable	(9,219)	–
Fair value change	–	(144,746)
Foreign exchange adjustment	(6,011)	–
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 (2021: Nil).

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.

31. Convertible bonds *(CONTINUED)*

(2) Redemption (continued)

Redemption at the option of the bondholders (continued)

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	
	2022 RMB'000	2021 RMB'000
Trade payables		
– Related parties (Note 41(d))	**19,750**	207
– Third parties	**1,155,353**	1,142,920
	1,175,103	1,143,127

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

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

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

33. Deposits received, accruals and other payables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Other payables		
– Payable to related parties (Note 41(d))	**90,499**	470,616
– Accrued expenses	**815,533**	674,958
– Amounts collected on behalf of property owners (Note (c))	**293,418**	83,576
– Consideration payables arising from non-controlling shareholders' put options (Note (b))	**331,261**	344,532
– Purchase consideration payables (Note (a))	**387,535**	464,888
– Interest payables	**4,624**	9,219
– Deposits received	**389,293**	207,871
– Other borrowings (Note (d))	**138,112**	66,312
– Other payables	**162,992**	76,993
	2,613,267	2,398,965
Non-current	**167,388**	333,135
Current	**2,445,879**	2,065,830
	2,613,267	2,398,965

(a) As at 31 December 2022, the outstanding contingent consideration payables for business combination amounted to approximately RMB387,535,000 (2021: RMB464,888,000), 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 are measured at fair value 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 2022, there are several put options guaranteed to the non-controlling shareholders of certain 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. 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 option is valued at RMB82,389,000 and fair value of the put option as at 31 December 2022 is RMB82,774,000 (2021: RMB81,695,000).

33. Deposits received, accruals and other payables *(CONTINUED)*

(b) (continued)

In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment LLP ("NTEIPs") which are the original shareholders of Zhejiang Sinew, and the acquisition agreement stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after 31 December 2022. 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 option is valued at RMB199,615,000 and the fair value of the put option as at 31 December 2022 is RMB197,974,000 (2021: RMB210,243,000).

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanshou 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 2022, the put option is valued as RMB50,513,000 (2021: RMB52,594,000).

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).

In the event that the options expire unexercised, the liability is derecognised with corresponding adjustments to (i) equity for the portion previously recognised in capital reserve at it initial recognition; and (ii) profit or loss for the remaining portion representing 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 (i) 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% and (iii) repayable within 1 to 3 years (2021: 1 to 4 years).

34. Leases liabilities

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

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Leased in properties for operation		
– Buildings	**88,303**	31,373
Lease liabilities		
Current	**34,403**	21,071
Non-Current	**53,900**	10,302
	88,303	31,373

(b) Amounts recognised in the profit or loss

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Depreciation charge		
– Land use rights (Note 18)	**316**	29
– Buildings (Note 18)	**47,989**	26,716
Finance costs on leases	**3,762**	4,860
	52,067	31,605

The weighted average incremental borrowing rates applied to lease liabilities is 5.23% (2021: 5.23%).

(c) Amounts recognised in the consolidated statements of cash flows

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Cash flow from financing activities		
Payments of interest element of lease liabilities	**3,762**	4,860
Payments of principal element of lease liabilities	**39,124**	21,074
	42,886	25,934

(d) A maturity analysis of lease liabilities is shown in the table below:

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Minimum lease payments (Note 3(d))	**97,553**	33,112
Future finance charge	**(9,250)**	(1,739)
Total lease liabilities	**88,303**	31,373

35. Deferred tax

The analysis of deferred tax assets in the consolidated statement of financial position was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	294,495	122,739
Net-off with deferred tax liability	(36,966)	(27,503)
	257,529	95,236
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	(183,842)	(234,892)
– Deferred tax liability to be recovered within 12 months	(29,136)	–
Net-off with deferred tax asset	36,966	27,503
	(176,012)	(207,389)

The net movement on the deferred tax account is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	(112,153)	(54,629)
Additions from acquisition of subsidiaries (Note 40)	–	14,186
Additions from acquisition – excess of value of intangible assets identified in business combination (Note 40)	(49,218)	(115,154)
Credited to consolidated statements of profit or loss (Note 13)	242,888	43,444
At end of the year	81,517	(112,153)

