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

2024
ANNUAL REPORT 年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hui Sai Tan, Jason *(Chairman)*
Shao Liang *(President)*
Cao Shiyang

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

Grant Thornton Hong Kong Limited
Certified Public Accountants and
Registered Public Interest Entity Auditor

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tower One, Lippo Centre
89 Queensway
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai
PRC

Website: www.shimaofuwu.com

REGISTERED OFFICE

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103 South Church Street
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 873

INVESTOR AND MEDIA RELATIONS

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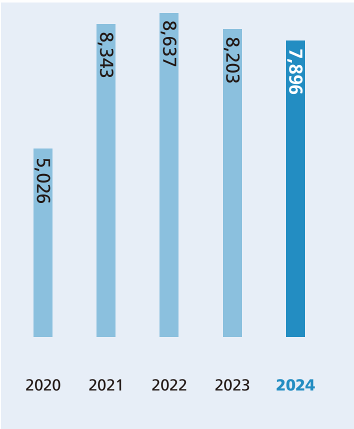
Telephone: (86) 21 3861 1216

FIVE YEARS FINANCIAL SUMMARY

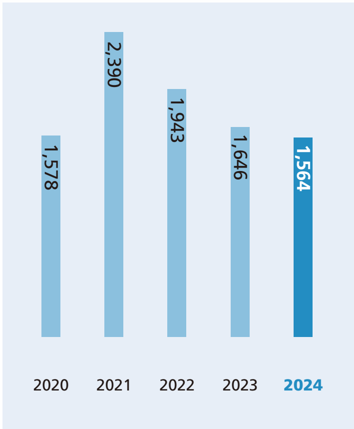
REVENUE

(RMB million)



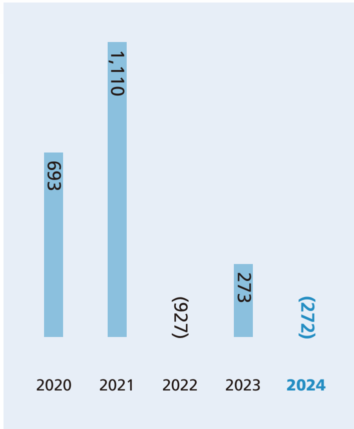
GROSS PROFIT

(RMB million)



(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(RMB million)



FIVE YEARS FINANCIAL SUMMARY

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	**7,895,536**	8,202,668	8,636,811	8,343,432	5,025,688
Cost of sales and services	**(6,331,253)**	(6,556,236)	(6,693,853)	(5,953,343)	(3,447,939)
Gross profit	**1,564,283**	1,646,432	1,942,958	2,390,089	1,577,749
Selling and marketing expenses	**(116,258)**	(136,643)	(233,485)	(184,342)	(52,444)
Administrative expenses	**(827,492)**	(989,518)	(1,356,454)	(688,990)	(562,336)
Loss on disposal of subsidiaries	**(589,143)**	–	–	–	–
Impairment losses on financial assets – net	**(142,878)**	(86,595)	(743,659)	(251,148)	(70,527)
Impairment losses on intangible assets	**(45,829)**	(121,316)	(725,620)	–	–
Fair value changes in derivative embedded in convertible bonds	**–**	–	57	144,746	–
Impairment losses on asset classified as held for sales	**(2,306)**	–	–	–	–
Provision for inventories	**(31,818)**	–	–	–	–
Other income	**25,330**	66,029	94,412	75,301	40,873
Other gains and losses – net	**15,023**	(23,976)	252,791	26,492	(24,662)
Other operating expenses	**(6,626)**	(10,844)	(40,789)	(6,855)	(11,601)
Operating (loss)/profit	**(157,714)**	343,569	(809,789)	1,505,293	897,052
Finance income	**31,501**	78,106	54,616	30,775	11,407
Finance costs	**(30,879)**	(45,932)	(216,298)	(53,761)	(14,587)
Share of results of associates	**9,348**	12,102	12,749	13,396	10,915
(Loss)/Profit before income tax	**(147,744)**	387,845	(958,722)	1,495,703	904,787
Income tax (expense)/credit	**(75,214)**	(71,097)	82,050	(278,857)	(180,469)
(Loss)/Profit for the year	**(222,958)**	316,748	(876,672)	1,216,846	724,318
(Loss)/Profit attributable to:					
Equity holders of the Company	**(272,363)**	273,245	(927,120)	1,110,447	692,952
Non-controlling interests	**49,405**	43,503	50,448	106,399	31,366
Non-current assets	**3,338,544**	5,057,499	5,313,601	4,226,524	2,488,113
Current assets	**9,648,934**	9,182,539	9,285,961	13,933,933	8,416,910
Current liabilities	**4,768,067**	5,243,723	5,552,777	7,831,183	4,026,423
Net current assets	**4,880,867**	3,938,816	3,733,184	6,102,750	4,390,487
Total assets less current liabilities	**8,219,411**	8,996,315	9,046,785	10,329,274	6,878,600
Non-current liabilities	**180,368**	350,162	679,558	1,102,151	137,755
Equity attributable to equity holders of the Company	**7,658,752**	7,916,440	7,567,544	8,527,037	6,447,987
Non-controlling interests in equity	**380,291**	729,713	799,683	700,086	292,858
Total equity	**8,039,043**	8,646,153	8,367,227	9,227,123	6,740,845

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, collectively, the "Group") for the year ended 31 December 2024.

Market and Industry

In 2024, China's real estate industry was generally persisted on adjustment trend. New home sales and sales gross floor area ("GFA") nationwide fell back to the level of 2009 to 2010. Newly-started residential GFA accounted for 75% of that of new home delivered, indicating that unsold housing was built much slower than it was sold and that a new cycle of destocking in the real estate market has begun.

The way the property management services industry boosted its revenue changed significantly as well, with challenges facing the previous model of driving growth by adding new projects. With more large-scale property management services companies setting their sights on the existing stock and non-residential market for further expansion, basic property management services have regained relevance and become a key driving force for industry growth.

Since the fourth quarter of 2024, the real estate industry has seen a turnaround supported by a raft of policies to reverse the downturn and stabilise the real estate market. The central and local governments have introduced a series of measures to facilitate the stabilisation of the property market, aiming to stimulate market demand and stabilise market confidence. At the same time, policymakers announced that 6 million affordable housing units will be put on the market in the coming five years. That was echoed by the Ministry of Housing and Urban-Rural Development and the Ministry of Finance with a joint statement on promoting the "urban village redevelopment" project piloted in 35 megacities to more than 300 above-prefecture-level cities across the country.

With a keen eye for market changes, large-scale property management services companies took the lead in adjusting strategic layout by focusing core competitiveness on enhancing service quality. In particular, they further penetrated customer needs to establish benchmark products with unique service characteristics. As a result, they stood out in highly competitive environment, consolidating and elevating their market positions. By strengthening business capabilities and optimising management process, they have not only increased customer satisfaction and loyalty, but also laid a solid foundation for expanding diversified value-added services, thereby continuously scaling up the overall operations.

In the symposium on private enterprises held on 17 February 2025, it was pointed out that the private economy forms a backbone of high-quality development and plays an indispensable role in stabilising growth, facilitating innovation, increasing employment, and improving people's livelihood.

The property management services industry goes hand in hand with people's well-being. It consolidates an array of practices, employing people across different levels of education and qualifications, provides clean, safe and comfortable living and working environment, and creates communities with plentiful cultural activities that enhance living standards.

From a long-term perspective, the property management services industry has the strongest customer base and the steadiest customer demand. Large-scale property management services companies are not only the builders of ideal urban life, but also a key force to enhance the happiness of residents. During the transformation in the industry, the Group shall be able to achieve long-term and upward development with unwavering confidence, internal strength and innovation capabilities.

Annual Results

The Group recorded revenue of RMB7,895.5 million, gross profit of RMB1,564.3 million, and core net profit attributable to equity holders of the Company of RMB492.4 million in 2024. The GFA under management amounted to 218.4 million sq.m. and the contracted GFA reached 314.3 million sq.m.. Gross profit margin was 19.8% and core net profit margin attributable to equity holders of the Company was 6.2%.

- **Focus on Market Expansions**

  Throughout 2024, Shimao Services had been steadfast in advancing towards the key goal of market expansion.

  At the selection stage, the Company always stays prudent in conducting comprehensive and in-depth evaluations of basic terms for projects. The special investment and development committee was thus set up for multi-departmental joint assessment to make concerted efforts to screen the best among the best at all levels of stringent quality control. This is to ensure a solid foundation was built from the beginning to safeguard the effective operation and management as well as the overall profitability of projects upon delivery.

  In terms of regional layout, Shimao Services has strategically identified key cities and focused its superior manpower and resources on developing the market with better prospect and unleashing the potential in such regions, with a target to build signature projects in each of these regions for greater brand influence and market share.

  In terms of bidding ability, with its profound insight into customer demand and accurate position, Shimao Services, through meticulous design, launched a series of high-quality products. By putting business segments together, the Company integrated all quality resources within the Group to fully meet the diversified needs of customers.

  In 2024, Shimao Services achieved fruitful results on its market expansion. Additional annualised contract amount reached RMB1,482.7 million, representing a year-on-year increase of 28.2%; newly-added contracted GFA was 43.1 million sq.m., representing a year-on-year increase of 3.4%; and average price of property management fee for newly-added projects amounted to RMB2.9 per sq.m. per month, representing a year-on-year increase of 26.1%.

  Third-party bidding expansion not only hit new highs, but also built a strong momentum for the Company's own sustainable development amid fiercer market competition for higher goals.

- **Stable Operation**

  In 2024, property management services, as the core business segment of Shimao Services, showed a steady upward trend. Despite the overall subdued economic development and the ongoing downturn in the real estate industry in recent years, Shimao Services has continued to achieve fruitful results based on its profound understanding of the industry and excellent operation and management capabilities.

  The Group's revenue from property management services reached RMB5,564.3 million, representing a year-on-year increase of 5.1%, reflecting its immense strength and strong core competitiveness in the field of basic property management services.

  As of 2024, residential projects accounted for 63.9% of Shimao Services' projects under management, constituting a solid base for the business. Among these residential projects, up to 74.4% are located in first-tier, new first-tier and second-tier cities. These high-performance cities bring together abundant resources and consumer groups. By virtue of a high proportion of projects layout, Shimao Services has established a firm foothold, enabling it to fully cater to the different needs of local residents, broaden space for diversified value-added services, and enjoy constant and strong growth momentum.

- **Return to Quality**

  Throughout 2024, Shimao Services upheld the idea of "putting service and quality first" for its enhancement in service quality. Better "service capabilities" served as the core that ran through the planning and implementation of every task.

  In the residential business segment, the Company continued to optimise its service system, creating affordable, basic and upscale benchmark projects suitable for different customer groups. With refined services, these projects allowed property owners to have a warm and comfortable home in pursuit of living quality.

  In the non-residential business segment, Shimao Services further deepened the cooperation with customers to enhance the overall satisfaction and constructed more influential non-residential complex benchmark projects. With innovative service models, combined with improved operational efficiency, customers were provided with a better and well-rounded service experience.

  Customer satisfaction is the gauge of services. Shimao Services kept improving its service process and quality by grasping what customers really cared about, in an attempt to forge a quality service system with Shimao's characteristics. Building a series of representative and distinctive benchmark projects is beneficial to the Company for building up a good reputation in the industry, expanding market influence and enhancing comprehensive market competitiveness.

- **Structural Transformation**

  In 2024, Shimao Services implemented a series of forward-looking strategic initiatives to promote a comprehensive organisation optimisation and upgrading in order to realise the integration of efficient operation and cultural cohesion.

  Following the restructuring, the Company now covers 4 regions and 18 districts, with streamlined organisation and improved operation and management efficiency.

  Multi-level and multi-session professional courses on culture and mindset, complemented with trainings, were provided to managers at all levels to improve their business philosophy and management capabilities. For example, "7:30 classroom for managers" was launched to promote the iteration of management mechanism and build management consensus; "Win a gold medal" set an excellence benchmark to encourage staff to perform better; "five codes of conduct" stimulated the vitality of the organisation to create a positive working atmosphere.

Future Outlook

Operation Purpose and Orientation

In 2025, the Company will regard stable and healthy operation as its core operation principle and take the following actions accordingly. The Company will, firstly, strive to restructure the existing operation for more reasonable allocation of resources; secondly, open up new market channels for third-party bidding expansion in keeping up with industry trends and market demand, and grasping business opportunities in emerging fields; thirdly, vigorously explore new resources and the potential of each project, and provide convenient services through innovative service models and methods to generate revenue, after taking into account the living scenarios and actual needs of community property owners.

Business Operation Strategy

For the residential business segment, Shimao Services will solidify customer base and enlarge market share through high-quality service and good reputation, while maintaining its business scale. It will lower the costs and expand value-added services to help generate steady profit.

For the non-residential business segment, it shall be separated from the residential business segment. Shimao Services will focus on cultivating independent operation capabilities. A professional non-residential business team will be established to build a separate system covering market expansion, operation management and customer service in order to achieve independent operation in the future.

Four Major Campaigns

- ***Revenue Growth***

  "To improve retention". The Company will pay attention to customer retention, provide high-quality and diversified services, closely align with customer needs, enhance the emotional bond between customers and enterprises, and stabilise the foundation of existing business.

  "To enhance diversified value-added services business". The Company will enrich the types of value-added service business, and explore new service growth points based on the actual needs of users. It will optimise the allocation of common space resources, enhance the efficiency per square metre, and maximise the output per unit space.

  "To increase new projects from market expansion". The Company will actively explore the market, with professional service capabilities and competitive advantages, break market boundary to achieve continuous expansion of business scale.

- ***Cost Control***

  "Staff's efficiency enhancement". The Company will enhance the work skills and efficiency of employees, and increase per capita output and per capita profit by optimising staffing and strengthening training. It will promote business process optimisation, streamline management, and reduce management costs.

  "Cost reduction". The Company will conduct in-depth analysis of cost composition and implement refined cost management. It will strictly control the budget, strengthen cost monitoring and analysis from procurement, on-site operations to other areas, for the purpose of ensuring effective cost control.

- ***Quality Improvement***

  "Residential business segment". The Company will comprehensively renew image, standards and service in order to bring a new experience to the owners, and ensure that the service is meticulous. It will strengthen feedback and innovation, fully collect the opinions of owners, and review and adjust service strategies in a timely manner. It will also carry out special empowerment training to improve the professional quality of employees.

  "Non-residential business segment". The Company will introduce equipment armed with intelligent management system, so as to improve operational efficiency and accuracy. It will promote the standardisation and specialisation of services, and provide customers with high-quality, efficient and standardised services. It will also propel the improvement of service quality by creating benchmark projects.

- ***Management Improvement***

  "Management training". The Company will rely on the "Future Forest College" for the offering of special training programs for personnel at different levels, so as to comprehensively cultivate the operation and management capabilities of employees and solidly promote the echelon construction of the core employees.

  "Professional empowerment". The Company will arrange on-the-job training for basic positions to comprehensively improve employees' basic business capabilities. The management will help to solve the practical work problems at the frontline and realise the iteration and upgrade of customer service capabilities.

Social Responsibility

Shimao Services, as an enterprise with a deep sense of social responsibility, always keeps in mind its social responsibility to achieve common prosperity with society, employees, customers and investors, and actively fulfills its responsibility and commitment while pursuing its own development.

Under the advocacy of the national policy "property service + life service", in 2024, Shimao Services focused on the three major aspects of "hardware improvement, soft enhancement, and community culture construction" to carry out quality improvement actions, creating a wonderful community for owners with warm and heartfelt services.

The Company will create environmentally friendly projects that reduce the environmental impact of our operation. For the residential business segment, through the establishment of energy conservation and consumption reduction management mechanisms and the setting of energy conservation targets, it will conduct regular management of energy consumption, and build the ecological community with the owners. For the non-residential business segment, the Company will, by focusing on the integration of waste treatment, renewable energy utilisation and environmental sanitation, promote the development of urban circular economy and improve the development of green industries.

In 2024, Shimao Services' Environmental, Social and Governance ("ESG") rating was upgraded from BB to BBB by Morgan Stanley Capital International (MSCI), and won the "2024 China's Top 10 Listed Property Management Companies for ESG Sustainability" and "2024 Best ESG Practices of China's Listed Property Enterprises".

Acknowledgement

In 2024, the domestic economy underwent a period of recovery, transformation and upgrading against the volatility in the capital market. On behalf of the Board, I would like to extend my heartfelt gratitude and deepest respect to our shareholders, business partners, local governments, property owners, customers and dedicated staff of Shimao Services for their immense support. Your understanding and support in joining hands with us are very much appreciated.

We believe "responsibility" and "collaborative breakthrough" will help us "secure the fruitful results".

Amid the ever-changing landscape of the industry, Shimao Services will embrace changes with a more positive attitude, give full play to its own advantages, be pragmatic and innovative, overcome difficulties, bravely meet new challenges and opportunities, and create greater value for shareholders.

Hui Sai Tan, Jason
Chairman

Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

➢ Business Overview

The Group aims to become a leading comprehensive property management services provider in China, providing property owners with high quality property management services and diversified value-added services tailored to the needs of customers. 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 of 31 December 2024, the Group recorded revenue of RMB7,895.5 million and gross profit of RMB1,564.3 million; loss for the year of RMB223.0 million and loss attributable to equity holders of the Company of RMB272.4 million.

As at 31 December 2024, the Group provided a wide variety of services for 1,447 projects, covering various types of properties, including residential, universities and colleges, public buildings, industrial parks and hospitals, etc. The GFA under management amounted to 218.4 million sq.m., and contracted GFA was 314.3 million sq.m..

➢ Property Management Services

- ***Representing 70.5% of total revenue and 71.6% of total gross profit***
  For the full year of 2024, the Group's property management services recorded higher revenue and stabilised profit margins.

  As of 31 December 2024, the Group's revenue from property management services recorded RMB5,564.3 million, representing a year-on-year increase of 5.1% as compared to RMB5,291.9 million in 2023, which was mainly attributable to (1) the Group's proactive third-party bidding expansion with increase in GFA under management; (2) the outstanding capability and excellent performance of the team responsible for third-party bidding expansion, and the quality of the newly-added projects was better than that of the existing projects; (3) enhanced quality of the Group's property management services, contributing to an increase in the total contract value of projects under management; and (4) an increase in the GFA under management delivered by Shimao Group Holdings Limited ("Shimao Group") to the Group, contributing to the growth of revenue from property management services.

  As of 31 December 2024, gross profit from property management services of the Group recorded RMB1,120.8 million, representing a year-on-year increase of 5.2% as compared to RMB1,065.4 million for the same period of 2023. Gross profit margin was 20.1%, which remained stable as compared to 20.1% for the same period of 2023, which was mainly because since May 2024, the Group has focused on enhancing management effectiveness and optimising the portfolio of projects under management; it has striven to enhance its project management capabilities and reduce costs while increasing efficiency by strictly controlling its frontline management costs; it has promoted energy-saving reforms to reduce utility cost, contributing to stable profitability of the property management services business.

  The following table sets forth the Group's revenue, gross profit and gross profit margin from property management services for the years ended 31 December 2024 and 31 December 2023, respectively:

	For the year ended 31 December	
	2024	2023
Revenue (RMB million)	**5,564.3**	5,291.9
Gross profit (RMB million)	**1,120.8**	1,065.4
Gross profit margin (%)	**20.1%**	20.1%

MANAGEMENT DISCUSSION AND ANALYSIS

- ***Remained stable in management scale***

  For the full year of 2024, the Group's management scale remained stable and the overall structure of project portfolio was further enhanced.

  As at 31 December 2024, the Group's GFA under management amounted to 218.4 million sq.m., representing a year-on-year decline of 12.8% as compared to 250.6 million sq.m. for the same period of 2023; the Group's contracted GFA was 314.3 million sq.m., representing a year-on-year decline of 5.4% as compared to 332.3 million sq.m. for the same period of 2023.

  As at 31 December 2024, the GFA under management from independent third-party developers was 156.1 million sq.m., accounting for 71.5%; the contracted GFA from independent third-party developers was 238.1 million sq.m., accounting for 75.8%, which was mainly attributable to the continuous enhancement of the Group's market expansion business capabilities, with projects from third-party bidding expansion becoming the most important source of the Group's GFA under management and contracted GFA, fuelling the Group's business development.

  The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property developer type as at 31 December 2024 and 31 December 2023, respectively:

	As at 31 December			
	2024		2023	
	Area (sq.m. in million)	**Percentage (%)**	Area (sq.m. in million)	Percentage (%)
GFA under management	**218.4**	**100%**	250.6	100%
Among which:				
From Shimao Group and its co-developers	**62.3**	**28.5%**	61.6	24.6%
From independent third-party developers	**156.1**	**71.5%**	189.0	75.4%
Contracted GFA	**314.3**	**100%**	332.3	100%
Among which:				
From Shimao Group and its co-developers	**76.2**	**24.2%**	76.8	23.1%
From independent third-party developers	**238.1**	**75.8%**	255.5	76.9%

  As at 31 December 2024, the Group's GFA under management of residential properties was 139.6 million sq.m., accounting for 63.9%, representing an increase of 6.9 percentage points as compared to 57.0% for the same period of 2023; contracted GFA of residential properties was 193.0 million sq.m., accounting for 61.4%, representing an increase of 4.4 percentage points as compared to 57.0% for the same period of 2023.

  As at 31 December 2024, by GFA under management, 74.4% of the Group's residential property projects located in first-tier, new first-tier and second-tier cities in the PRC. Quality projects under management and steady and healthy management scale not only contributed to the Group's revenue from property management services on an ongoing basis, but also provided the basis for the development and growth opportunities of various community value-added services businesses.

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property type as at 31 December 2024 and 31 December 2023, respectively:

	As at 31 December			
	2024		2023	
	Area (sq.m. in million)	**Percentage (%)**	Area (sq.m. in million)	Percentage (%)
GFA under management	**218.4**	**100%**	250.6	100%
Among which:				
Residential properties	**139.6**	**63.9%**	142.9	57.0%
Non-residential properties	**78.8**	**36.1%**	107.7	43.0%
Contracted GFA	**314.3**	**100%**	332.3	100%
Among which:				
Residential properties	**193.0**	**61.4%**	189.4	57.0%
Non-residential properties	**121.3**	**38.6%**	142.9	43.0%

As of 31 December 2024, the Group's terminated GFA under management amounted to 60.9 million sq.m., representing a year-on-year increase of 7.2% as compared to 56.8 million sq.m. for the same period of 2023, and the Group's terminated contracted GFA amounted to 62.2 million sq.m., representing a year-on-year increase of 5.1% as compared to 59.2 million sq.m. for the same period of 2023.

The following table sets forth the Group's terminated GFA under management and terminated contracted GFA which were categorised by property type for the years ended 31 December 2024 and 31 December 2023, respectively:

	For the year ended 31 December			
	2024		2023	
	Area (sq.m. in million)	**Percentage (%)**	Area (sq.m. in million)	Percentage (%)
Terminated GFA under management	**60.9**	**100%**	56.8	100%
Among which:				
Residential properties	**15.4**	**25.3%**	18.7	32.9%
Non-residential properties	**45.5**	**74.7%**	38.1	67.1%
Terminated contracted GFA	**62.2**	**100%**	59.2	100%
Among which:				
Residential properties	**15.8**	**25.4%**	19.5	32.9%
Non-residential properties	**46.4**	**74.6%**	39.7	67.1%

The Group focused on operational efficiency and took stock of all projects under management on a systematic basis. Through benchmarking research and project evaluation, it proactively aligned the resource allocation strategies according to the development potential and operational contribution of each project. This resulted in a remarkable improvement in the quality of project operations, building a solid foundation for the Group against market competitions and unleashing more vitality for development.

MANAGEMENT DISCUSSION AND ANALYSIS

- ***High quality projects from third-party bidding expansion***

For the full year of 2024, the Group was determined and aggressive in stepping up the third-party bidding expansion, and has won market recognition for its quality services and products, achieving a record high in third-party bidding expansion. As of 31 December 2024, the Group's annualised contract amount of new projects from third-party bidding expansion recorded RMB1,482.7 million, representing a year-on-year increase of 28.2% as compared to RMB1,156.5 million for the same period of 2023; the newly-added contracted GFA was 43.1 million sq.m., representing a year-on-year increase of 3.4% as compared to 41.7 million sq.m. for the same period of 2023; and the newly-added GFA under management was 21.5 million sq.m., representing a year-on-year decrease of 25.3% as compared to 28.8 million sq.m. for the same period of 2023. The average price of property management fee for new projects from third-party bidding expansion was RMB2.9 per sq.m. per month, representing a year-on-year increase of 26.1% as compared to RMB2.3 per sq.m. per month for the same period of 2023.

The proportion of contracted GFA of the newly-added residential properties from third-party bidding expansion reached 42.9%, among which brand new residential properties and second-hand residential properties accounting for 18.3% and 24.6%, respectively, which had a positive impact on the average price of property management fee and profit margin.

Despite the continued downturn of the real estate market, the Group managed to achieve several record high annualised contract amount of projects from third-party bidding expansion, with even higher quality of bid-winning projects and intensified demonstrative effect, which fully reflected the pioneering spirit and business capability of the Group's new management team.

The following table sets forth the Group's newly-added GFA under management and newly-added contracted GFA by projects from third-party bidding expansion which were categorised by property type for the years ended 31 December 2024 and 31 December 2023, respectively:

	For the year ended 31 December			
	2024		2023	
	Area (sq.m. in million)	**Percentage (%)**	Area (sq.m. in million)	Percentage (%)
Newly-added GFA under management	**21.5**	**100%**	28.8	100%
Among which:				
Residential properties	**6.0**	**27.9%**	8.7	30.2%
Non-residential properties	**15.5**	**72.1%**	20.1	69.8%
Newly-added contracted GFA	**43.1**	**100%**	41.7	100%
Among which:				
Residential properties	**18.5**	**42.9%**	14.2	34.1%
Non-residential properties	**24.6**	**57.1%**	27.5	65.9%

➢ Community Value-Added Services

- ***Representing 15.3% of total revenue and 18.2% of total gross profit***

  As of 31 December 2024, the Group's revenue from community value-added services amounted to RMB1,207.7 million, representing a year-on-year decrease of 11.4% as compared to RMB1,362.9 million for the same period of 2023, which was mainly due to (1) a significant reduction in scale of some businesses with most relevance to the real estate industry (such as the carpark asset operation services and the home decoration services) under the impact of the overall downturn of the real estate industry; and (2) the changes in the domestic economic conditions and overall consumption sentiment causing spending of consumer to be more prudent, which posed certain challenges for the community asset management services.

  Since May 2024, the Group has optimised and adjusted its development strategy for the community value-added services. On the one hand, it had focus on the businesses relating to the daily lives of residents, actively explored and cultivated new business models, and created a convenient and efficient "5-minute living circle", so as to provide customers with a more caring and immediate service experience. On the other hand, based on comprehensive consideration of market competitiveness and profitability, the Group decided to suspend some of its businesses with less prominent advantages and relatively lower profit margins, and to focus its resources and efforts on enhancing its core business capabilities.

  As of 31 December 2024, the Group's gross profit of community value-added services was RMB284.3 million, representing a year-on-year decrease of 20.0% as compared to RMB355.5 million for the same period of 2023, which was mainly due to the reduction in scale of segment businesses and the change in gross profit structure.

  The following table sets forth the Group's revenue from community value-added services by category for the years ended 31 December 2024 and 31 December 2023, respectively:

	For the year ended 31 December					
	2024		2023			
	Revenue (RMB million)	**Percentage (%)**	Revenue (RMB million)	Percentage (%)	Change in revenue (%)	Change in percentage (percentage point)
Community asset management services	**243.1**	**20.1%**	280.8	20.6%	-13.4%	decrease by 0.5 percentage point
Smart scenario solutions	**81.9**	**6.8%**	85.6	6.3%	-4.3%	increase by 0.5 percentage point
Carpark asset operation services	**264.6**	**21.9%**	294.6	21.6%	-10.2%	increase by 0.3 percentage point
Home decoration services	**69.7**	**5.8%**	126.5	9.3%	-44.9%	decrease by 3.5 percentage points
Campus value-added services	**361.1**	**29.9%**	412.7	30.3%	-12.5%	decrease by 0.4 percentage point
Elderly care services	**187.3**	**15.5%**	162.7	11.9%	15.1%	increase by 3.6 percentage points
Sub-total of community value-added services	**1,207.7**	**100%**	1,362.9	100%	-11.4%	N/A

- ***For community asset management services, revenue was RMB243.1 million, representing a year-on-year decrease of 13.4% as compared to RMB280.8 million for the same period of 2023***
  For the full year of 2024, revenue was affected by a number of factors, including the overall market downturn in the real estate industry and shift in consumption trends due to changes in the economic conditions, which resulted in weakened customer demand for community common space services and indoor services.

- ***For smart scenario solutions, revenue was RMB81.9 million, representing a year-on-year decrease of 4.3% as compared to RMB85.6 million for the same period of 2023***
  For the full year of 2024, the Group launched the smart multi-scenario solutions output business, providing one-stop services of solutions, design, engineering, commissioning and operation and maintenance; and launched the research and development and sales business of smart products, providing products such as whole-house smart devices, smart parking and smart passages, with stable revenue. However, gross profit margin declined year-on-year due to the general downturn in the real estate industry and overall subdued consumption.

- ***For carpark asset operation services, revenue was RMB264.6 million, representing a year-on-year decrease of 10.2% as compared to RMB294.6 million for the same period of 2023***
  For the full year of 2024, due to the impact of the continuing overall downturn in the domestic real estate industry, the demand for parking spaces from property owners reduced, affecting the revenue of the carpark sales business.

- ***For home decoration services, revenue was RMB69.7 million, representing a year-on-year decrease of 44.9% as compared to RMB126.5 million for the same period of 2023***
  For the full year of 2024, due to the ongoing downturn in the real estate industry, the overall number of newly-built projects and new project deliveries continued to drop in the market, resulting contraction in business scale and reduced revenue and profit margin.

- ***For campus value-added services, revenue was RMB361.1 million, representing a year-on-year decrease of 12.5% as compared to RMB412.7 million for the same period of 2023***
  For the full year of 2024, due to the impact of changes in the overall economic conditions, some public institutions contracted their service demand, which affected revenue. Nonetheless, the Group proactively responded to the market changes, strengthened its operation and management capabilities, and effectively controlled costs, all of which resulted in an essentially stable gross profit margin.

- ***For elderly care services, revenue was RMB187.3 million, representing a year-on-year increase of 15.1% as compared to RMB162.7 million for the same period of 2023***
  For the full year of 2024, Shanghai Chunqiji Elderly Care Services Co., Ltd. (上海椿祺集養老服務有限公司) ("Healthtop") actively grew its business with its team to open up a new market in Zhoushan, Zhejiang, thereby expanding its source of revenue. Healthtop and Shimao Services jointly developed the market, shared customer resources, established an efficient service model, provided customers with high-quality services and products and achieved revenue growth.

➢ Value-Added Services to Non-Property Owners

- ***Representing 2.2% of total revenue and 1.9% of total gross profit***
  As of 31 December 2024, revenue from value-added services to non-property owners of the Group amounted to RMB176.0 million, representing a year-on-year decrease of 17.4% as compared to RMB213.1 million for the same period of 2023. This was primarily due to a drop in the number of newly-started houses amid the ongoing downturn in the real estate industry, hence a substantial contraction of the show room services business, weighing on revenue and profit margin.

➢ City Services

- ***Representing 12.0% of total revenue and 8.3% of total gross profit***
  As of 31 December 2024, revenue from city services of the Group amounted to RMB947.5 million, representing a year-on-year decrease of 29.0% as compared to RMB1,334.8 million for the same period of 2023, which was mainly attributable to the fact that, under the influence of the changing macroeconomic environment, some local governments contracted their demand for city services. In the face of market changes, the Group responded in a timely manner and made proactive adjustments by (1) disposing of Wuxi Jinshatian Technology Co., Ltd. ("Wuxi Jinshatian"); and (2) proactively withdrawing certain projects with lower profit margins and longer credit terms, while endeavoured to enhance its management and operation capabilities to maintain the gross profit margin.

Share Award Scheme

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

The Share Award Scheme shall be valid and effective for a term of ten years commencing from the Adoption Date. The maximum number of shares which can be awarded under the Share Award Scheme is 3% of the total number of issued shares of the Company as at the Adoption Date (i.e. 70,919,190 shares). During the twelve months ended 31 December 2024, no award share was granted by the Company under the Share Award Scheme. Further details of the Share Award Scheme are set out on pages 28 to 29 of this annual report.

Proceeds from the Listing

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") on 30 October 2020. Excluding underwriting fees and related expenses, the net proceeds from the listing amounted to HK$5,917.4 million (equivalent to approximately 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 2024 (RMB million)	Unutilised amount as of 31 December 2024 (RMB million)	Expected timeline for utilising the remaining unutilised amount
(1) To continue to expand business scale through multiple channels	3,332	65%	3,332	–	2025
(2) To diversify people-oriented and property-oriented value-added service offerings	769	15%	303	466	2025
(3) To improve the information technology system and smart technologies	256	5%	237	19	2025
(4) To attract and nurture talent	256	5%	74	182	2025
(5) For working capital and other general corporate purposes	513	10%	213	300	2025
Total	5,126	100%	4,159	967	

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

Equity Fund Raising Activities and Use of Proceeds

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

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

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

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

Intended use of net proceeds	Net proceeds from Top-Up Placing available for utilisation (RMB million)	Allocation percentage %	Utilised net proceeds as of 31 December 2024 (RMB million)	Unutilised net proceeds as of 31 December 2024 (RMB million)	Expected timeline for utilising the remaining unutilised net proceeds
(1) Potential M&A	1,140	80%	609	531	2025
(2) Business expansion	143	10%	–	143	2025
(3) General working capital and general corporate uses	143	10%	–	143	2025
Total	1,426	100%	609	817	

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

Connected Transactions – Car Parking Spaces and Storage Units Purchase Agreements

On 24 April 2024, certain branch companies of 上海潤尚房地產經紀有限公司 (Shanghai Runshang Real Estate Agent Co., Ltd.) (an indirect wholly-owned subsidiary of the Company) entered into certain agreements with certain indirect wholly-owned subsidiaries of Shimao Group, pursuant to which the Group would acquire from Shimao Group certain car parking spaces and storage units (the "Target Assets"). The Target Assets comprised an aggregate of 180 car parking spaces and 10 storage units located at two projects of Shimao Group, with an aggregate consideration of approximately RMB36,473,237.

The two projects at which the Target Assets are located were all completed and delivered to homeowners. Since the real estate marketing teams for these projects were about to withdraw from these projects and the Group, as a provider for ongoing property management services, considered that the acquisitions and the taking over of the Target Assets would be more convenient for the Group to manage, sell or lease these assets going forward. In addition, the demand for car parking spaces and storage units for the residents of these projects remains stable. The Group was of the view that the acquisitions would enable the Group to provide better services to homeowners in these projects, and would also present an opportunity for the Group to realise such assets and bring valuable returns to the Shareholders. For details of the above connected transactions, please refer to the announcement of the Company dated 24 April 2024.

Acquisitions and Future Outlook

Acquisitions

As at 31 December 2024, there was no acquisition by the Group. When making acquisitions, apart from focusing on the alignment between the target company and the Group, the Group also takes into account the development demands including scale growth, the deployment of new race tracks and the building of new capabilities.

For potential acquisition targets, the Group will comprehensively consider the following factors: (1) being within the Group's existing management radius; (2) being a leading company in the region or sub-sector; (3) not touching red-line issues, such as safety issues, etc.; (4) being able to accept the Group's integration requirements; and (5) having a customer base that is from local middle-income and high-income class, so as to ensure the effective operation and management of the target company and its sustainable development after the completion of the M&A.

In 2024, the continued downturn in the real estate industry affected the development of the downstream property management services industry, the Group therefore was unsuccessful in acquiring any of its targets.

Looking ahead, the Group will remain prudent and continue to look for suitable acquisition targets in the market. In view of the prevailing industry situation, the Group will further strengthen its pre-acquisition due diligence by conducting in-depth analysis of the targets in terms of their performance in market position, business model, financial conditions and service quality, with particular attention to their risk resilience and growth potential in the complex market environment.