35. Deferred tax *(CONTINUED)*

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	Total RMB'000
As at 1 January 2021	36,289	674	51,716	4,586	93,265
Additions from acquisition of subsidiaries (Note 40(b))	14,186	–	–	–	14,186
Credited/(charged) to profit or loss	42,589	5,863	(33,764)	600	15,288
As at 31 December 2021 and 1 January 2022	**93,064**	**6,537**	**17,952**	**5,186**	**122,739**
Credited/(charged) to profit or loss	**169,211**	**1,156**	**(1,929)**	**3,318**	**171,756**
As at 31 December 2022	**262,275**	**7,693**	**16,023**	**8,504**	**294,495**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

35. Deferred tax *(CONTINUED)*

Deferred tax liabilities

	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Depreciation RMB'000	Total RMB'000
As at 1 January 2021	(147,240)	(654)	(147,894)
Additions from acquisition of subsidiaries (Note 40(b))	(115,154)	–	(115,154)
Credited to profit or loss	27,836	320	28,156
As at 31 December 2021 and 1 January 2022	**(234,558)**	**(334)**	**(234,892)**
Additions from acquisition of subsidiaries (Note 40(a))	**(49,218)**	**–**	**(49,218)**
Credited to profit or loss	**70,963**	**169**	**71,132**
As at 31 December 2022	**(212,813)**	**(165)**	**(212,978)**

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 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 board of directors of Shimao Group (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. During the year ended 31 December 2022, 2,583,127 shares (amounted to RMB42,239,000) and 758,918 shares (amounted to RMB12,410,000) out of the 4,866,137 shares granted in 2021 are vested and lapsed.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by Best Cosmos before being transferred to the employees when vesting conditions are fully met. Pursuant to the Scheme, the awarded shares are vested in two tranches of 60% and 40% on 30 April 2022 and 31 May 2023 respectively.

During the year ended 31 December 2022, 2,583,127 shares of the said shares were vested on 15 November 2022, and the remaining 1,524,092 shares will be vested on 31 May 2023.

36. Share award scheme *(CONTINUED)*

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 issuedshares 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 conditions and circumstances of the stock reward plan, 60% of the reward shares will be vested 6 months from the grant date, and 40% of the reward shares will be vested 18 months from the grant date.

The fair value of 2022 Grantee's services and 2021 Grantee's services received in return for shares awarded of approximately HK$10,645,000 and HK$97,323,000 (equivalent to approximately 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.

During the year ended 31 December 2022, 2,984,700 shares are deemed to be capital injection by ultimate holding company and the fair value of these shares is HK$7,909,000 (equivalent to approximately RMB7,107,000).

The Group recognised share-based payment expense relating to the shares granted pursuant to the Scheme of approximately RMB29,773,000 (2021: RMB33,867,000) in profit or loss during the year.

The weighted average fair value of the unvested shares granted during the year ended 31 December 2022 is HK$15,379,899, equivalent to RMB13,738,403 (2021: HK$77,801,055, equivalent to RMB63,610,143).

37. Dividends

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

A dividend in respect of the year ended 31 December 2020 amounted to approximately RMB217,695,000 has been approved by the board of directors after the reporting date and it has also been approved at the annual general meeting of the Company held in 26 May 2021. The relevant dividend amount of approximately RMB213,336,000 is recognised as distribution based on the exchange rate on payment date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

38. Cash flow information

(a) Cash flows (used in)/generated from operating activities

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax	**(958,722)**	1,495,703
Adjustments for:		
– Depreciation and amortisation (Note 7)	**349,337**	177,257
– Provision for impairment loss on financial assets – net (Note 7)	**743,659**	251,148
– Impairment loss on intangible assets (Note 20)	**725,620**	–
– Net gain on disposal of property, plant and equipment (Note 11)	**(34,554)**	(4,796)
– Net (gain)/loss on disposal of financial assets at fair value through profit or loss	**(17,725)**	13,978
– Finance cost (Note 12)	**216,298**	53,761
– Finance income (Note 12)	**(54,616)**	(30,775)
– Fair value (gain)/loss of consideration payables arising from non-controlling shareholders' put options (Note 11)	**(13,271)**	24,188
– Fair value changes in derivative embedded in convertible bonds (Note 31)	**(57)**	(144,746)
– Fair value gain on financial assets at FVPL (Note 11)	**(175,335)**	–
– Net loss/(gain) on disposal of a subsidiary (Note 11)	**343**	(69,059)
– Net foreign exchange (gain)/losses (Note 11)	**(828)**	6,422
– Share of results of associates (Note 16)	**(12,749)**	(13,396)
– Equity-settled share-based payment – Share Award Scheme (Note 7)	**29,773**	33,867
	797,173	1,793,552
Operating cash flows before movements in working capital		
– Change in restricted bank balances	**(62,670)**	(27,407)
– Change in inventories	**24,706**	73,636
– Change in trade receivables	**(525,382)**	(832,584)
– Change in contract assets	**(7,778)**	(138,212)
– Change in other operating assets	**(1,468,882)**	180,592
– Change in trade payables	**31,976**	(168,203)
– Change in contract liabilities	**(322,494)**	735,347
– Change in other operating liabilities	**127,191**	(322,209)
Cash flows (used in)/generated from operations	**(1,406,160)**	1,294,512