At the same time, the Group will fully consider its own strategic planning and integration capabilities to ensure that acquisitions not only can facilitate the expansion of its scale, but also deeply integrate into the Group's existing business structure, thereby achieving synergistic development and promoting the Group's continuous enhancement of its competitiveness in the property management services industry.

Future Outlook

Against the backdrop of the big data era, artificial intelligence ("AI") technology is enjoying rapid development. Facing such evolution, property management services companies are standing at the crossroads of change, anticipating limitless possibilities and opportunities in the future development.

AI technology and big data application. Through AI technology, property management services companies can realise intelligent management, enable accurate control over business processes, assist in the stable operation of equipment, reduce management costs, and increase operational efficiency. By applying big data, we are able to acquire deep understanding of customer preferences, provide property owners with better personalised services and more convenient service experience, thereby enhancing property owners' satisfaction and sense of belonging to the community.

Entering new race tracks. With people's growing demand for quality of life, there are plenty of opportunities in new sectors such as community elderly care services and pet services. By leveraging their familiarity with the community and commercial space, property management service companies can quickly enter these new tracks, explore new business growth points, and achieve diversified development.

Shifting to technology-driven. By transforming from a labour-intensive to a technology-driven business model, the Company will reduce labour costs, improve service quality and management standards, reshape the business model of property management services, build operational barriers in the face of fierce market competition, strengthen core competitiveness and achieve long-term sustainable development.

Employees and Compensation Policy

As at 31 December 2024, the Group had a total of 35,633 employees, representing a decrease of 25.0% as compared to 47,531 employees for the same period of 2023. Total staff costs amounted to RMB3,408.3 million, representing a decrease of 12.9% as compared to RMB3,914.4 million for the same period of 2023. The decrease in staff costs was mainly attributable to the following measures taken by the Group: (1) disposal of subsidiaries, such as Wuxi Jinshatian; (2) further streamlining of organizational structure, optimising the deployment for all departments to rationalise the resource allocation structure; and (3) focusing on the enhancement of operational and management capabilities, exploring more potential for cost reductions, and improving the efficiency of internal operations.

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

Financial Review

During the year, the Group realised:

Revenue

Revenue was RMB7,895.5 million, representing a year-on-year decrease of 3.7% as compared to RMB8,202.7 million for the same period of 2023. The Group generated revenue from four business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services. During the year: (1) property management services remained the largest contributor of revenue and profit to the Group, with revenue amounted to RMB5,564.3 million, accounting for 70.5% of the total revenue and representing a year-on-year increase of 5.1% as compared to RMB5,291.9 million for the same period of 2023; (2) revenue from community value-added services amounted to RMB1,207.7 million, accounting for 15.3% of the total revenue and representing a year-on-year decrease of 11.4% as compared to RMB1,362.9 million for the same period of 2023; (3) revenue from value-added services to non-property owners amounted to RMB176.0 million, accounting for 2.2% of the total revenue and representing a year-on-year decrease of 17.4% as compared to RMB213.1 million for the same period of 2023; and (4) revenue from city services amounted to RMB947.5 million, accounting for 12.0% of the total revenue and representing a year-on-year decrease of 29.0% as compared to RMB1,334.8 million for the same period of 2023.

Cost of Sales and Services

Cost of sales and services of the Group primarily included staff costs, subcontracting costs, utilities and facility operating costs, cost of smart scenario solutions and others. During the year, cost of sales and services was RMB6,331.3 million, representing a year-on-year decrease of 3.4% as compared to RMB6,556.2 million for the same period of 2023. The decrease in costs was mainly attributable to (1) the simultaneous reduction in costs due to the reduction in revenue scale during the reporting period ; (2) the continuous optimisation of the Company's organisational structure that enhanced operational efficiency of the management; and (3) the continued adjustment and optimisation of the project portfolio by terminating some projects with high level of difficulties under management and high management costs, which resulted in cost reduction.

Gross Profit and Gross Profit Margin

Gross profit amounted to RMB1,564.3 million, representing a year-on-year decrease of 5.0% as compared to RMB1,646.4 million in 2023. Gross profit margin was 19.8%, which remained stable as compared to 20.1% for the same period of 2023. Gross profit margins for the Group's four business segments were: 20.1% for property management services, 23.5% for community value-added services, 17.1% for value-added services to non-property owners and 13.6% for city services, respectively. Gross profit margins for those segments were 20.1%, 26.1%, 18.1% and 14.0% in 2023, respectively.

Gross profit margin for property management services was 20.1%, which remained stable as compared to 20.1% in 2023. It was mainly attributable to (1) the focus on the enhancement of management efficiency and optimisation of the project portfolio; (2) the reduction in costs and increase in efficiency by controlling frontline management costs; and (3) the promotion of energy-saving reforms to reduce energy consumption expenditure.

Gross profit margin for community value-added services was 23.5%, representing a decrease of 2.6 percentage points as compared to 26.1% in 2023. It was mainly due to a decrease in the scale of segment businesses and a change in gross profit structure.

Gross profit margin for value-added services to non-property owners was 17.1%, representing a decrease of 1.0 percentage point as compared to 18.1% in 2023. It was mainly due to the continued decline in revenue from real estate sector amid the ongoing downturn in the real estate industry, as well as increase in labour and other costs, weighing on revenue and profit margin.

Gross profit margin for city services was 13.6%, representing a decrease of 0.4 percentage point as compared to 14.0% in 2023. It was mainly due to (1) reduction in the unit price of purchases by customers; and (2) increase in the costs of energy, labour, raw materials and consumables.

Selling and Marketing Expenses

Selling and marketing expenses were RMB116.3 million, representing a year-on-year decrease of 14.9% as compared to RMB136.6 million in 2023, and accounted for 1.5% of the total revenue, representing a decrease of 0.2 percentage point as compared to 1.7% in 2023. The decrease was mainly due to the Group's efforts to reduce costs and improve efficiency by effectively lowering marketing expenses through measures such as optimisation of the marketing team and precision marketing promotions.

Administrative Expenses

During the year, administrative expenses were RMB827.5 million, representing a year-on-year decrease of 16.4% as compared to RMB989.5 million in 2023, and accounted for 10.5% of the gross revenue, representing a decrease of 1.6 percentage points as compared to 12.1% in 2023. It was mainly due to the Group's efforts to reduce costs and improve efficiency by effectively lowering administrative expenses through measures such as optimisation of the management team, control over administrative cost and reduction in system development.

Impairment Losses on Financial Assets – Net

During the year, the Group's impairment losses on financial assets – net was RMB142.9 million, representing an increase of RMB56.3 million as compared to RMB86.6 million in 2023. This was primarily due to the slowdown in the collection of payment from customers amid the domestic macroeconomic environment, resulting in an increase in the balance of receivables at the end of the period, which led to an increase in impairment loss for the current period.

Impairment Losses on Intangible Assets

During the year, the Group's impairment losses on goodwill – net was RMB45.6 million, representing an increase of RMB30.2 million as compared to RMB15.4 million in 2023. Considering the impact of the economic environment of the market, the Group, based on prudence principle, provided for certain impairment on goodwill of the acquired companies with lower-than-expected operating performance.

Operating (Loss)/Profit

During the year, operating loss was RMB157.7 million, representing a dramatic decrease as compared to operating profit of RMB343.6 million in 2023. It was mainly due to (1) the slowdown in the collection of payment from customers amid the macroeconomic environment, resulting in an increase in the balance of receivables at the end of the period, which led to an increase in the impairment loss for the current period; and (2) suffered a loss resulting from the disposal of a significant subsidiary, "Wuxi Jinshatian", during the reporting period.

Finance Income – Net

During the year, finance income – net was RMB0.6 million, representing a dramatic decrease as compared to finance income – net of RMB32.2 million in 2023. It was mainly due to (1) a decrease in interest income in 2024 as compared with 2023 due to the decrease in fixed deposit business; and (2) the lower interest rates on time and demand deposits during the year as compared with 2023 under the influence of the domestic economic conditions.

(Loss)/Profit before Income Tax

During the year, loss before income tax amounted to RMB147.7 million, representing a decrease as compared to profit before income tax of RMB387.8 million in 2023. It was mainly due to the fact that the Group (1) suffered from a slowdown in the collection of payment from customers amid the macroeconomic environment, resulting in an increase in the balance of receivables at the end of the period, which led to an increase in the impairment loss for the current period; (2) suffered a loss resulting from the disposal of a significant subsidiary, "Wuxi Jinshatian", during the reporting period; and (3) based on prudence principle, provided for certain impairment on goodwill of the acquired companies with lower-than-expected operating performance.

Income Tax Expense

During the year, income tax expense amounted to RMB75.2 million, which remained stable as compared to income tax expense of RMB71.1 million for 2023. This was primarily due to (1) except for the loss of "Shimao Tiancheng" (a subsidiary of the Group) incurred from the disposal of "Wuxi Jinshatian", during the reporting period, all other operating segments of the Group remained profitable and exceeded the amount of profit for the same period of last year; and (2) the amount of goodwill impairment increased by RMB30.2 million during the current period as compared with the same period of 2023, which led to an increase in losses that are not deductible before tax.

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". 2024 was the fifth year of entitlement to such preferential tax policy. Tibet Shimao Tian Cheng Property (formerly Hailiang Property), headquartered in Tibet, enjoyed tax benefits; while Chengdu Xinyi, Xi'an Fangrui and the newly established "second headquarters" enjoyed the preferential tax policy for "Western Region Development".

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

The income tax rate applicable to the Group's entities incorporated in Hong Kong was 16.5% on the income subject to Hong Kong profits tax for the year. No provision was made for Hong Kong profits tax over the 12 months from 1 January 2024 to 31 December 2024, 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 RMB223.0 million, declined from profit for the year of RMB316.7 million in 2023. Loss attributable to equity holders of the Company was RMB272.4 million, while profit attributable to equity holders of the Company was RMB273.2 million for the same period of 2023.

If excluded provision of impairment of receivables, expenses of the Share Award Scheme, fair value changes in purchase consideration adjustment, loss on disposal of subsidiaries, provision for inventories, amortisation costs of intangible assets (brands, contracts and customer relationships) brought by M&A, goodwill and performance compensation for acquired companies, the core net profit attributable to equity holders of the Company was approximately RMB492.4 million for the year ended 31 December 2024, representing a year-on-year decrease of 24.0% as compared to RMB647.7 million in 2023. The decrease in core net profit attributable to equity holders of the Company was mainly due to (1) less profits from community value-added and non-property owners value-added segment due to the impact of the macroeconomy; and (2) costs on, among others, greening, upgrading and renovation increased, so as to enhance the quality of the project.

Investment Properties, Property, Plant and Equipment

As at 31 December 2024, net book value of investment properties, property, plant and equipment amounted to RMB355.9 million, representing a year-on-year decrease of 39.7% as compared to RMB590.2 million as at 31 December 2023. This was primarily due to the decrease in the machinery and equipment account as a result of the disposal of a subsidiary, "Wuxi Jinshatian" during the year.

Intangible Assets

As at 31 December 2024, the carrying amount of the Group's intangible assets was RMB2,101.2 million, representing a decrease of 20.9% as compared to RMB2,657.7 million as at 31 December 2023. The Group's intangible assets primarily included: (1) goodwill of RMB1,307.8 million recognised for the acquired companies; (2) customer relationships of RMB470.6 million recognised for the acquired companies; and (3) software research and development and purchase worth RMB322.8 million by the Group. Customer relationships and software have definite useful lives and are accounted for at cost less accumulated amortisation.

As at 31 December 2024, the Group's goodwill amounted to RMB1,307.8 million, representing a decrease of 24.2% as compared to RMB1,724.9 million as at 31 December 2023. The Group's goodwill mainly arose from the expected future development of the acquired companies, the improvement of market coverage, the expansion of service portfolio, the development of value-added services and the enhancement of management efficiency.

As at 31 December 2024, the Group's management had made a provision of impairment losses on goodwill amounting to RMB45.6 million for companies, including Zheda Sinew, Yantai Kangqiao, Quanzhou Youda and Hunan Jili.

Trade Receivables

As at 31 December 2024, trade receivables amounted to RMB3,378.3 million, representing an increase of 5.3% as compared to RMB3,209.2 million in 2023. It was due to the slowdown the collection of payment from customers amid the macroeconomic environment, which led to an increase in the balance of receivables at the end of the period.

Trade Payables

As at 31 December 2024, trade payables amounted to RMB1,412.3 million, representing an increase of 16.5% as compared to RMB1,212.5 million for the same period of 2023, which was due to longer credit terms for payments due to suppliers as a result of lower-than-expected collection of payment.

Liquidity, Reserves and Capital Structure

The Group maintained a strong financial position during the year. Current assets amounted to RMB9,648.9 million as at 31 December 2024, representing a year-on-year increase of 5.1% as compared to RMB9,182.5 million as at 31 December 2023. The Group's cash and cash equivalents amounted to RMB2,164.1 million, representing a year-on-year decrease of 42.9% from RMB3,788.3 million as at 31 December 2023. It was mainly due to (1) the increase in time deposits at the end of the period as compared to the same period of 2023; (2) the payment for equity transfer in the past during the year; (3) investment in associates; and (4) the lower-than-expected recovery rate of services fees during the year.

The Group's net current assets amounted to RMB4,880.9 million as at 31 December 2024, with a current ratio of 2.02, which still stood at a healthy level as compared to the net current assets of RMB3,938.8 million as at 31 December 2023.

Capital Expenditure Commitments

As at 31 December 2024, there is no capital commitment that the Group had already contracted but not provided for.

Foreign Exchange Risk

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

Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities.

Financial Policy

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

REPORT OF THE DIRECTORS

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

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 2024 are set out on pages 62 to 156 of this annual report.

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

Business Review

A business review of the Group for the year ended 31 December 2024 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 6 to 10 and the Management Discussion and Analysis on pages 11 to 24 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. Particulars of important events affecting the Group that have occurred after the reporting period are set out in note 44 to the consolidated financial statements. The above discussions form part of the Report of the Directors.

The Group considers the protection of the environment to be important and recognizes that the green development is essential to the sustainable operation of the Group's business in its daily operation. The Group is committed to operate its business in compliance with applicable laws and regulations on environmental protection and has implemented relevant environmental protection measures in compliance with the required standards under applicable laws and regulations.

The Group recognizes that employees, customers, suppliers and business partners are keys to its sustainable development. The Company is of the view that employees are an important asset of the Group and believes the long-term sustainable development of employees is a key factor to the long-term growth of the Group's performance. The Company regularly provides comprehensive training program for its employees to improve and enhance their technical and service skills, as well as to deepen their knowledge of industry quality standards and work place safety standards.

The Group treasures its property owners, residents and users as one of the most important groups of stakeholders and strives to provide customers with comfortable and healthy living experiences in residential and non-residential properties, with the goal of creating a better life. The Group is also dedicated to developing and enhancing good relationship with suppliers, as well as strengthening the cooperation with business partners to ensure stability of the Group's business.

A detailed discussion of the Group's environmental policies and performance, its compliance with the relevant laws and regulations and an account of the Group's key relationships with its stakeholders that have a significant impact on the Group is contained in 2024 Sustainability Report of the Company, which is available on the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 29 and 43(ii) 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 Borrowings

Details of bank borrowings of the Company and the Group as at 31 December 2024 are set out in note 31 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to RMB713,223 (2023: RMB538,233).

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 2024 are set out in note 28 to the consolidated financial statements.

Financial Highlights

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights over shares of the Company under the Company's 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. Shao Liang *(President) (appointed on 26 April 2024)*
Mr. Ye Mingjie *(President) (resigned on 26 April 2024)*
Mr. Cao Shiyang

Non-executive Director

Ms. Tang Fei *(resigned on 1 September 2024)*

Independent Non-executive Directors

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

In accordance with the Articles of Association, two Directors, namely, Mr. Hui Sai Tan, Jason and Mr. Gu Yunchang shall retire from office by rotation respectively at the forthcoming annual general meeting of the Company (the "AGM") and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

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

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

Directors' Interests in Transactions, Arrangements and Contracts

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

Management Contracts

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

Share Award Scheme

A share award scheme of the Company (the "Share Award Scheme") was adopted by the Board on 28 June 2021 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognise the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date. The maximum number of shares which can be awarded under the Share Award Scheme is 3% (i.e. 70,919,190 shares) of the total number of issued shares of the Company as at the Adoption Date.

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

During the year ended 31 December 2024, no award share was granted under the Share Award Scheme. Details of the movement of the award shares during the year are as follows:

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

Notes:

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

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

3. Based on the five highest paid individuals during the financial year ended 31 December 2024, two of them were an Executive Director of the Company, namely, Mr. Ye Mingjie who resigned on 26 April 2024 and Mr. Shao Liang. The interests of Mr. Ye Mingjie in the awarded shares are disclosed in the above table, whereas no award shares were granted to Mr. Shao Liang.

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

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

Equity-Linked Agreements

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

Disclosure of Interests in Securities

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

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

(i) Long position in the shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	57,129	0.002%
Shao Liang	Beneficial owner	35,016	0.001%
Cao Shiyang	Beneficial owner/ Interest of spouse	829,967 (Note)	0.034%

Note:

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

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

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	3,682,198 (Note 1)	0.097%
Shao Liang	Beneficial owner	61,388 (Note 2)	0.002%
Cao Shiyang	Beneficial owner	93,202 (Note 3)	0.002%

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 Shimao Group Holdings Limited ("Shimao Group Holdings", together with its subsidiaries, collectively, the "Shimao Group") on 30 December 2011 (the "2011 Shimao Group Share Award Scheme").

2. These interests disclosed represent deemed interests in 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.

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

Directors' Right to Acquire Shares or Debentures

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

Interests of Substantial Shareholders

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

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

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

Notes:

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

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

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

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

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

Deed of Non-Competition

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

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

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

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

Each of the Undertaking Controlling Shareholders has confirmed that during the year ended 31 December 2024, his/its close associates have fully complied with the Deed of Non-Competition and the 2007 Non-Competition Agreement.

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

Directors' Interests in Competing Business

Save as disclosed above, none of the Directors or their associates have any interest in the business which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year ended 31 December 2024 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 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Continuing Connected Transactions and Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connection transactions during the year ended 31 December 2024 are as follows:

(i) Continuing Connected Transactions

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

(1) Trademark Licensing Agreement

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

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

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

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

(2) Carpark Sales Agency Services Master Agreement

On 6 December 2022, the Company entered into a master carpark sales agency services agreement (the "Carpark Sales Agency Services Master Agreement") with Shimao Group Holdings, pursuant to which the Group will provide the Shimao Group with carpark space sales agency services, including but not limited to providing marketing, promotion and sales services for carpark spaces developed by the Shimao Group, and arrangement of documentations with the buyers of the carpark spaces. The Carpark Sales Agency Services Master Agreement has a term commencing from 1 January 2023 to 31 December 2025. The annual caps for the total commissions under the Carpark Sales Agency Services Master Agreement for the three years ending 31 December 2025 are RMB236 million, RMB258 million and RMB264 million respectively. In addition, the annual caps for the total deposits to be paid under the Carpark Sales Agency Services Master Agreement for the three years ending 31 December 2025 are RMB300 million, RMB268 million and RMB245 million respectively.

For the year ended 31 December 2024, the total commissions payable to the Group amounted to RMB21.8 million which did not exceed the annual cap of RMB258 million, and the total carpark deposit to be paid in relation to the carpark space sales agency services amounted to RMB191 million which did not exceed the annual cap of RMB268 million under the Carpark Sales Agency Services Master Agreement.

(3) Leasing Master Agreement

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

For the year ended 31 December 2024, the total rental charges payable by the Group under the Leasing Master Agreement amounted to RMB6.4 million which did not exceed the annual cap of RMB70 million.

Under the above Carpark Sales Agency Services Master Agreement and Leasing Master Agreement, Shimao Group Holdings is the controlling shareholders of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under each of these two agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios under the Listing Rules in respect of the annual caps of each of these two agreements exceed 0.1% but are less than 5%, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

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

(4) Sales Office Operation Master Agreement

On 6 December 2022, the Company entered into a master sales office operation services agreement (the "Sales Office Operation Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the Shimao Group will engage the Group to operate several sales offices and display units, the responsibilities of the Group are including but not limited to human resources management, formulating various management policies and procedures, cleaning and security of the sales office, and other services relating to the running of the sales offices. The Sales Office Operation Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the Sales Office Operation Master Agreement for the three years ending 31 December 2025 are RMB146 million, RMB128 million and RMB115 million respectively.

For the year ended 31 December 2024, the total amount of service fees payable to the Group under the Sales Office Operation Master Agreement amounted to RMB94.7 million which did not exceed the annual cap of RMB128 million.

(5) IoT Services Master Agreement

On 6 December 2022, the Company entered into a master IoT services agreement (the "IoT Services Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the 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 the Shimao Group involves in, including but not limited to, design, develop, implement, operate and sales of related IoT products and components. The IoT systems and components are for the enhancement of living experience for the dwelling in the respective properties. The IoT Services Master Agreement has a term commencing from 28 March 2023 to 31 December 2025. The annual caps for the total fees under the IoT Services Master Agreement for the three years ending 31 December 2025 are RMB156 million, RMB142 million and RMB128 million respectively.

For the year ended 31 December 2024, the total amount of service fees payable to the Group under the IoT Services Master Agreement amounted to RMB15.6 million which did not exceed the annual cap of RMB142 million.

(6) Engineering Services Master Agreement

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

For the year ended 31 December 2024, the total amount of service fees payable to the Group under the Engineering Services Master Agreement amounted to RMB74.5 million which did not exceed the annual cap of RMB90 million.

(7) Property Management Services Master Agreement

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

For the year ended 31 December 2024, the total amount of service fees payable to the Group under the Property Management Services Master Agreement amounted to RMB34.7 million which did not exceed the annual cap of RMB173 million.

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

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

For the year ended 31 December 2024, the total amount of service fees payable to the Group under the Value-added Services to Non-property Owners Master Agreement amounted to RMB19.2 million which did not exceed the annual cap of RMB94 million.

(9) Information Technology Services Master Agreement

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

For the year ended 31 December 2024, there was no service fee payable to the Group under the Information Technology Services Master Agreement, and therefore did not exceed the annual cap of RMB22 million.

(10) Procurement and Supply Master Agreement

On 6 December 2022, the Company entered into a master procurement and supply agreement (the "Procurement and Supply Master Agreement") with Shimao Group Holdings and as altered by its supplemental agreement on 6 March 2023, pursuant to which the Group will supply the Shimao Group certain merchandises including but not limited to (1) the materials for the purpose of marketing and sales of the 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 for the three years ending 31 December 2025 are RMB32 million, RMB33 million and RMB28 million respectively.

For the year ended 31 December 2024, the total fees payable to the Group under the Procurement and Supply Master Agreement amounted to RMB0.07 million which did not exceed the annual cap of RMB33 million.

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

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

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, Grant Thornton Hong Kong Limited ("Grant Thornton"), has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

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

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

(iv) have exceeded the annual caps.

(ii) Connected Transactions

On 24 April 2024, certain branch companies of Shanghai Runshang Real Estate Agent Co., Ltd. (an indirect wholly-owned subsidiary of the Company) entered into certain agreements (the "Agreements") with certain indirect wholly-owned subsidiaries of Shimao Group Holdings, pursuant to which the Group acquired from the Shimao Group 180 car parking spaces and 10 storage units in two projects of the Shimao Group for an aggregate consideration of approximately RMB36.47 million.

As each of the vendors of the Agreements is an indirectly wholly-owned subsidiary of Shimao Group Holdings, and Shimao Group Holdings is the controlling shareholder of the Company, the transactions contemplated under the Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios under the Listing Rules in respect of the transactions, either standalone or when aggregated with the previous acquisitions on 29 December 2023, are more than 0.1% and less than 5%, the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the above connected transactions were set out in the announcement of the Company dated 24 April 2024.

Related Party Transactions

The significant related party transactions entered by the Group for the year ended 31 December 2024 are set out in note 40 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted a connected transaction or continuing connected transaction for the Company which is in compliance with the relevant disclosure requirements under Chapter 14A of the Listing Rules.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2024 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 39 to 53 of this annual report.

Auditor

On 30 September 2024, Elite Partners CPA Limited ("Elite Partners") resigned as the auditor of the Company and the Board, with the recommendation from the Audit Committee, has resolved to appoint Grant Thornton as the new auditor of the Company to fill the casual vacancy following the resignation of Elite Partners and to hold office until the conclusion of the next AGM. For further details, please refer to the announcement of the Company dated 30 September 2024.

The consolidated financial statements for the year ended 31 December 2024 have been audited by Grant Thornton who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming AGM. A resolution for the re-appointment of Grant Thornton as the auditor of the Company will be proposed for shareholders' approval at the forthcoming AGM.

On behalf of the Board
Hui Sai Tan, Jason
Chairman

Hong Kong, 28 March 2025

CORPORATE GOVERNANCE REPORT

A. Corporate Governance Practices

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

The Company complied with all applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") throughout the financial year ended 31 December 2024.

B. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the financial year ended 31 December 2024.

C. Directors

C.1 The Board

The board of Directors (the "Board") has the collective responsibility for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Board is also responsible for promoting the success of the Company by directing and supervising its affairs and formulates business strategies and policies of the Group. The management is delegated with the authority and responsibilities by the Board for the day-to-day management and operation of the Group and the Board makes decisions objectively in the best interests of the Company and its shareholders as a whole.

As at the date of this report, the Board consisted of six Directors, comprising three Executive Directors 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 and additional meetings would be arranged as and when required. During the financial year ended 31 December 2024, four scheduled Board meetings were held and Directors attended the Board meetings in person or through electronic means of communication. Details of the attendance records of the Directors are set out in the table on page 43. Apart from formal meetings, matters requiring the Board approval will be dealt with by way of written resolutions.

C.2 Chairman and President

To ensure a balance of power and authority and preserve a balanced judgement of views, the roles of the Chairman and the Chief Executive are segregated with clear division of responsibilities between them. Mr. Hui Sai Tan, Jason served as Chairman of the Company provides leadership for the Board and is responsible for the overall strategic planning and business management of the Group. Mr. Shao Liang 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 2024 and up to the date of this report:

Executive Directors
Mr. Hui Sai Tan, Jason *(Chairman)*
Mr. Shao Liang *(President) (appointed on 26 April 2024)*
Mr. Ye Mingjie *(President) (resigned on 26 April 2024)*
Mr. Cao Shiyang

Non-executive Director
Ms. Tang Fei *(resigned on 1 September 2024)*

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

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

Mr. Shao Liang had obtained legal advice in April 2024 under Rule 3.09D of the Listing Rules and he has confirmed that he understood his obligations as a Director of the Company.

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

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

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

C.4 Appointments, Re-election and Removal

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

C.5 Board Diversity

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

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

The Nomination Committee considered that the Board consists of a diverse mix of members and has provided a good balance of skills and experience appropriate to the business needs of the Group. Currently, the Board has one female Director out of six Directors. The Board targets to maintain at least the current level of female representation and will review the proportion of female member on the Board as and when required by the Company's needs.

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

	Number of Directors
Designation	
Executive Directors	3
Independent Non-executive Directors	3
Gender	
Male	5
Female	1
Age	
40–49 years old	2
50–59 years old	1
60–69 years old	2
Above 70 years old	1

	Directors' skills, expertise and experience				
	Executive leadership & strategy/ directorship experience with other listed company(ies)	Property Management	Mainland China Exposure	Accounting professionals/ financial management expertise	Regulatory & compliance
Executive Directors					
Mr. Hui Sai Tan, Jason *(Chairman)*	✓	✓	✓		
Mr. Shao Liang *(President)*	✓	✓	✓		
Mr. Cao Shiyang	✓	✓	✓		
Independent Non-executive Directors					
Mr. Gu Yunchang	✓	✓	✓		
Ms. Zhou Xinyi	✓	✓	✓		
Mr. Hui Wai Man, Lawrence	✓	✓	✓	✓	✓
Coverage (Approximate % of entire Board)	100%	100%	100%	17%	17%

In respect of the Group's workforce, we maintained an approximate 41:59 ratio of males to females as at 31 December 2024. With the objective of optimizing the gender diversity, the Group will continue to take gender diversity into account in its ongoing recruitment process at all levels, as well as provides staff training and career development opportunities of different gender with the aim of promoting them to senior management level in order to develop a pipeline of potential successors of different genders to the Board in the near future.

Having reviewed the current structure, size and composition of the Board, the Nomination Committee considered that the implementation of the Board Diversity Policy remains effective. Details on gender diversity of the Group's workforce together with relevant data can be found in the 2024 Sustainability Report of the Company, which is available on the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

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.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. 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. Shao Liang *(appointed on 26 April 2024)*	✓
Mr. Ye Mingjie *(resigned on 26 April 2024)*	✓
Mr. Cao Shiyang	✓
Ms. Tang Fei *(resigned on 1 September 2024)*	✓
Mr. Gu Yunchang [Note]	✓
Ms. Zhou Xinyi	✓
Mr. Hui Wai Man, Lawrence	✓

Note: Mr. Gu Yunchang has also attended 24 hours external trainings on regulatory, legal topics and Listing Rules compliance during the year and up to the date of this report.

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

	Attendance/Number of Meeting(s)				
Directors	**Board meeting**	**Audit Committee meeting**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**2024 AGM**
Mr. Hui Sai Tan, Jason	4/4	N/A	N/A	N/A	1/1
Mr. Shao Liang *(appointed on 26 April 2024)*	3/3	N/A	N/A	N/A	1/1
Mr. Ye Mingjie *(resigned on 26 April 2024)*	1/1	N/A	N/A	N/A	N/A
Mr. Cao Shiyang	4/4	N/A	N/A	N/A	1/1
Ms. Tang Fei *(resigned on 1 September 2024)*	3/3	N/A	N/A	N/A	1/1
Mr. Gu Yunchang	4/4	3/3	1/1	1/1	1/1
Ms. Zhou Xinyi	4/4	3/3	1/1	1/1	1/1
Mr. Hui Wai Man, Lawrence	4/4	3/3	1/1	1/1	1/1

C.7 Supply of and Access to Information

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

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

D. Board Committees

D.1 Nomination Committee

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

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

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

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

There was one Nomination Committee meeting held during the financial year ended 31 December 2024. Details of the attendance records of the Nomination Committee members are set out in the table on page 43.

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

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

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

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

(d) make recommendations to the Board on the appointment of Mr. Shao Liang as an Executive Director, the President and an Authorised Representative for Rule 3.05 of the Listing Rules on the HKEx of the Company; and

(e) make recommendation to the Board for the re-election of the retiring Director(s) at the 2024 AGM.

Nomination Policy

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

(a) character and integrity;

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

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

(d) independence of the candidate;

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

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

The nomination procedure and process for appointment of new Director, re-appointment of Directors and nomination by shareholders of the Company have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness. In April 2024, the Nomination Committee reviewed the qualification, experience, expertise and other factors of a candidate for the appointment of an Executive Director and the President of the Company with reference to the Nomination Policy.

D.2 Remuneration Committee

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

The primary function 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.

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

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

There was one Remuneration Committee meeting held during the financial year ended 31 December 2024. Details of the attendance records of the Remuneration Committee members are set out in the table on page 43.

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

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

(b) review the terms of reference of the Remuneration Committee; and

(c) make recommendations to the Board on the remuneration of Mr. Shao Liang as an Executive Director and the President 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.

D.3 Audit Committee

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

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

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

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

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

There were three Audit Committee meetings held during the financial year ended 31 December 2024. Details of the attendance records of the Audit Committee members are set out in the table on page 43.

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

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

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

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

(d) review the audited annual consolidated financial results of the Group for the year ended 31 December 2023 and the 2023 Annual Report before submission to the Board;

(e) review the unaudited interim results of the Group for the six months ended 30 June 2024 and the 2024 Interim Report before submission to the Board;

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

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

(h) review the internal control report of the Group;

(i) review the continuing connected transactions of the Company during the year ended 31 December 2024; and

(j) review the compliance status of the Deed of Non-Competition during the year ended 31 December 2024.

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 2024 have been reviewed by the Audit Committee.

On 30 September 2024, Elite Partners CPA Limited resigned as the auditor of the Company. At the recommendation of the Audit Committee, the Board appointed Grant Thornton Hong Kong Limited ("Grant Thornton") as the auditor of the Company on the same day. The current external auditor of the Company is Grant Thornton. 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 58 to 61 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 2024 is set out as follows:

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

E. Accountability and Audit

E.1 Financial Reporting

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

In preparing the financial statements for the financial year ended 31 December 2024, the Directors consider that:

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

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

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

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

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

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

E.2 Risk Management and Internal Control

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

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

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

Senior Management

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

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

Audit Committee and the 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 2024. 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 of the Company that should be brought to their attention, and believes that the risk management and internal control systems are fully complied with the code provisions set out in the Code in relation to risk management and internal controls, including the relevant 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 2024. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group'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 Rule 13.09 and Rule 13.10 of the Listing Rules and the provision of inside information under Part XIVA of the SFO.

Whistleblowing Program

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

Codes of Integrity and Ethics

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

F. Delegation by the Board

F.1 Management Functions

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

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

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, circulars and general information about the Group's businesses are made available on the Company's website at www.shimaofuwu.com. The Company's website also provides email address (ir@shimaowy.com), postal address and telephone number, by which the Shareholders may at any time address their enquiries to the Board.

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

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

G.3 Shareholders' Meetings

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

The Company's external auditor has attended the 2024 AGM, during which its representative was available to answer questions raised by the Shareholders. Details of attendance of the Directors in the 2024 AGM are set out in the table on page 43.

G.4 Dividend Policy

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

H. Company Secretary

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

I. Shareholders' Rights

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

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

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

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

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

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

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

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

Pursuant to Article 114 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, unless notice in writing of intention to propose that person for election as a Director signed by a shareholder of the Company and notice in writing signed by that person of his willingness to be elected shall be lodged at the Company's Principal Office or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The period for lodgement of the notices will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notice to the Company may be given will be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as Director is posted on the Company's website.

I.4 Procedures for sending enquiries to the Board

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

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

J. Constitutional Documents

During the year ended 31 December 2024, there was no change in the 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 48, has been the Chairman of the Board 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 26 years' experience in property development and management. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference and the president of New Home Association, Hong Kong. Mr. Jason Hui is currently an executive director, the president and the chairman of the board 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 main board of 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., a subsidiary of Shimao Group Holdings delisted on the Shanghai Stock Exchange in June 2024). 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, a non-executive director of Shimao Group Holdings.

Shao Liang (President)

Mr. Shao Liang, aged 47, was appointed as an Executive Director and the President of the Company on 26 April 2024 and is primarily responsible for the overall strategic planning and operations of the Group. Mr. Shao is currently a non-executive director of Shimao Group Holdings and is also the group vice president and head of production and operation management center of the Shimao Group, responsible for the overall management of the Shimao Group's production operation. Mr. Shao obtained a Bachelor's Degree in Economic Management in 2001 and joined the Shimao Group in the same year, and successively served as an assistant president, the head of sales management center and controller of the regional sales of the Shimao Group, accumulating over 24 years of experience in sales and operation management.

Cao Shiyang

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 50, 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 business operations of residential development center of the Group, and was also responsible for the overall operations and management of the Group in the Southern Theatre. 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 18 years of experience in the property management industry. Mr. Cao successively served various positions in the Group from July 2009 to December 2019, including project leader, the head of business management department and regional leader in Suzhou, Jiangsu Province. Prior to joining the Group, Mr. Cao had worked at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司) from October 1995 to May 2003 and at Nanjing Vanke Property Management Co., Ltd. (南京萬科物業管理有限公司) from May 2003 to July 2009 respectively, both of which are wholly-owned subsidiaries of China Vanke Co., Ltd. (萬科企業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange and the HKEx respectively, where he served in various positions including the head of business management department and project leader. Mr. Cao obtained a Diploma in Industrial and Civil Architecture from Beijing Jingqiao University (北京京橋大學) through correspondence learning program in the PRC in July 2008 and a Bachelor's Degree in Engineering Management (economic management) from the People's Liberation Army Army Officer Academy (中國人民解放軍陸軍軍官學院) in the PRC in June 2013, and completed an EMBA selected courses program in Nanjing University (南京大學) in the PRC in December 2021.