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
As at 1 January 2021	–	(30,000)	–	(20,705)	(50,705)
Addition of acquisition (Note 40(b))	(62,894)	(156,029)	–	–	(218,923)
Addition of lease liabilities	–	–	–	(31,742)	(31,742)
Interest expenses	(3,418)	(14,143)	(31,340)	(4,860)	(53,761)
Interest payable (included in other payables) (Note 33)	–	–	9,219	–	9,219
Cash flows	–	(617,169)	(2,536,858)	25,934	(3,128,093)
Foreign exchange adjustment	–	–	6,011	–	6,011
Other changes	–	–	163,882	–	163,882
Derivative component	–	–	57	–	57
As at 31 December 2021 and as 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)**
As at 31 December 2022	**(138,112)**	**(526,869)**	**–**	**(88,303)**	**(753,284)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

39. Commitments

Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Acquisition of subsidiaries:	–	415,200
Assets under construction net debt:	–	36,300
	–	451,500

40. 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.

40. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(a) Summary of acquisition for the year ended 31 December 2022 (continued)

(iii) Summary of acquisition

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.

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

40. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(a) Summary of acquisition for the year ended 31 December 2022 (continued)

(iii) Summary of acquisition (continued)

	Suzhou Tianxiang RMB'000	Others RMB'000	Total RMB'000
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

40. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(b) Summary of acquisition for the year ended 31 December 2021

(i) In April 2021, Shimao Tiancheng completed its acquisition of 67% of the equity interests in Shenzhen Shi Lu Yuan Environmental Co., Ltd.* (深圳世路源環境有限公司)) ("Shi Lu Yuan") (Formerly known as Shenzhen Shenxiong Environmental Co., Ltd.* (深圳深兄環境有限公司)) at a total consideration of RMB488,639,000, which consisted of a cash consideration of RMB439,386,000 and an estimated adjustable consideration of RMB49,253,000.

The total consideration would be paid in four 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 Shi Lu Yuan 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 (i) the audited net profit after taxation of Shi Lu Yuan for the year ended 31 December 2021; and (ii) the audited revenue of Shi Lu Yuan years ended/ending 31 December 2021, 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 Shi Lun Yuan.

(ii) In August 2021, Shimao Tiancheng completed its acquisition of 60% of the equity interests in Wuxi Jinshatian Technology Co., Ltd.* (無錫市金沙田科技有限公司) ("Wuxi Jinshatian") at a cash consideration of RMB859,683,000.

The consideration would be paid in three instalments with the last instalment being payable after the auditors designated by the Group has completed the audit of Wuxi Jinshatian for the year ended 31 December 2021 and that the conditions of the performance undertaking as described in further details below have been met.

According to the acquisition agreement, the vendor has provided guarantees over (i) the audited net profit after taxation of Wuxi Jinshatian for the year ended 31 December 2021; and (ii) the audited revenue of Wuxi Jinshatian years ended/ending 31 December 2021, 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 Wuxi Jinshatian.

(iii) The Group also acquired five other property management companies from independent third parties during the current year at a total consideration of RMB238,387,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

40. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(b) Summary of acquisition for the year ended 31 December 2021 (continued)

The excess of the considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

Details of the purchase considerations, the net identifiable assets acquired and goodwill are as follows:

	Shi Lu Yuan RMB'000	Wuxi Jinshatian RMB'000	Others RMB'000	Total RMB'000
Purchase consideration				
– Cash paid	409,608	589,680	195,831	1,195,119
– Payable	79,031	270,003	42,556	391,590
	488,639	859,683	238,387	1,586,709