Independent Non-executive Directors

Gu Yunchang

Mr. Gu Yunchang, formerly known as Gu Yongchuang, aged 81, 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, a company listed on the main board of the HKEx. He was formerly 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, and an independent non-executive director of Jiayuan International Group Limited, a company delisted on the main board of the HKEx in October 2024, from February 2016 to October 2024. 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 62, 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 was 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 68, was appointed as an Independent Non-executive Director of the Company on 24 August 2022. Mr. Lawrence Hui obtained a Bachelor's Degree in Arts from Manchester Polytechnic, the United Kingdom (now known as Manchester Metropolitan University) in 1982 and has over 42 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 (now known as Namyue Holdings Limited), Guangnan (Holdings) Limited (now known as GDH Guangnan (Holdings) Limited) and Kingway Brewery Holdings Limited (now known as Guangdong Land Holdings Limited), finance manager of Cheung Kong (Holdings) Limited (now reorganized as CK Hutchison Holdings Limited), general manager (corporate finance, leasing and property sales) of Sino Land Company Limited and group financial controller of Lai Fung Company Limited. Mr. Lawrence Hui has been the vice president and chief financial officer of Shimao Group Holdings, the ultimate holding company of the Company, from November 2005 to April 2013. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales.

Senior Management

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

Change in Information of Directors

During the year ended 31 December 2024 and up to the date of this report, save as disclosed in the section headed "Change in Information of Directors" in the 2024 Interim Report of the Company, there is no other information required to be disclosed pursuant to Rule 13.51B(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@vistra.com or by post to 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

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

ANNUAL GENERAL MEETING ("AGM")

The 2025 AGM will be held on Tuesday, 10 June 2025. The notice of the 2025 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2025 AGM and the proxy form are also available on the Company's website.

CLOSURE OF REGISTER OF MEMBERS ("ROM")

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 3 June 2025
Closure of ROM	from Wednesday, 4 June 2025 to Tuesday, 10 June 2025 (both days inclusive)

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

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 62 to 156, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
We identified the impairment of trade receivables and other receivables as a key audit matter due to the significance of the trade receivables and other receivables to the consolidated financial statements and significant judgment involved by the management in the impairment assessment process. As disclosed in Notes 3 and 4 to the consolidated financial statements, the Group estimates the loss allowance for trade receivables and other receivables using expected credit loss ("ECL") model in accordance with HKFRS 9 "Financial Instruments". Under the model, the Group recognises lifetime ECL individually for related parties and debtors with significant balances or that are credit-impaired and/or collectively for the remaining debtors based on their past due status. The management takes into consideration, inter alia, the historical settlement records, past due status, current economic and market conditions and an assessment of both the current conditions at the report date as well as the forward-looking information specific to the debtors. The loss allowance amounts of the credit-impaired trade receivables and other receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.	We have performed the following procedures to address this key audit matter: • Understanding the key controls on how the loss allowance for trade and other receivables are estimated by the management; • Understanding how the ageing analysis of trade receivables are prepared by the management; • Testing the accuracy of the ageing analysis of the trade receivables to the sale invoices, on a sample basis; • Involving our internal valuation experts to evaluate the management's judgements in assessing the valuation methodology; • Evaluating the management's basis and judgement in determining credit loss allowance on trade receivables and other receivables as at 31 December 2024, 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 2024, the carrying amounts of trade receivables and other receivables of the Group were approximately RMB3,378,267,000 and RMB1,652,627,000, respectively. The Group's impairment losses on trade receivables and other receivables as at 31 December 2024 amounting to approximately RMB1,010,829,000 and RMB251,915,000, respectively.	We have performed the following procedures to address this key audit matter (Continued): • Evaluating the basis of estimated loss rates applied in related parties and 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; and • Assessing whether the disclosures regarding the impairment assessment of trade and other receivables in the consolidated financial statements are sufficient and appropriate.

Impairment assessment of goodwill and identifiable intangible assets arising from business combinations
(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 and identifiable intangible assets arising from business combinations as a key audit matter due to significant judgment and estimation involved in the preparation of the discounted cash flows used in the impairment assessment. In determining the recoverable amount, the Group's management assessed the value in use of the cash generating units by discounting the estimated future cash flows expected to arise from the cash generating units to the present value. Significant judgment and assumptions were required in the process such as the use of discount rates, budgeted revenue, revenue growth rate and gross profit margin during the forecast period as set out in Note 4 to the consolidated financial statements. As at 31 December 2024, the Group had goodwill and customer relationship of approximately RMB1,307,788,000 and RMB461,241,000, respectively, which arose from the Group's business combinations. The Group's aggregated impairment losses on goodwill and customer relationship as at 31 December 2024 amounting to approximately RMB763,261,000 and RMB126,464,000 respectively.	We have performed the following procedures to address this key audit matter: • Understanding the relevant key controls over the assessment of impairment of goodwill and identifiable intangible assets arising from business combinations; • Obtaining the discounted cash flow analysis of the relevant cash generating unit prepared by the management and the Group's valuation experts, and checking its mathematical accuracy; • Discussing with the management and the Group's valuation experts on appropriateness of the discount rate used; • Evaluating the reasonableness of the key assumptions adopted in the discounted cash flow analysis with the involvement of our internal valuation experts including the expected revenue growth rate and gross profit margin during the forecast period with reference to the historical data and future marketing plans of the Group; • Testing data inputs in the discounted cash flow analysis, on a sample basis, against source documents; • Evaluating the historical accuracy of the discounted cash flow analysis made by management by comparing the historical analysis made against the actual performance of the Group; and • Assessing whether the disclosures of impairment testing in the consolidated financial statements are sufficient and appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 2024 annual report of the Company, 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 for the Consolidated Financial Statements

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group’s financial reporting process.

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

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

- 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.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton Hong Kong Limited
Registered Public Interest Entity Auditor
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

28 March 2025

Wun Ho Chun
Practising Certificate No.: P08307

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		Year ended 31 December	
	Notes	**2024 RMB'000**	2023 RMB'000
Revenue	6	**7,895,536**	8,202,668
Cost of sales and services	6	**(6,331,253)**	(6,556,236)
Gross profit		**1,564,283**	1,646,432
Selling and marketing expenses		**(116,258)**	(136,643)
Administrative expenses		**(827,492)**	(989,518)
Loss on disposal of subsidiaries	39(b)	**(589,143)**	–
Impairment losses on financial assets – net	7	**(142,878)**	(86,595)
Impairment losses on intangible assets	20	**(45,829)**	(121,316)
Impairment losses on assets classified as held for sales	27	**(2,306)**	–
Provision for inventories	7	**(31,818)**	–
Other income	10	**25,330**	66,029
Other gains and losses – net	11	**15,023**	(23,976)
Other operating expenses		**(6,626)**	(10,844)
Operating (loss)/profit		**(157,714)**	343,569
Finance income		**31,501**	78,106
Finance costs		**(30,879)**	(45,932)
Finance income – net	12	**622**	32,174
Share of results of associates	16	**9,348**	12,102
(Loss)/Profit before income tax	7	**(147,744)**	387,845
Income tax expense	13	**(75,214)**	(71,097)
(Loss)/Profit for the year		**(222,958)**	316,748
(Loss)/Profit attributable to:			
– Equity holders of the Company		**(272,363)**	273,245
– Non-controlling interests		**49,405**	43,503
		(222,958)	316,748

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

For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
(Loss)/Profit for the year		**(222,958)**	316,748
Other comprehensive (expense)/income for the year, net of tax			
Item that will be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign operations		**(6,613)**	4,278
Total comprehensive (expense)/income for the year		**(229,571)**	321,026
Total comprehensive (expense)/income attributable to:			
– Equity holders of the Company		**(278,976)**	277,523
– Non-controlling interests		**49,405**	43,503
		(229,571)	321,026
(Loss)/Earnings per share			
– Basic (RMB)	14	**(0.11)**	0.11
– Diluted (RMB)	14	**(0.11)**	0.11

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 2024

		As at 31 December	
	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	17	338,593	571,929
Right-of-use assets	18	43,484	80,217
Investment properties	19	17,337	18,271
Intangible assets	20	2,101,162	2,657,718
Deferred tax assets	35	280,898	255,538
Investments in associates	16	502,204	61,019
Financial assets at fair value through profit or loss	21	5,619	124,178
Contract assets	24	–	165,406
Prepayments, deposits and other receivables	25	49,247	1,123,223
Total non-current assets		3,338,544	5,057,499
Current assets			
Financial assets at fair value through profit or loss	21	138,703	–
Inventories	22	174,346	210,883
Trade receivables	23	3,378,267	3,209,178
Contract assets	24	–	10,828
Prepayments, deposits and other receivables	25	2,119,426	926,452
Restricted bank balances	26	37,489	36,898
Time deposits with maturity over three months	26	1,600,129	1,000,000
Cash and cash equivalents	26	2,164,112	3,788,300
		9,612,472	9,182,539
Assets classified as held for sale	27	36,462	–
Total current assets		9,648,934	9,182,539
Current liabilities			
Trade payables	32	1,412,288	1,212,521
Deposits received, accruals and other payables	33	1,602,571	2,120,108
Contract liabilities	6(a)	1,287,690	1,253,358
Income tax liabilities		416,177	393,199
Borrowings	31	–	232,154
Lease liabilities	34	20,138	32,383
		4,738,864	5,243,723
Liabilities directly associated with assets classified as held for sale	27	29,203	–
Total current liabilities		4,768,067	5,243,723
Net current assets		4,880,867	3,938,816
Total assets less current liabilities		8,219,411	8,996,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2024

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
Non-current liabilities			
Borrowings	31	–	67,788
Lease liabilities	34	23,628	35,954
Deferred tax liabilities	35	132,124	156,631
Provisions for other liabilities and charges	30	22,688	30,311
Deposits received, accruals and other payables	33	1,928	59,478
Total non-current liabilities		180,368	350,162
Net assets		8,039,043	8,646,153
Equity			
Share capital	28	21,358	21,358
Reserves		7,637,394	7,895,082
Equity attributable to equity holders of the Company		7,658,752	7,916,440
Non-controlling interests		380,291	729,713
Total equity		8,039,043	8,646,153

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

The consolidated financial statements were approved by the Board of Directors on 28 March 2025 and were signed on its behalf by:

Shao Liang
Director

Cao Shiyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the Company								
	Share capital RMB'000 (Note 28)	Share premium* RMB'000 (Note 29)	Statutory reserves* RMB'000 (Note 29)	Other reserves* RMB'000 (Note 29)	Treasury reserve* RMB'000 (Note 29)	Retained earnings* RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2023	21,358	8,416,063	219,366	(1,752,621)	(32,029)	695,407	7,567,544	799,683	8,367,227
Profit for the year	–	–	–	–	–	273,245	273,245	43,503	316,748
Other comprehensive income	–	–	–	4,278	–	–	4,278	–	4,278
Total comprehensive income for the year	–	–	–	4,278	–	273,245	277,523	43,503	321,026
Equity-settled share-based payment (Note 36)	–	–	–	17,445	–	–	17,445	–	17,445
Vesting of shares under equity-settled share-based payment	–	–	–	(41,758)	38,839	2,919	–	–	–
Lapse of shares under equity-settled share-based payment	–	–	–	(2,329)	–	2,329	–	–	–
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(57,076)	(57,076)
Lapse of put option liabilities in respect of non-controlling interests (Note 33(b))	–	–	–	82,389	–	–	82,389	–	82,389
Acquisition of non-controlling interests (Note 39(a))	–	–	–	(14,190)	–	–	(14,190)	(60,377)	(74,567)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	3,980	3,980
Repurchase of shares	–	–	–	–	(14,271)	–	(14,271)	–	(14,271)
Appropriation to statutory reserves	–	–	30,133	–	–	(30,133)	–	–	–
Balance at 31 December 2023	21,358	8,416,063	249,499	(1,706,786)	(7,461)	943,767	7,916,440	729,713	8,646,153

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2024

	Attributable to equity holders of the Company								
	Share capital RMB'000 (Note 28)	Share premium* RMB'000 (Note 29)	Statutory reserves* RMB'000 (Note 29)	Other reserves* RMB'000 (Note 29)	Treasury reserve* RMB'000 (Note 29)	Retained earnings* RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2024	21,358	8,416,063	249,499	(1,706,786)	(7,461)	943,767	7,916,440	729,713	8,646,153
Loss for the year	–	–	–	–	–	(272,363)	(272,363)	49,405	(222,958)
Other comprehensive expense	–	–	–	(6,613)	–	–	(6,613)	–	(6,613)
Total comprehensive expense for the year	–	–	–	(6,613)	–	(272,363)	(278,976)	49,405	(229,571)
Equity-settled share-based payment (Note 36)	–	–	–	1,159	–	–	1,159	–	1,159
Lapse of shares under equity-settled share-based payment	–	–	–	(1,903)	–	1,903	–	–	–
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(51,365)	(51,365)
Disposal of subsidiaries (Note 39(b))	–	–	–	–	–	–	–	(330,487)	(330,487)
Acquisition of non-controlling interests (Note 39(a))	–	–	–	20,129	–	–	20,129	(20,129)	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	3,154	3,154
Appropriation to statutory reserves	–	–	23,134	–	–	(23,134)	–	–	–
Balance at 31 December 2024	21,358	8,416,063	272,633	(1,694,014)	(7,461)	650,173	7,658,752	380,291	8,039,043

* 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 2024

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash from operations	38(a)	251,994	1,041,582
Interest received on bank deposits		31,501	78,106
Income tax paid		(82,129)	(89,277)
Net cash generated from operating activities		201,366	1,030,411
Cash flows from investing activities			
Capital injection in associates		(441,479)	–
Payment for acquisition of subsidiaries, net of cash acquired		(175,185)	(249,496)
Proceeds from disposal of subsidiaries, net of cash disposed	39(b)	137,917	–
Payments for property, plant and equipment		(84,218)	(189,362)
Proceeds from disposal of property, plant and equipment		39,638	47,653
Proceeds from disposal of intangible assets		–	48
Payments of acquisition of intangible assets		(225,471)	(54,188)
Loss/(Gain) on early termination of leases		4,235	(3,792)
Dividend from associates	16	9,642	10,000
Deregistration of an associate		–	513
(Increase)/Decrease in time deposits with maturity over three months	26	(600,129)	1,360,000
Net cash (used in)/generated from investing activities		(1,335,050)	921,376
Cash flows from financing activities			
Capital injection from non-controlling interests of subsidiaries		3,154	3,980
Payment for repurchase of shares		–	(14,271)
Payment for acquisition of non-controlling interests		(99,526)	(85,382)
Dividends paid to non-controlling interests		(76,389)	(57,076)
Proceeds from bank borrowings		31,000	67,972
Repayments of bank borrowings		(221,154)	(294,899)
Proceeds from other borrowings		–	54,229
Repayments of other borrowings		(51,246)	(57,943)
Interest paid on borrowings		(17,904)	(35,414)
Interest paid on other borrowings		(10,003)	(6,179)
Interest paid on leased liabilities	34(c)	(2,972)	(4,339)
Payments for leased liabilities	34(c)	(33,543)	(41,492)
Net cash used in financing activities		(478,583)	(470,814)
Net (decrease)/increase in cash and cash equivalents		(1,612,267)	1,480,973
Cash and cash equivalents at beginning of year		3,788,300	2,307,301
Effects of exchange rate changes on cash and cash equivalents		7,606	26
Cash and cash equivalents at end of year		2,183,639	3,788,300
Analysis of balance of cash and cash equivalents:			
Bank balances and cash		2,164,112	3,788,300
Bank balances and cash included in assets classified as held for sale	27	19,527	–
		2,183,639	3,788,300

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 2024

1. General Information

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

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

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

2.1 Basis of Preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules").

The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in Note 2.2.

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. Assets classified as held for sale are stated the lower of carrying amount and fair value less costs to sell. The measurement bases are explained in the accounting policies set out below.

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

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

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

2.2 Adoption of new and amended HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2024

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2.2 Adoption of new and amended HKFRSs (CONTINUED)

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKAS 10 and HKFRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 21	Lack of Exchangeability[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[2]
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 18 "Presentation and Disclosure in Financial Statements" and related amendments to Hong Kong Interpretation 5

HKFRS 18 replaces HKAS 1 "Presentation of Financial Statements". It carries forward many of the existing requirements in HKAS 1, with limited changes, and some HKAS 1 requirements will be moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures".

HKFRS 18 will not impact the recognition and measurement of financial statement items but will affect their presentation. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely "operating profits" and "profits before financing and income tax"), and classifying items into five newly defined categories (namely "operating", "investing", "financing", "income tax", and "discontinued operation"), depending on the reporting entity's main business activities, in the statement of profit or loss;
- disclosure of management-defined performance measures ("MPMs") in a single note to the financial statements; and
- enhanced guidance on the aggregation and disaggregation of information in the financial statements.

Besides, narrow-scope amendments have been made to HKAS 7 "Statement of Cash Flows", which includes:

- using "operating profit or loss" as the starting point for indirect method for the presentation of operating cash flows purposes; and
- the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

HKFRS 18 and the amendments to the other HKFRSs are effective for annual periods beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The directors of the Company are still in the process of assessing the impact of HKFRS 18, particularly with respect to the structure of the Group's consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, and the additional disclosures required for MPMs. The Group is also assessing the impact of how information is grouped in the consolidated financial statements, including the items currently labelled as "Other".

2.3 Material accounting policies

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024.

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

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

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

(ii) rights arising from other contractual arrangements; and

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

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

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

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

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

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

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

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

2.3 Material accounting policies (CONTINUED)

(b) Business combinations and goodwill

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

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

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

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

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

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

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

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

2.3 Material accounting policies (CONTINUED)

(c) Investments in associates

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

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

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

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

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

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

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

(d) Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, investment properties, intangible assets, investments in associates and the Company's investments in subsidiaries are subject to impairment testing.

Goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generated-units ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value-in-use, if determinable.

2.3 Material accounting policies (CONTINUED)

(d) Impairment of non-financial assets (continued)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("HKFRS 5"), as further explained in the accounting policy for "Non-current assets and disposal groups held for sale" (note 2.3(g)). 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 the appropriate category of assets within property, plant and equipment.

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

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

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

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

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

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

2.3 Material accounting policies (CONTINUED)

(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) Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

(h) 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 Material accounting policies (CONTINUED)

(h) 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 96 to 120 months for the customer relationship. The useful life of 96 to 120 months for customer relationship is determined with reference to the directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

(iv) Concession intangible assets

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

(v) Brand name

Brand name acquired in the business combination is recognised at fair value at the acquisition date. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method with the estimated useful live of 8 years.

(i) 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 "Leases" ("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.

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Right-of-use assets

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

2.3 Material accounting policies (CONTINUED)

(i) Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

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

Short-term leases and leases of low-value assets

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

(j) 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 "Revenue from Contracts with Customers" in accordance with the policies set out for "Revenue recognition" below.

2.3 Material accounting policies (CONTINUED)

(j) Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)
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.

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.

2.3 Material accounting policies (CONTINUED)

(j) Financial assets (continued)

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.

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

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

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

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

Significant increase in credit risk

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

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

2.3 Material accounting policies (CONTINUED)

(j) Financial assets (continued)

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

Significant increase in credit risk (continued)

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.

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.

2.3 Material accounting policies (CONTINUED)

(j) Financial assets (continued)

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

Measurement and recognition of ECL (continued)

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

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

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

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

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

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

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.

(k) Financial liabilities

Classification and subsequent measurement

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

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

Financial liabilities subsequently measured at amortised cost

After initial recognition, the financial liabilities including trade payable, deposits received, accruals and other payables, lease liabilities and bank borrowings 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

2.3 Material accounting policies (CONTINUED)

(k) Financial liabilities (continued)

Financial liabilities measured at FVPL

Financial liabilities at FVPL include contingent consideration of an acquirer in a business combination. 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.

(l) 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.

(m) Derivative financial instruments

Derivative financial instruments are recognised at fair value at the end of each reporting period with gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under HKFRS 9.

(n) 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 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.

(o) Cash and cash equivalents

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

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

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

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

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

2.3 Material accounting policies (CONTINUED)

(p) 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.

(q) 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.

(r) Income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

2.3 Material accounting policies (CONTINUED)

(r) Income tax (continued)

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited directly to other comprehensive income or directly to equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) 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.

Governments grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

(t) Borrowing costs

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

2.3 Material accounting policies (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

2.3 Material accounting policies (CONTINUED)

(v) Revenue recognition (continued)

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.

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.

2.3 Material accounting policies (CONTINUED)

(v) Revenue recognition (continued)

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.

Property management services

Property management services mainly includes security, cleaning, greening and gardening, repair and maintenance as a subcontractor to construction companies, property owners, gardening companies and other property management companies. The Group recognises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

2.3 Material accounting policies (CONTINUED)

(v) Revenue recognition (continued)

Community value-added services

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

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

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

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.

2.3 Material accounting policies (CONTINUED)

(v) Revenue recognition (continued)

Community value-added services (continued)

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

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

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

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.

2.3 Material accounting policies (CONTINUED)

(v) Revenue recognition (continued)

Revenue from other sources

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

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

(w) Segment reporting

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

(x) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(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.

2.3 Material accounting policies (CONTINUED)

(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 share award schemes 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.

All employee services received in exchange for the grant of any share-based payments are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability, sales growth targets and performance conditions).

All share-based payments is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately with a corresponding increase in the "Other reserves" in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested awarded shares ultimately exercised by holders does not impact the expense recorded in any period.

For the share award scheme of the Company, the Group purchase its own shares through the trustee of the share award scheme from the open market for the shares to be vested under the share award scheme. The shares purchased by the Group that are not yet vested for this share award scheme were recorded as "Treasury reserve" as a deduction under equity. Upon vesting of the awarded shares, the related costs of the purchased shares are reduced from the "Treasury reserve", and the related fair value of the awarded shares are debited to "Other reserves" with the difference charged/credited to "Retained earnings".

2.3 Material accounting policies (CONTINUED)

(aa) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Material accounting policies (CONTINUED)

(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.

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

3. Financial risk management objectives and policies

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

(a) Foreign currency risk

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

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

	Assets	
	2024 RMB'000	2023 RMB'000
HK$	**101,509**	657,640
US$	**16,407**	1,403,497
GBP£	**80**	208,502

Sensitivity analysis

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

	2024			2023	
	Increase/ (Decrease) in foreign exchange rates	**(Decrease)/ Increase on loss after income tax RMB'000**	**Increase/ (Decrease) on retained earnings RMB'000**	Increase/ (Decrease) in foreign exchange rates	Increase/ (Decrease) on profit after income tax and retained earnings RMB'000
HK$	**5%**	**(3,807)**	**3,807**	5%	24,662
	(5%)	**3,807**	**(3,807)**	(5%)	(24,662)
US$	**5%**	**(615)**	**615**	5%	52,631
	(5%)	**615**	**(615)**	(5%)	(52,631)
GBP£	**5%**	**(3)**	**3**	5%	7,819
	(5%)	**3**	**(3)**	(5%)	(7,819)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after income tax (2023: profit after income tax) and retained earnings measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

3. Financial risk management objectives and policies (CONTINUED)

(b) Interest rate risk

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

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

As at 31 December 2024 and 2023, the Group has no floating-interests-rate interest bearing liabilities.

(c) Credit risk

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

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

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

– Trade and notes receivables and contract assets; and

– Other financial assets at amortised cost.

(i) Trade and notes receivables and contract assets

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

3. Financial risk management objectives and policies (CONTINUED)

(c) Credit risk (continued)

(i) Trade and notes receivables and contract assets (continued)

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

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

	Third parties							
	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Over 5 years RMB'000	Related parties RMB'000	Total RMB'000
As at 31 December 2024								
Expected credit loss rate	**5%**	**16%**	**26%**	**61%**	**100%**	**100%**	**57%**	**23%**
Gross carrying amount	**2,362,256**	**497,878**	**350,570**	**334,872**	**82,014**	**8,071**	**753,435**	**4,389,096**
Expected credit losses	**116,146**	**82,045**	**90,468**	**202,627**	**82,014**	**8,071**	**429,458**	**1,010,829**
As at 31 December 2023								
Expected credit loss rate	5%	18%	30%	66%	100%	100%	56%	22%
Gross carrying amount	2,130,828	442,932	654,768	118,855	7,869	995	749,914	4,106,161
Expected credit losses	113,676	80,115	196,136	78,240	7,869	995	419,952	896,983

During the years ended 31 December 2024 and 2023, no impairment losses on contract assets were recognised.

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 "Impairment losses on financial assets – net" within operating (loss)/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.

3. Financial risk management objectives and policies (CONTINUED)

(c) Credit risk (continued)

(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 uses 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 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, 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.

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

Internal credit rating	Description	Trade receivables/ Notes 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

3. Financial risk management objectives and policies (CONTINUED)

(c) Credit risk (continued)

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

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 2024 RMB'000	Gross carrying amount 2023 RMB'000
Financial assets at amortised cost:					
Trade and notes receivables	23	Performing	Lifetime ECL (collective assessment)	3,045,567	2,806,087
		Performing	Lifetime ECL (individual assessment)	165,137	422,441
		Non-performing	Lifetime ECL (credit-impaired)	1,178,392	877,633
Contract assets	24	Performing	Lifetime ECL (individual assessment)	–	176,234
Deposits and other receivables, excluding prepayments and goods and services tax receivables	25	Performing	12m ECL	1,602,497	1,629,311
		Non-performing	Lifetime ECL (credit-impaired)	302,045	355,865
Cash and cash equivalents	26	N/A	12m ECL	2,164,112	3,788,300
Restricted bank balances	26	N/A	12m ECL	37,489	36,898
Time deposits with maturity over three months	26	N/A	12m ECL	1,600,129	1,000,000

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 statement 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 amount RMB'000
As at 31 December 2024						
Trade payables	**1,412,288**	**–**	**–**	**–**	**1,412,288**	**1,412,288**
Deposits received, accruals and other payables*	**858,309**	**–**	**–**	**–**	**858,309**	**858,309**
Lease liabilities	**20,930**	**10,885**	**15,946**	**3,103**	**50,864**	**43,766**
	2,291,527	**10,885**	**15,946**	**3,103**	**2,321,461**	**2,314,363**
As at 31 December 2023						
Trade payables	1,212,521	–	–	–	1,212,521	1,212,521
Deposits received, accruals and other payables*	1,325,802	–	–	–	1,325,802	1,325,802
Borrowings	249,979	19,850	54,551	4,231	328,611	299,942
Lease liabilities	34,966	18,028	14,515	9,143	76,652	68,337
	2,823,268	37,878	69,066	13,374	2,943,586	2,906,602

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

(e) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for capital management during the year ended 31 December 2024.

3. Financial risk management objectives and policies (CONTINUED)

(e) Capital management (continued)

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.

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Borrowings (Note 31)	**–**	(299,942)
Lease liabilities (Note 34)	**(43,766)**	(68,337)
Less: Cash and cash equivalents (Note 26)	**2,164,112**	3,788,300
Net cash	**2,120,346**	3,420,021
Total equity	**8,039,043**	8,646,153
Gearing ratio	**Note**	Note

Note: The Group is at a net cash position and there is no gearing as of 31 December 2024 and 2023.

(f) Fair value estimation

(i) Financial instruments not measured at fair value

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

(ii) Financial instruments measured at fair value

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

3. Financial risk management objectives and policies (CONTINUED)

(f) Fair value estimation (continued)

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

The financial assets and liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2024				
Financial assets				
Financial assets at FVPL (Note 21)	–	–	144,322	144,322

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Assets				
Financial assets at FVPL (Note 21)	–	–	124,178	124,178
Liabilities				
Consideration payable arising from non-controlling shareholders' put options (Note 33)	–	–	50,513	50,513
Purchase consideration (Note 33)	–	–	412,264	412,264
	–	–	462,777	462,777

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 (Note 21)	**Consideration payable arising from non-controlling shareholders' put option** RMB'000 (Note 33)	**Purchase consideration** RMB'000 (Note 33)
At 1 January 2023	84,250	(331,261)	(387,535)
Additions	–	–	(94,858)
Payment	–	–	334,880
Non-cash transaction	(4,410)	–	4,410
Transfer (Note 33(b))	–	180,792	(180,792)
Lapse (Note 33(b))	–	82,389	–
Change in fair value recognised in the profit or loss	44,338	17,567	(88,369)
As at 31 December 2023 and 1 January 2024	**124,178**	**(50,513)**	**(412,264)**
Payment	**–**	**–**	**274,711**
Transfer	**–**	**50,513**	**137,553**
Change in fair value recognised in the profit or loss	**20,144**	**–**	**–**
As at 31 December 2024	**144,322**	**–**	**–**

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 RMB91,966,000 (2023: RMB95,496,000) represent the set-off of the financial asset at FVPL arising from the relevant terms of profit guarantee of the sales and purchase agreement with the consideration payable of the acquisition as set out in Note 21 of the consolidated financial statement.

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
Consideration payable arising from non-controlling shareholders' put option	Discounted cash flow	Expected discount rate	N/A (2023: N/A)	Increase in discount rate would result in decrease in fair value (note 1)
Purchase consideration	Discounted cash flow	Expected revenue	N/A (2023: RMB49,500,000 – RMB922,000,000)	Increase in expected revenue and net profit would result in increase in fair value (note 2)
		Expected net profit	N/A (2023: RMB60,590,000)	
Financial assets at FVPL	Discounted cash flow	Expected discount rate	10% (2023: 10%)	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 considered that disclosure is insignificant for the put option which remained valid as at 31 December 2023. Most put options have been lapsed during the year ended 31 December 2023.

2. An increase in the expected revenue used in isolation would result in an increase in the fair value, and vice versa. 5% and 5% higher/lower expected revenue holding all other variables constant would increase/decrease the fair value by RMB10,057,000/ RMB12,090,000 respectively during the year ended 31 December 2023.

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 years ended 31 December 2024 and 2023.

4. Critical accounting estimates and judgements

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

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

(a) Revenue recognition

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

(b) Provision of ECLs on other receivables

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

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

ECLs on other receivables which are not assessed to be credit-impaired are estimated based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's historical settlement records of the debtors, past due status, current economic and market conditions and the forward-looking information at the end of each reporting period. In assessing forward-looking information, the Group considers 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 related parties and 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.

The information about the ECL on trade receivables are disclosed in Notes 3(c)(i) and 23.

4. Critical accounting estimates and judgements (CONTINUED)

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

For the purposes of goodwill impairment assessment, management considered each of the acquired property management groups a separate group of 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 chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

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

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

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

The CODM assesses the performance of the operating segments based on a measure of operating results, adjusted by excluding finance income, finance costs, other gains and losses – net, loss on disposal of subsidiaries, shares of results of associates and certain unallocated expenses.

All assets are allocated to operating segment assets other than deferred tax assets, investments in associates, assets classified as held for sale and other corporate assets. All liabilities are allocated to operating segment liabilities other than deferred tax liabilities, income tax liabilities, liabilities directly associated with assets classified as held for sale and borrowings.

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 "Operating segments", the Group regard the PRC as its place of domicile. The Group's revenue from external customers is classified based on the geographical locations of the customers and the details are disclosed above. Accordingly, all of the Group's revenue were derived in the PRC during the years ended 31 December 2024 and 2023.

As at 31 December 2024 and 2023, all of the non-current assets of the Group were located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

5. Segment information (CONTINUED)

The segment revenue and results are as follows:

	Property management services RMB'000	City services RMB'000	Total RMB'000
Year ended 31 December 2024			
Reportable segment revenue	**6,948,070**	**947,466**	**7,895,536**
Reportable segment results	**375,590**	**50,131**	**425,721**
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	**(123,893)**	**(18,985)**	**(142,878)**
Impairment losses on intangible assets	**(45,829)**	**–**	**(45,829)**
Impairment losses on assets classified as held for sales	**(2,306)**	**–**	**(2,306)**
Provision for inventories	**(31,818)**	**–**	**(31,818)**
Depreciation of property, plant and equipment, right-of-use assets and investment properties	**(136,232)**	**(26,169)**	**(162,401)**
Amortisation of intangible assets	**(146,855)**	**(17,737)**	**(164,592)**
Year ended 31 December 2023			
Reportable segment revenue	6,867,893	1,334,775	8,202,668
Reportable segment results	485,273	(106,138)	379,135
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	(59,961)	(26,634)	(86,595)
Impairment losses on intangible assets	(15,391)	(105,925)	(121,316)
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(112,005)	(92,429)	(204,434)
Amortisation of intangible assets	(139,542)	(48,401)	(187,943)

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

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Segment results	**425,721**	379,135
Other gains and losses – net	**15,023**	(23,976)
Share of results of associates	**9,348**	12,102
Loss on disposal of subsidiaries	**(589,143)**	–
Finance costs	**(30,879)**	(45,932)
Finance income	**31,501**	78,106
Unallocated expenses	**(9,315)**	(11,590)
(Loss)/Profit before income tax	**(147,744)**	387,845

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 2024			
Segment assets	**10,909,791**	**342,799**	**11,252,590**
Segment liabilities	**4,229,441**	**141,490**	**4,370,931**
As at 31 December 2023			
Segment assets	9,615,366	1,866,551	11,481,917
Segment liabilities	3,923,212	820,901	4,744,113

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Segment assets	**11,252,590**	11,481,917
Deferred tax assets	**280,898**	255,538
Investments in associates	**502,204**	61,019
Other corporate assets	**915,324**	2,441,564
Assets classified as held for sale	**36,462**	–
Total assets	**12,987,478**	14,240,038
Segment liabilities	**4,370,931**	4,744,113
Deferred tax liabilities	**132,124**	156,631
Income tax liabilities	**416,177**	393,199
Borrowings	**–**	299,942
Liabilities directly associated with assets classified as held for sale	**29,203**	–
Total liabilities	**4,948,435**	5,593,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

6. Revenue and cost of sales and services

Revenue mainly comprises 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 years is as follows:

	Year ended 31 December			
	2024		2023	
	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	**5,564,305**	**4,443,480**	5,291,917	4,226,488
Community value-added services	**458,823**	**312,498**	442,999	290,623
Value-added services to non-property owners	**176,020**	**145,924**	213,088	174,604
City services	**947,466**	**818,361**	1,334,775	1,147,727
	7,146,614	**5,720,263**	7,282,779	5,839,442
Revenue from customer and recognised at a point in time:				
Community value-added services	**748,922**	**610,990**	919,889	716,794
	7,895,536	**6,331,253**	8,202,668	6,556,236
Gross basis	**7,683,770**	**6,219,243**	8,016,576	6,466,881
Net basis	**211,766**	**112,010**	186,092	89,355
	7,895,536	**6,331,253**	8,202,668	6,556,236

For the year ended 31 December 2024, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 2.94% and 0.36% (2023: 4.37% and 0.55%) 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 2024 and 2023.

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	
	2024 **RMB'000**	2023 RMB'000
Property management services	**932,138**	885,874
Community value-added services	**353,719**	362,347
Value-added services to non-property owners	**1,778**	1,466
City services	**55**	3,671
	1,287,690	1,253,358
– Related parties (Note 40(d))	**22,585**	61,563
– Third parties	**1,265,105**	1,191,795
	1,287,690	1,253,358

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 (2023: increased) as a result of the growth of the Group's business.