	Shi Lu Yuan RMB'000	Wuxi Jinshatian RMB'000	Others RMB'000	Total RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed				
Cash and cash equivalents	5,090	22,375	19,937	47,402
Trade and bills receivables	66,334	553,718	35,826	655,878
Prepayments, deposits and other receivables	127,510	82,716	99,939	310,165
Contract assets	–	35,714	–	35,714
Inventories	–	24,209	663	24,872
Other current assets	4,413	30,855	47,071	82,339
Property, plant and equipment (Note 17)	96,745	162,887	2,046	261,678
Right-of-use assets (Note 18)	3,791	17,730	–	21,521
Customer relationship (Note 20)	171,000	217,000	48,000	436,000
Concession intangible assets (Note 20)	–	79,058	–	79,058
Computer software (Note 20)	–	185	–	185
Brand name (Note 20)	–	–	16,000	16,000
Deferred tax assets (Note 35)	1,089	13,097	–	14,186
Other non-current assets	510	1,832	1,292	3,634
Trade and other payables	(80,260)	(422,960)	(133,714)	(636,934)
Borrowings	(3,392)	(150,637)	(2,000)	(156,029)
Other current liabilities	(10,592)	(9,001)	(7,578)	(27,171)
Deferred tax liabilities (Note 35)	(25,650)	(75,504)	(14,000)	(115,154)
Net identifiable assets acquired	356,588	583,274	113,482	1,053,344
Less: non-controlling interests	(117,674)	(233,527)	(31,138)	(382,339)
Add: goodwill (Note 20)	249,725	509,936	156,043	915,704
Net assets acquired	488,639	859,683	238,387	1,586,709

40. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(b) Summary of acquisition for the year ended 31 December 2021 (continued)

The goodwill is attributable to the business prospects of the acquired businesses. It will not be deductible for tax purpose.

Net cash outflow arising on acquisitions during the year ended 31 December 2021:

	RMB'000
Cash consideration paid	1,195,119
Less: cash and cash equivalent in the subsidiaries acquired	(47,402)
Net cash outflows on acquisition	1,147,717

The fair value of trade and other receivables was approximately RMB983,645,000 and includes trade receivables with a fair value of approximately RMB655,878,000.

The acquired businesses contributed total revenues of approximately RMB846,891,000 and net profits of approximately RMB102,243,000 to the Group for the year ended 31 December 2021.

If the acquisition had occurred on 1 January 2021, the Group's consolidated pro-forma revenue and net profit for the year ended 31 December 2021 would have been approximately RMB1,539,813,000 and RMB155,240,000 respectively.

(c) 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)**

40. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(c) Disposal of a subsidiary with loss of control (continued)

Year ended 31 December 2021

During the year ended 31 December 2021, the Group disposed 70% equity interest of Huzhou Xinyu Education Development Co., Ltd, a subsidiary, to an independent third party. The disposal resulted in a net cash inflow of RMB91,383,000 and a net gain of RMB69,059,000.

Net assets disposed with reconciliation of disposal gains and cash inflow on disposal are as follow:

	Notes	RMB'000
Property, plant and equipment	17	38,862
Right-of-use assets	18	1,385
Cash and cash equivalents		3,602
Trade and other receivables and prepayments		6,463
Trade and other payable		(5,007)
Contract liabilities		(288)
Total identifiable net assets		45,017
Less: non-controlling interests		(12,091)
Net assets attribute to the equity holders of the Company		32,926
Gain on disposal of subsidiary	11	69,059
Cash consideration received		101,985
Less: Cash and cash equivalents in the entities disposed of		(3,602)
Less: Consideration receivable from the purchaser		(7,000)
Cash inflow from disposal		91,383

40. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

(d) Purchase consideration – cash outflow

Year ended 31 December 2022

Consideration	**Suzhou Tianxiang RMB'000 (40(a))**	**Others RMB'000 (40(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)**

Year ended 31 December 2021

Consideration	Shi Lu Yuan RMB'000	Wuxi Jinshatian RMB'000	Others RMB'000	Total RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired				
Balance acquired – cash and cash equivalents	5,090	22,375	19,937	47,402
Less: cash consideration paid	(409,608)	(589,680)	(195,831)	(1,195,119)
Net cash outflow on acquisitions	(404,518)	(567,305)	(175,894)	(1,147,717)

41. Related party transactions

(a) Names and relationship with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in the Cayman Islands which owns approximately 62.96% (2021: 62.82%) 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	
	2022 RMB'000	2021 RMB'000
Services provided to related parties		
– Shimao group	**576,627**	742,772
– Joint ventures and associates of Shimao Group	**134,687**	234,990
	711,314	977,762
Interest on lease liabilities paid to related parties		
– Shimao Group	**572**	523
Payment of lease liabilities in relation to leases with a related company		
– Shimao Group	**8,694**	7,263

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 RMB1,205,000 (2021: RMB569,000) per month and the lease terms will be expired in 1-3 years.