(b) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Property management services	**885,874**	749,090
Community value-added services	**362,347**	466,711
Value-added services to non-property owners	**1,466**	8,345
City services	**3,671**	3,753
	1,253,358	1,227,899

Movement of contract liabilities is as follows:

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
As at 1 January	**1,253,358**	1,227,899
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	**1,287,690**	1,253,358
Decrease in contract liabilities as a result of recognizing revenue during the year	**(1,253,358)**	(1,227,899)
As at 31 December	**1,287,690**	1,253,358

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

(c) Unsatisfied performance obligations

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

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

7. (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	**2024 RMB'000**	2023 RMB'000
Employee benefit expenses (excluding directors' and chief executive's remuneration)	8	**3,408,299**	3,914,366
Equity-settled share-based payment			
– Employees other than directors	8	**688**	12,049
– Directors	9(a)	**471**	5,396
		1,159	17,445
Impairment losses on financial assets – net			
– Third parties			
Impairment losses on trade receivables	23	**169,805**	114,487
(Reversal of)/Impairment losses on other financial assets included in deposits and other receivables	25	**(9,315)**	8,250
– Related parties			
Impairment losses on trade receivables	23	**9,506**	13,105
Reversal of Impairment losses on other financial assets included in deposits and other receivables	25	**(27,118)**	(49,247)
Total impairment losses on financial assets – net		**142,878**	86,595

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For the year ended 31 December 2024

7. (Loss)/Profit before income tax (CONTINUED)

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Depreciation and amortisation:			
Depreciation of property, plant and equipment	17	**128,277**	156,396
Depreciation of right-of-use assets, included in administrative expenses	18	**33,190**	47,066
Depreciation of investment properties	19	**934**	972
Amortisation of intangible assets	20	**164,592**	187,943
		326,993	392,377
Auditors' remuneration			
– Annual and other audit services		**3,300**	3,300
– Non-audit services		**500**	500
		3,800	3,800
Cleaning cost		**795,980**	662,311
Greening and gardening costs		**119,051**	113,439
Security costs		**685,503**	627,281
Maintenance costs		**312,185**	235,425
System operation and upgrade costs		**41,307**	40,130
City services cost		**818,361**	1,147,727
Cost of inventories sold		**141,164**	267,798
Provision for inventories		**31,818**	–
Cost of selling parking lots		**12,521**	1,230
Raw materials used in catering services		**123,724**	138,115

8. Employee benefit expense (excluding directors' emoluments)

	Year ended 31 December 2024 RMB'000	2023 RMB'000
Wages, salaries and bonuses	**2,848,280**	3,332,417
Pension costs	**215,796**	230,060
Housing funds, medical insurances and other social Insurances (note)	**194,962**	213,259
Equity-settled share-based payment (Note 7)	**688**	12,049
Other employment benefits	**148,573**	126,581
	3,408,299	3,914,366

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 (excluding directors' emoluments) (CONTINUED)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2023: one) directors for the year ended 31 December 2024, whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining three (2023: four) individual(s) for the year are as follows:

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Wages, salaries and bonuses	**2,653**	3,733
Pension costs	**104**	231
Housing funds, medical insurances and other social insurances	**149**	306
Equity-settled share-based payment	**–**	205
	2,906	4,475

The emoluments of remaining three (2023: four) individual(s) fell within the following bands:

	Number of individuals Year ended 31 December	
	2024	2023
Emolument bands		
HK$900,001 – HK$2,000,000 (equivalents to RMB833,437 – RMB1,852,080)	**2**	4
HK$700,001 – HK$900,000 (equivalents to RMB648,229 – RMB833,436)	**1**	–

During the years ended 31 December 2024 and 2023, the highest paid non-director individuals did not receive any emolument from the Group as an inducement to join or upon joining the Group, nor leave the Group or as compensation for loss of office.

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 (note (a)(i))
Mr. Cao Shiyang
Mr. Cai Wenwei (note (a)(iv))
Mr. Shao Liang (note (a)(ii))

Non-executive Director
Ms. Tang Fei (note (a)(iii))

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

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 2024 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 (note (a)(i))	–	1,111	–	194	64	1,369
Mr. Cao Shiyang	–	597	–	277	82	956
Mr. Shao Liang (note (a)(ii))	–	1,122	–	–	102	1,224
Non-executive Director						
Ms. Tang Fei (note (a)(iii))	–	–	–	–	–	–
Independent non-executive Directors						
Mr. Gu Yunchang	332	–	–	–	–	332
Ms. Zhou Xinyi	332	–	–	–	–	332
Mr. Hui Wai Man, Lawrence	332	–	–	–	–	332
	996	2,830	–	471	248	4,545

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

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

9. Directors' benefits and interests (CONTINUED)

(a) Directors' emoluments (continued)

(i) Mr. Ye Mingjie resigned as the Company's executive director on 26 April 2024.

(ii) Mr. Shao Liang was appointed as the Company's executive director on 26 April 2024.

(iii) Ms. Tang Fei resigned as the Company's non-executive director on 1 September 2024.

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

(b) Retirement benefits of directors

During the years ended 31 December 2024 and 2023, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC.

(c) Termination benefits of directors

During the years ended 31 December 2024 and 2023, there were no termination benefits received by the directors.

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

During the years ended 31 December 2024 and 2023, no consideration was paid for making available the services of the directors or senior management of the Company.

(e) Waived or agreed to waive any remuneration

There were no arrangements under which a director waived or agreed to waive any remuneration during the years ended 31 December 2024 and 2023.

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 December 2024 and 2023, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at 31 December 2024 and 2023 or at any time during the years ended 31 December 2024 and 2023.

10. Other income

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants	**25,330**	49,451
Value-added tax deductibles	**–**	16,578
	25,330	66,029

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 years ended 31 December 2024 and 2023.

11. Other gains and losses – net

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net fair value gains of non-controlling shareholders' put options (Note 33(b))	**–**	17,567
Net gain on disposal of property, plant and equipment	**3,383**	270
Net foreign exchange (loss)/gain	**(195)**	26
Fair value gain on financial assets at FVPL (Note 21)	**20,144**	44,338
Fair value changes in purchase consideration	**–**	(88,369)
Impairment loss on property, plant and equipment (Note 17)	**(8,170)**	(6,457)
Others	**(139)**	8,649
	15,023	(23,976)

12. Finance income – net

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income		
Interest income on bank deposits	**31,501**	78,106
Finance costs		
Interest and finance charges paid/payable for borrowing and liabilities and others (Note 38(b))	**(30,879)**	(45,932)
Finance income – net	**622**	32,174

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13. Income tax expense

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Current income tax expense – PRC – Corporate income tax	**(122,421)**	(88,487)
Deferred tax credit (Note 35) – PRC corporate income tax	**47,207**	17,390
	(75,214)	(71,097)

(a) Cayman Islands 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 years ended 31 December 2024 and 2023.

(d) PRC enterprise income tax

Income tax provision of the Group in respect of operations in the 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 years ended 31 December 2024 and 2023.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group located in the western region of the PRC are engaged in the encouraged businesses. Also, certain PRC subsidiaries of the Group obtained the High and New Technology Enterprises qualification. Accordingly, they enjoyed a preferential income tax rate of 15% for the years ended 31 December 2024 and 2023.

In accordance with Caishui Circular [2012] No. 27 ("Circular No. 27"), one subsidiary of the Group 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 this subsidiary was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

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 (2023: 25%).

13. Income tax 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 2024, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB1,802,167,000 (2023: RMB2,239,367,000), 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 (loss)/profit presented in the consolidated profit or loss to the income tax expenses is listed below:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
(Loss)/Profit before income tax	**(147,744)**	387,845
Tax (credit)/expense calculated at applicable corporate income tax rate of 25%	**(36,936)**	96,961
Tax effects of:		
– Expenses not deductible for taxation purposes	**135,015**	33,182
– Income not taxable for tax purpose	**(2,337)**	(2,621)
– Tax loss not recognised	**3,058**	5,503
– Utilisation of temporary difference previously not recognised	**(6,332)**	(27,450)
– Different tax rate applied	**(17,254)**	(34,478)
Income tax expense	**75,214**	71,097

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

14. (Loss)/Earnings per share

Basic (loss)/earnings per share

	Year ended 31 December	
	2024	2023
(Loss)/Profit attributable to equity holders of the Company (RMB'000)	**(272,363)**	273,245
Weighted average number of ordinary shares (in thousands)	**2,456,741**	2,470,683
Basic (loss)/earnings per share (expressed in RMB per share)	**(0.11)**	0.11

Diluted (loss)/earnings per share

	Year ended 31 December	
	2024	2023
(Loss)/Profit attributable to ordinary holders of the Company (RMB'000)	**(272,363)**	273,245
(Loss)/Profit for the year, attributable to owners of the Company for diluted (loss)/ earnings per share (RMB'000)	**(272,363)**	273,245
Weighted average number of equity shares for basic (loss)/earnings per share (in thousands)	**2,456,741**	2,470,683
Adjustments: share award scheme (in thousands)	**–**	5,082
Weighted average number of ordinary shares for dilutive (loss)/earnings per share (in thousands)	**2,456,741**	2,475,765

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

Diluted loss per share is the same as the basic loss per share for the year ended 31 December 2024. The potential shares arising from the share award scheme would decrease the loss per share attributable to equity holders of the Company and was not taken into account as they had anti-dilutive effect.

15. Subsidiaries

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

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group as at 31 December 2024	2023	Principal activities/ place of operation
Shimao Services (BVI) Limited	BVI 4 December 2019	USD1	100%*	100%*	Investment holding, BVI
Origin Prime Property Services Limited	Hong Kong 18 April 2019	USD10,000	100%	100%	Investment holding, Hong Kong
Super Rocket Limited	Hong Kong 16 May 2017	HK$1	100%	100%	Investment holding, Hong Kong
Virtue Faith Limited	Hong Kong 31 July 2023	HK$1	100%	100%	Investment holding, Hong Kong
Shanghai Aoling Enterprise Management Co., Ltd.	The PRC 17 June 2019	RMB4,305,000,000	100%	100%	Investment holding, the PRC
Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng")	The PRC 16 September 2005	RMB5,400,000,000	100%	100%	Property management services in the PRC
Quanzhou Shimao Sanyuan Real Estate Management Co., Ltd. ("Quanzhou Sanyuan")	The PRC 26 June 2003	RMB5,000,000	51%	51%	Property management services in the PRC
Shanghai Runshang Real Estate Agent Co., Ltd.	The PRC 9 August 2012	RMB52,500,000	100%	100%	Real estate agent services in the PRC
Shanghai Fanying Environmental Engineering Co., Ltd.	The PRC 30 December 2014	RMB127,000,000	100%	100%	Gardening and greening services in the PRC
Shanghai Shibin E-Commerce Co., Ltd.	The PRC 24 December 2014	RMB52,500,000	100%	100%	Wholesales and retail trading in the PRC
Shanghai Shimao Wulianwang Technology Co., Ltd. ("Shimao Wulianwang")	The PRC 29 December 2018	RMB300,000,000	100%	100%	Technology services in the PRC
Shanghai Ruiyun data Technology Co., LTD	The PRC 9 May 2023	RMB10,000,000	100%	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.	The PRC 7 July 2014	RMB50,000,000	100%	100%	Property management services in the PRC

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15. Subsidiaries (CONTINUED)

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group as at 31 December 2024	2023	Principal activities/ place of operation
Chengdu Xinyi Property Co., Ltd. ("Chengdu Xinyi")	The PRC 14 December 2000	RMB10,000,000	100%	100%	Property management services in the PRC
Nanjing Haixia Real Estate Management Co., Ltd.	The PRC 11 October 2011	RMB500,000	100%	100%	Property management services in the PRC
Mudanjiang Feixia Management Co., Ltd.	The PRC 25 October 2019	RMB550,000	100%	100%	Property management services in the PRC
Shanghai Maosheng Intelligent Technology Co., Ltd.	The PRC 30 December 2019	RMB10,000,000	51%	51%	Technology services in the PRC
Xianghe Wantong Real Estate Management Co., Ltd.	The PRC 27 July 2011	RMB1,000,000	100%	100%	Property management services in the PRC
Mudanjiang Maoju Household Products Co., Ltd.	The PRC 17 April 2018	RMB1,050,000	100%	100%	Wholesale and retail trading in the PRC
Shanghai Huiguan Garden Landscape Engineering Co., Ltd.	The PRC 6 May 2011	RMB10,000,000	100%	100%	Investment holding, the PRC
Suifenhe Shifu Home Supplies Co., Ltd.	The PRC 10 December 2018	HK$2,000,000	100%	100%	Wholesale and retail trading in the PRC
Shanghai Jiashu Enterprises Management Co., Ltd.	The PRC 17 July 2019	RMB100,000,000	100%	100%	Investment holding, the PRC
Guangzhou Yuetai Property Services Co., Ltd.	The PRC 2 June 1999	RMB5,000,000	100%	100%	Property management services in the PRC
Fusheng Life Services Group Co., Ltd.	The PRC 17 July 2018	RMB100,000,000	51%	51%	Property management services in the PRC
Beijing Guancheng Hotel Management Co., Ltd.	The PRC 22 September 1998	RMB20,000,000	100%	100%	Property management services in the PRC
Shanghai Yunyu space Intelligent Technology Co., Ltd.	The PRC 14 April 2017	RMB84,000,000	100%	100%	Engineering Construction in the PRC
Shanghai Shijihui Entrepreneurship Management Co., Ltd.	The PRC 18 March 2020	RMB11,000,000	100%	100%	Property management services in the PRC
Zhejiang Zheda Sinew Property Services Group Co., Ltd. (Zhejiang Sinew)	The PRC 21 January 2001	RMB50,000,000	79.99%	72.76%	Property management services in the PRC
Tianjin Hexing Property Management Co., Ltd.	The PRC 1 August 2005	RMB10,000,000	100%	100%	Property management and hotel management in the PRC

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For the year ended 31 December 2024

15. Subsidiaries (CONTINUED)

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group as at 31 December 2024	2023	Principal activities/ place of operation
Kangqiao Property Co., Ltd. ("Yantai Kangqiao")	The PRC 31 October 2007	RMB50,000,000	80%	80%	Property management and hotel management in the PRC
Hangshou Jinhu Property Management Co., Ltd. ("Hangshou Jinhu")	The PRC 26 August 1996	RMB11,000,000	100%	100%	Property management and hotel management in the PRC
Xi'an Fangrui Property Management Co., Ltd. ("Xi'an Fangrui")	The PRC 23 March 2001	RMB50,000,000	70%	70%	Property management and hotel management in the PRC
Zhejiang Yefeng Property Service Co., Ltd.	The PRC 14 June 1996	RMB50,500,000	100%	100%	Property management and hotel management in the PRC
Shenzhen Shiluyuan Environment Co., Ltd. ("Shi Lu Yuan")	The PRC 18 March 2003	RMB123,180,000	67%	67%	Urban and rural environmental sanitation integrated services in the PRC
Wuxi Jinshatian Technology Co., Ltd. ("Wuxi Jinshatian")	The PRC 14 March 2003	RMB105,000,000	N/A^	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	N/A^	60%	Property management and hotel management in the PRC
Shanghai Chunqiji Elderly Care Service Co., Ltd.	The PRC 3 December 2014	RMB29,411,800	56%	56%	Elderly support services and consultancy services in the PRC
Hubei Shimao Yunrui Property Management Co., Ltd.	The PRC 1 September 2020	RMB5,000,000	51%	51%	Property management and hotel management in the PRC
Shanghai Maojia Property Service Co., Ltd.	The PRC 3 August 2020	RMB10,000,000	100%	100%	Investment holding, the PRC
Suzhou Chong Tian Intelligent Chemical Engineering Co., Ltd.	The PRC 3 April 2020	RMB50,000,000	100%	100%	House and city infrastructure construction services in the PRC
Zhejiang Xiangyu Investment Co., Ltd	The PRC 15 May 2009	RMB20,000,000	87.47%	69.4%	Investment holding, the PRC
Suzhou Maozhiyuan Construction Decoration Engineering Co., Ltd.	The PRC 16 December 2020	RMB10,000,000	100%	100%	Electricity infrastructure construction and inner renovation services in the PRC
Jiangsu Shimao Ankang City Operation Management Service Co., Ltd.	The PRC 1 December 2020	RMB10,000,000	51%	51%	City park management and greening services in the PRC
Hangzhou Huizhen Supply Chain Management Co., Ltd.	The PRC 1 July 2021	RMB4,000,000	N/A^	51%	Supply chain management in the PRC

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15. Subsidiaries (CONTINUED)

Name of entity	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Ownership interest held by the Group as at 31 December 2024	2023	Principal activities/ place of operation
Anhui Shimao Hongshun Property Service Co., Ltd.	The PRC 18 November 2020	RMB5,000,000	51%	51%	Property management and hotel management in the PRC
Shanxi Shimao Jiahui Property Service Co., Ltd.	The PRC 19 July 2021	RMB2,000,000	51%	51%	Property management and corporate management services in the PRC
Shimao Ruide (Heilongjiang) City Construction Services Co., Ltd.	The PRC 12 July 2021	RMB2,000,000	51%	51%	Property management and public infrastructure management in the PRC
Suzhou Maokang Retirement Service Co., Ltd.	The PRC 20 August 2021	RMB60,000,000	100%	100%	Investment holding, the PRC
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	N/A^	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. ("Quanzhou Youda")	The PRC 26 June 2003	RMB9,405,800	51%	51%	Property management in the PRC
Suzhou Tianxiang Property Management Services Co., Ltd.	The PRC 15 October 1996	RMB10,000,000	70%	70%	Property management in the PRC
Hunan Jili Property Management Services Co., Ltd.	The PRC 15 November 2001	RMB10,000,000	70%	70%	Property management in the PRC
Zhejiang Xindadi Property Management Services Co., Ltd.	The PRC 10 November 2008	RMB10,080,000	100%	100%	Property management in the PRC
Tianjin Rongwei Security Service Co., Ltd.	The PRC 25 May 2016	RMB20,000,000	70%	70%	Security services in the PRC

* Directly held by the Company
^ Disposed during the year ended 31 December 2024

16. Investments in associates

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**61,019**	59,786
Addition	**441,479**	–
Share of profits	**9,348**	12,102
Deregistration	**–**	(869)
Dividends	**(9,642)**	(10,000)
At the end of the year	**502,204**	61,019

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market prices are not available, which in the opinion of the directors principally affected the results or net assets of the Group as at 31 December 2024 and 2023.

Name of entity	**Place of business/ country of incorporation**	**Ownership interest held by the Group as at 31 December**		**Principal activities**
		2024	2023	
Kunming Ruixin City Operation Management Co., Ltd	The PRC	**33%**	33%	Property management services
Zhejiang Xinyu Commercial Group Co. Ltd. ("Zhejiang Xinyu Commercial") (Formerly named as Zhejiang Xinyu Trade Co., Ltd)	The PRC	**40%**	40%	School supermarket operation
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	**30%**	30%	School logistics servers
Suzhou Maoyou Charge New Energy Technology Co. Ltd.*	The PRC	**49%**	N/A	Operation of electric vehicles charging stations and related businesses in the PRC
Hunan Lingmei Network Technology Co., Ltd.*	The PRC	**40%**	N/A	Property management services
Hunan Public Construction Urban Services Co., Ltd.*	The PRC	**49%**	N/A	Property management services
Shanghai Shigeyi Intelligent Information System Co., Ltd.	The PRC	**49%**	N/A	Technology development and technical supporting services

* As at 31 December 2024, the aggregate carrying amount of investments in associates totals approximately RMB368,898,000, primarily comprising bank balances with minimal financial liabilities. During the early development stage, no significant operational losses were incurred for the year ended 31 December 2024. Management considers that these investments have no material impact on the Group's financial position or performance.