(ii) Discontinued transactions

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Distribution and deemed distribution		
– Shimao Group	**–**	142,546
Repayment of cash advance from related parties		
– Shimao Group	**–**	38,549

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties

(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	
	2022 RMB'000	2021 RMB'000
Salaries and other short-term employee benefits	**15,384**	21,508

41. Related party transactions *(CONTINUED)*

(d) Balances with related parties – trade

	As at 31 December	
	2022 **RMB'000**	2021 RMB'000
Receivables from related parties		
Trade Receivables (Note 23)		
– Shimao Group	**755,984**	515,595
– Joint ventures and associates of Shimao Group	**30,579**	156,843
	786,563	672,438
Prepayments, deposits and other receivables (Note 25) (Note)		
– Shimao Group	**418,398**	273,546
– Joint ventures and associates of Shimao Group	**77,456**	29,597
	495,854	303,143
Total receivables from related parties (before allowance for credit losses)	**1,282,417**	975,581
Less: Allowance of ECL	**(636,260)**	(97,246)
Total receivables from related parties (net of allowance for credit losses)	**646,157**	878,335
Payables to related parties		
Contract liabilities (Note 6)		
– Shimao Group	**46,966**	48,256
– Joint ventures and associates of Shimao Group	**9,550**	6,429
	56,516	54,685
Trade payables (Note 32)		
– Shimao Group	**16,076**	207
– Joint ventures and associates of Shimao Group	**3,674**	–
	19,750	207
Deposits received, accruals and other payables (Note 33)		
– Shimao Group	**56,915**	134,769
– Joint ventures and associates of Shimao Group	**33,584**	335,847
	90,499	470,616
Lease payable to related parties		
– Shimao Group	**23,919**	13,643
Total payables to related parties	**190,684**	539,151

Note: Included in the amount, the deposit of approximately RMB304,437,326 (2021: RMB252,637,000) was paid by the Group to Shimao Group for the rights of sales of car parking spaces. Such deposit paid together with the commission income of approximately RMB36,590,000 (2021: RMB83,036,000) generated from the sales of car parking spaces constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

41. Related party transactions *(CONTINUED)*

(e) Guarantees provided by related parties

As at 31 December 2022, the Group' bank borrowings included a borrowing of approximately RMB392,623,000 (2021: RMB646,044,000) bearing a fixed interest at 4%-6.27% per annum (2021: 4%-5% per annum) and expiring in 2026 was guaranteed by Shimao Group.

42. Contingencies

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties (2021: Nil).

43. 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 30% As at 31 December**	
	2022 RMB'000	2021 RMB'000
Current assets	**626,952**	592,651
Non-current assets	**281,776**	252,499
Current liabilities	**(325,554)**	(342,232)
Non-current liabilities	**(17,388)**	(7,464)
Equity attributable to equity holders of the Company	**(396,050)**	(346,818)
Non-controlling interests of Zhejiang Sinew	**(169,736)**	(148,636)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	**1,306,360**	1,172,772
Cost of sales	**(1,136,046)**	(1,019,756)
Profit and total comprehensive income for the year	**81,550**	119,015
Profit and total comprehensive income attributable to:		
– equity holders of the Company	**57,085**	83,311
– non-controlling interests	**24,465**	35,704
Dividend paid to non-controlling interests	**1,650**	–
Cash flow (used in)/generated from operating activities	**(12,058)**	73,013
Cash flow (used in)/generated from investing activities	**(8,420)**	90,985
Cash flow used in financing activities	**(9,350)**	(1,650)
Net cash (outflow)/inflow	**(29,828)**	162,348

43. Partly-owned subsidiaries with material non-controlling interests *(CONTINUED)*

NCI percentage	Wuxi Jinshatian 40% As at 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	**876,092**	757,008
Non-current assets	**315,985**	271,555
Current liabilities	**(395,551)**	(471,151)
Non-current liabilities	**(253,624)**	(119,070)
Equity attributable to equity holders of the Company	**(325,741)**	(263,005)
Non-controlling interests of Wuxi Jinshatian	**(217,161)**	(175,337)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	**1,062,749**	448,852
Cost of sales	**(898,028)**	(340,131)
Profit and total comprehensive income for the year	**26,673**	53,307
Profit and total comprehensive income attributable to:		
– equity holders of the Company	**16,004**	31,984
– non-controlling interests	**10,669**	21,323
Dividend paid to non-controlling interests	**4,689**	–
Cash flow generated from operating activities	**68,069**	61,656
Cash flow used in investing activities	**(50,865)**	(26,256)
Cash flow (used in)/generated from financing activities	**(41,805)**	8,001
Net cash (outflow)/inflow	**(24,601)**	43,401

The above subsidiary's 2022 revenue is still under their performance audit process, the performance guarantee for the year 2022 provided by the vendor at the time of acquisition is subject to confirmation by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

43. Partly-owned subsidiaries with material non-controlling interests *(CONTINUED)*

NCI percentage	Shi Lu Yuan 33% As at 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	**276,903**	275,886
Non-current assets	**78,839**	117,890
Current liabilities	**(111,908)**	(110,947)
Non-current liabilities	**(3,947)**	(5,017)
Equity attributable to equity holders of the Company	**(160,724)**	(186,135)
Non-controlling interests of Shi Lu Yuan	**(79,163)**	(91,677)
	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	**319,913**	304,274
Cost of sales	**(308,348)**	(214,401)
(Loss)/profit and total comprehensive (expense)/income for the year	**(34,310)**	51,634
(Loss)/profit and total comprehensive (expense)/income attributable to:		
– equity holders of the Company	**(22,987)**	34,595
– non-controlling interests	**(11,323)**	17,039
Cash flow generated from/(used in) operating activities	**6,609**	(4,878)
Cash flow used in investing activities	**(59,635)**	(3,237)
Cash flow (used in)/generated from financing activities	**(5,728)**	159,066
Net cash (outflow)/inflow	**(58,754)**	150,951

The above subsidiary's 2022 revenue is still under their performance audit process, the performance guarantee for the year 2022 provided by the vendor at the time of acquisition is subject to confirmation by the Company.

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

44(i) Statement of financial position of the Company

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Assets			
Non-current assets			
Prepayments, deposits and other receivables		**9,221,024**	9,188,269
Investment in subsidiaries		**212,275**	212,275
Total non-current assets		**9,433,299**	9,400,544
Current assets			
Cash and cash equivalents		**154**	298,666
Total current assets		**154**	298,666
Current liabilities			
Other payables		**2,349,264**	43,371
Convertible bonds	31	**–**	2,389,029
Derivative embedded in convertible bonds	31	**–**	57
Total current liabilities		**2,349,264**	2,432,457
Net assets		**7,084,189**	7,266,753
Equity attributable to owners of the Company			
Share capital	27	**21,357**	21,445
Reserves	44(ii)	**7,062,832**	7,245,308
Total equity		**7,084,189**	7,266,753

Signed on its behalf of the board by:

Ye Mingjie
Director

Cai Wenwei
Director

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

44(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 as at 1 January 2021	7,063,990	(1,094,119)	–	(15,300)	5,954,571
Loss and total comprehensive income for the year	–	–	–	109,848	109,848
Placing of new shares (Note 27(i)(a))	1,426,772	–	–	–	1,426,772
Equity-settled share-based payment-share award scheme (Note 36)	–	33,867	–	–	33,867
Dividend distribution (Note 37)	–	–	–	(213,336)	(213,336)
Capital injection from ultimate holding company (Note 36)	–	79,571	(79,571)	–	–
Repurchase of shares (Note 27(i)(b))	–	–	(66,414)	–	(66,414)
Balance at 31 December 2021 and as at 1 January 2022	**8,490,762**	**(980,681)**	**(145,985)**	**(118,788)**	**7,245,308**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**(212,336)**	**(212,336)**
Equity-settled share-based payment – share award scheme (Note 36)	**–**	**29,773**	**–**	**–**	**29,773**
Vesting of shares under share award scheme (Note 36)	**(8,372)**	**(33,867)**	**42,239**	**–**	**–**
Lapse of shares under share award scheme (Note 36)	**–**	**(12,410)**	**12,410**	**–**	**–**
Capital injection from ultimate holding company (Note 36)	**–**	**7,107**	**(7,107)**	**–**	**–**
Cancellation of the repurchased shares (Note 27(i)(b))	**(66,327)**	**–**	**66,414**	**–**	**87**
Balance as at 31 December 2022	**8,416,063**	**(990,078)**	**(32,029)**	**(331,124)**	**7,062,832**

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