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For the year ended 31 December 2024

16. Investments in associates (CONTINUED)

Summarised financial information in respect of the Group's material associates, Zhejiang Xinyu Commercial, is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

	2024 RMB'000	2023 RMB'000
As at 31 December		
Current assets	245,694	211,215
Non-current assets	29,655	26,354
Current liabilities	(159,999)	(135,085)
Non-current liabilities	–	–
Net assets	115,350	102,484
Proportion of the Group's ownership interests	40%	40%
Carrying amount of the Group's interests	46,140	40,994
For the year ended 31 December		
Revenue	825,238	699,840
Profit and total comprehensive income for the year	32,866	24,893
Dividends received for the year	(8,000)	(8,000)

Aggregate information of associates that are not individually material:

	2024 RMB'000	2023 RMB'000
The Group's share of (loss)/profit and total comprehensive (expense)/income for the year	(3,798)	2,146
Aggregate carrying amount of the Group's interests	456,064	20,025
Dividends received for the year	(1,642)	(2,000)

17. Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Leasehold improvement RMB'000	Assets under construction RMB'000	Total RMB'000
As at 1 January 2023							
Cost	45,805	39,216	176,587	213,088	189,545	124,145	788,386
Accumulated depreciation	(3,966)	(11,583)	(43,791)	(75,567)	(62,924)	–	(197,831)
Carrying amounts	41,839	27,633	132,796	137,521	126,621	124,145	590,555
Year ended 31 December 2023							
Opening carrying amounts	41,839	27,633	132,796	137,521	126,621	124,145	590,555
Additions	26,507	4,488	9,025	59,491	74,218	15,633	189,362
Impairment loss (Note 11)	–	–	–	(6,457)	–	–	(6,457)
Depreciation charge (Note 7)	(4,320)	(4,114)	(19,315)	(62,072)	(66,575)	–	(156,396)
Disposal	–	–	(5,358)	(24,891)	–	(14,886)	(45,135)
Closing carrying amounts	64,026	28,007	117,148	103,592	134,264	124,892	571,929
As at 31 December 2023 and 1 January 2024							
Cost	72,312	43,704	180,254	247,688	263,763	124,892	932,613
Accumulated depreciation	(8,286)	(15,697)	(63,106)	(137,639)	(129,499)	–	(354,227)
Impairment loss	–	–	–	(6,457)	–	–	(6,457)
Carrying amounts	64,026	28,007	117,148	103,592	134,264	124,892	571,929
Year ended 31 December 2024							
Opening carrying amounts	64,026	28,007	117,148	103,592	134,264	124,892	571,929
Transfer	–	13,169	20,201	–	–	(33,370)	–
Additions	–	2,893	4,439	30,125	99,276	24,994	161,727
Impairment loss (Note 11)	–	–	–	–	–	(8,170)	(8,170)
Depreciation charge (Note 7)	(1,108)	(2,016)	(16,404)	(24,277)	(84,472)	–	(128,277)
Disposal of subsidiaries (Note 39(b))	(53,457)	(22,914)	(76,795)	(50,250)	(15,198)	(3,603)	(222,217)
Reclassified as held for sale (Note 27)	–	(38)	(46)	(60)	–	–	(144)
Disposal	–	(13,310)	(4,317)	(9,665)	–	(8,963)	(36,255)
Closing carrying amounts	9,461	5,791	44,226	49,465	133,870	95,780	338,593
As at 31 December 2024							
Cost	18,855	23,500	123,613	217,739	347,841	103,950	835,498
Accumulated depreciation	(9,394)	(17,709)	(79,387)	(161,817)	(213,971)	–	(482,278)
Impairment loss	–	–	–	(6,457)	–	(8,170)	(14,627)
Carrying amounts	9,461	5,791	44,226	49,465	133,870	95,780	338,593

As at 31 December 2024 and 2023, no buildings were pledged to secure borrowings granted to the Group.

As at 31 December 2023, an aggregated amount of approximately RMB62,555,000, respectively, of certain machinery and equipment and vehicles used in city services segment were pledged to secure the Group's other borrowings as set out in Note 33(d).

18. Right-of-use assets

The Group has 77 (2023: 108) 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 12 years (2023: 1 and 12 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 2023			
Cost	9,131	183,322	192,453
Accumulated depreciation	(746)	(89,742)	(90,488)
Carrying amounts	8,385	93,580	101,965
Year ended 31 December 2023			
Opening carrying amounts	8,385	93,580	101,965
Additions	–	26,967	26,967
Termination	–	(1,649)	(1,649)
Depreciation charge (Note 7)	(175)	(46,891)	(47,066)
Closing carrying amounts	8,210	72,007	80,217
As at 31 December 2023 and 1 January 2024			
Cost	**9,131**	**208,640**	**217,771**
Accumulated depreciation	**(921)**	**(136,633)**	**(137,554)**
Carrying amounts	**8,210**	**72,007**	**80,217**
Year ended 31 December 2024			
Opening carrying amounts	**8,210**	**72,007**	**80,217**
Additions	**–**	**14,045**	**14,045**
Termination	**–**	**(4,870)**	**(4,870)**
Disposal of subsidiaries (Note 39(b))	**(8,079)**	**(4,639)**	**(12,718)**
Depreciation charge (Note 7)	**(131)**	**(33,059)**	**(33,190)**
Closing carrying amounts	**–**	**43,484**	**43,484**
As at 31 December 2024			
Cost	**–**	**184,854**	**184,854**
Accumulated depreciation	**–**	**(141,370)**	**(141,370)**
Carrying amounts	**–**	**43,484**	**43,484**

19. Investment properties

	Buildings RMB'000
As at 1 January 2023	
Cost	22,131
Accumulated depreciation	(2,888)
Carrying amounts	19,243
Year ended 31 December 2023	
Opening carrying amounts	19,243
Depreciation charge (Note 7)	(972)
Closing carrying amounts	18,271
As at 31 December 2023 and 1 January 2024	
Cost	**22,131**
Accumulated depreciation	**(3,860)**
Carrying amounts	**18,271**
Year ended 31 December 2024	
Opening carrying amounts	**18,271**
Depreciation charge (Note 7)	**(934)**
Closing carrying amounts	**17,337**
As at 31 December 2024	
Cost	**22,131**
Accumulated depreciation	**(4,794)**
Carrying amounts	**17,337**

During the years ended 31 December 2024 and 2023, there is no rental income arising from investment properties and no direct operating expenses from investment properties.

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognised professional qualification and has relevant experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices 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 2024 and 2023, certain significant inputs used in the determination of fair value of the investment properties are arrived by reference to certain significant unobservable market data, the fair value of the investment properties of the Group is included in Level 3 of the fair value measurement hierarchy. 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 years ended 31 December 2024 and 2023.

As at 31 December 2024, the fair value of the investment properties is approximately RMB17,949,000 (2023: RMB19,320,000). As at 31 December 2024 and 2023, none of investment properties were pledged.

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20. Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Customer relationship RMB'000	Concession intangible assets RMB'000	Brand name RMB'000	Total RMB'000
As at 1 January 2023						
Cost	166,517	1,740,300	1,244,461	79,058	16,000	3,246,336
Accumulated amortisation	(43,077)	–	(271,527)	(16,228)	(2,667)	(333,499)
Carrying amounts	123,440	1,740,300	972,934	62,830	13,333	2,912,837
Year ended 31 December 2023						
Opening carrying amounts	123,440	1,740,300	972,934	62,830	13,333	2,912,837
Additions	50,394	–	–	3,794	–	54,188
Disposals	(48)	–	–	–	–	(48)
Impairment loss	–	(15,391)	(105,925)	–	–	(121,316)
Amortisation charge (Note 7)	(38,012)	–	(136,010)	(11,921)	(2,000)	(187,943)
Closing carrying amounts	135,774	1,724,909	730,999	54,703	11,333	2,657,718
As at 31 December 2023 and 1 January 2024						
Cost	**216,863**	**2,445,381**	**1,265,000**	**82,852**	**16,000**	**4,026,096**
Impairment loss	**–**	**(720,472)**	**(126,464)**	**–**	**–**	**(846,936)**
Accumulated amortisation	**(81,089)**	**–**	**(407,537)**	**(28,149)**	**(4,667)**	**(521,442)**
Carrying amounts	**135,774**	**1,724,909**	**730,999**	**54,703**	**11,333**	**2,657,718**
Year ended 31 December 2024						
Opening carrying amounts	**135,774**	**1,724,909**	**730,999**	**54,703**	**11,333**	**2,657,718**
Additions	**237,644**	**–**	**–**	**–**	**–**	**237,644**
Disposals	**(3,846)**	**–**	**–**	**–**	**–**	**(3,846)**
Impairment loss	**–**	**(45,566)**	**(263)**	**–**	**–**	**(45,829)**
Amortisation charge (Note 7)	**(46,230)**	**–**	**(115,600)**	**(762)**	**(2,000)**	**(164,592)**
Disposal of subsidiaries	**(542)**	**(371,555)**	**(152,158)**	**(53,941)**	**–**	**(578,196)**
Reclassified as held for sale (Note 27)	**–**	**–**	**(1,737)**	**–**	**–**	**(1,737)**
Closing carrying amounts	**322,800**	**1,307,788**	**461,241**	**–**	**9,333**	**2,101,162**
As at 31 December 2024						
Cost	**449,958**	**2,071,049**	**1,038,800**	**–**	**16,000**	**3,575,807**
Impairment loss	**–**	**(763,261)**	**(126,464)**	**–**	**–**	**(889,725)**
Accumulated amortisation	**(127,158)**	**–**	**(451,095)**	**–**	**(6,667)**	**(584,920)**
Carrying amounts	**322,800**	**1,307,788**	**461,241**	**–**	**9,333**	**2,101,162**

20. Intangible assets (CONTINUED)

(a) Goodwill

Goodwill of approximately RMB1,353,354,000 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 2024. 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 the reporting date. 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	
	2024 RMB'000	2023 RMB'000
Revenue growth rate during the forecast period	+3% to +15%	-2% to +41%
Gross profit margin during the forecast period	+6% to +40%	+6% to +28%
Pre-tax discount rate	+15% to +18%	+16% to +20%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determining values
Revenue growth rate	Revenue growth rate over the five-year forecast period was based on past performance and management's expectations of market development.
Gross profit margin	Gross profit margin was based on past performance and management's expectations for the future.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are long-term average growth rate for the related industry in which the CGU operates.
Pre-tax discount rates	Reflect specific risks relating to the relevant industry and the region in which they operate.

For the purpose of impairment testing, goodwill has been allocated to 20 (2023: 22) groups of CGUs, grouped by timing of their acquisitions by the Group, operating in the property management services and city services segment. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these CGUs are as follows:

	2024 RMB'000	2023 RMB'000
Property management services segment:		
3 group entities acquired in 2019	176,318	176,318
Zhejiang Sinew acquired in 2020	334,242	348,102
Yantai Kangqiao acquired in 2020	5,023	28,408
Xi'an Fangrui acquired in 2020	62,859	62,859
Other 6 group entities acquired in 2020	299,750	299,750
3 group entities acquired in 2021	122,018	133,947
Suzhou Tianxiang acquired in 2022	150,203	150,203
Other 4 group entities acquired in 2022	157,375	165,695
	1,307,788	1,365,282
City services segment:		
Wuxi Jinshatian acquired in 2021	–	359,627
	1,307,788	1,724,909

20. Intangible assets (CONTINUED)

(a) Goodwill (continued)

As at 31 December 2024, the management reassessed the key assumptions for impairment testing of goodwill of certain CGUs and considered that the business expansion have not been carried out as scheduled and gross profit margin was less than expected due to the impact of the macroeconomic environment. Based on management's assessment on the recoverable amounts of the subsidiaries acquired in prior years, an impairment loss on goodwill of RMB45,566,000 (2023: RMB15,391,000) was made for the year ended 31 December 2024. During the year ended 31 December 2024, carrying amount of goodwill of RMB359,627,000 and RMB11,928,000 from Wuxi Jinshatian and other CGUs, respectively, was disposed as set out in Note 39(b).

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 RMB17,726,000 (2023: RMB4,828,000).

The sensitive tests using a higher discount rate of plus 1% indicate that the impairment loss of the Group would have been increased by RMB52,006,000 (2023: RMB128,022,000).

(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.

(c) Concession intangible assets

In prior year, the Group acquired sanitation company. The identified concession intangible assets, which represent the services concession agreements entered into with the local government, were recognised by the Group as intangible assets with useful lives ranging from 15-25 years.

(d) Brand name

In prior year, the Group acquired an elderly care services company. The identified brand name, which helps the acquiree's customers to identify and differentiate the services from another, were recognised by the Group as intangible assets with useful lives ending in 2030.

21. Financial assets at fair value through profit or loss

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Contingent consideration receivables arising from acquisitions of subsidiaries	144,322	124,178
Non-current	5,619	124,178
Current	138,703	–
	144,322	124,178

At 31 December 2024, 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 RMB236,288,000 (2023: RMB219,674,000), net of the corresponding purchase considerations of RMB91,966,000 (2023: RMB95,496,000). Of which, the net contingent consideration receivables of RMB138,703,000 were settled in January 2025 (Note 44).

During the year ended 31 December 2024, a fair value gain of RMB20,144,000 is recognised in profit or loss (2023: RMB44,338,000) (Note 11).

According to the relevant sales and purchase agreements, those 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	
	2024 RMB'000	2023 RMB'000
Car parking space purchased from third parties	196,442	176,706
Other inventories	10,952	35,407
	207,394	212,113
Less: provision for inventories	(33,048)	(1,230)
	174,346	210,883

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23. Trade receivables

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade receivables		
– Related parties (Note 40(d))	**753,235**	748,477
– Third parties	**3,635,434**	3,354,689
	4,388,669	4,103,166
Notes receivable		
– Related parties (Note 40(d))	**200**	1,437
– Third parties	**227**	1,558
	427	2,995
Less: allowance for impairment losses on trade receivables	**(1,010,829)**	(896,983)
	3,378,267	3,209,178

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 note. No credit period is granted.

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 to 90 days (2023: 30 to 90 days) from the issue of demand note.

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

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

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Within 1 year	**2,561,773**	2,396,233
1 to 2 years	**651,705**	790,945
2 to 3 years	**641,321**	758,392
3 to 4 years	**415,253**	148,100
4 to 5 years	**109,918**	8,330
Over 5 years	**8,699**	1,166
	4,388,669	4,103,166

23. Trade receivables (CONTINUED)

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

As at 31 December 2024, total notes receivable (before impairment) amounting to RMB427,000 (2023: RMB2,995,000) are held by the Group for future settlement of trade receivables. All notes receivable received by the Group are with a maturity period of less than one year.

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 2023	361,928	6,679	368,607	–	406,847	406,847
Transfer to	(30,902)	30,902	–	–	–	–
Written off	–	(6,063)	(6,063)	–	–	–
Charge for the year (Note 7)	58,901	55,586	114,487	–	13,105	13,105
As at 31 December 2023 and 1 January 2024	**389,927**	**87,104**	**477,031**	**–**	**419,952**	**419,952**
Disposal of subsidiaries	**(61,319)**	**–**	**(61,319)**	**–**	**–**	**–**
Transfer to	**(100,462)**	**100,462**	**–**	**–**	**–**	**–**
Assets classified as held for sale	**(1,421)**	**–**	**(1,421)**	**–**	**–**	**–**
Written off	**(2,065)**	**(660)**	**(2,725)**	**–**	**–**	**–**
Charge for the year (Note 7)	**63,999**	**105,806**	**169,805**	**–**	**9,506**	**9,506**
As at 31 December 2024	**288,659**	**292,712**	**581,371**	**–**	**429,458**	**429,458**

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

As at 31 December 2023, approximately RMB83,011,000 of trade receivables were pledged to secure borrowings granted to the Group (Note 31).

24. Contract assets

	As at 31 December	
	2024 RMB'000	2023 RMB'000
City services – Third parties	**–**	176,234
Non-current	**–**	165,406
Current	**–**	10,828
	–	176,234

Contract assets primarily related 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 received no payment from the grantors during the construction period and receives service fees when relevant services were rendered during the operating periods. Upon the completion of construction, the balance of contract assets will transfer to concession intangible assets.

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For the year ended 31 December 2024

25. Prepayments, deposits and other receivables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments		
Non-current prepayments		
– Prepayments to customers (note (a))	**17,990**	20,234
– Other prepayments (note (e))	**31,257**	17,861
	49,247	38,095
Current prepayments		
– Related parties (Note 40(d))	**87,930**	32,147
– Utilities	**80,742**	54,615
– Raw materials for value-added services	**51,903**	38,726
– Other prepayments (note (e))	**246,224**	191,025
	466,799	316,513
Subtotal	**516,046**	354,608
Other receivables		
– Advance to related parties (note (b) and Note 40(d))	**302,045**	355,865
– Advance to employees	**16,142**	23,038
– Payments on behalf of property owners	**3,565**	7,397
– Deposits (note (c))	**141,973**	175,828
– Deposits paid for an exclusive right in sales of carparks (note (d))	**1,154,439**	1,164,597
– Others	**286,378**	258,451
Subtotal	**1,904,542**	1,985,176
Total	**2,420,588**	2,339,784
Less: allowance for impairment losses on other receivables (note (f))	**(251,915)**	(290,109)
	2,168,673	2,049,675
Non-current	**49,247**	1,123,223
Current	**2,119,426**	926,452
	2,168,673	2,049,675

Notes:

(a) Prepayments to customers is the initial consideration paid to these schools to obtain the operation of the students' apartments. The amortisation period is 31 years (2023: 31 to 42 years) based on such operation periods.

(b) Other receivables from related parties were unsecured, interest-free and repayable on demand. They mainly represent payment to Shimao Group for sale of the right of car parking spaces.

(c) Balances mainly represented deposits paid for utilities and bidding of property management service.

(d) Balances represent the deposit paid to an independent third party for an exclusive right of sale of the right of car park spaces and earning commission fee. Subsequent to the end of the reporting period, such deposits are refunded.

(e) Balances mainly represented prepayment for purchase of property, plant and equipment and outsourcing services to suppliers.

25. Prepayments, deposits and other receivables (CONTINUED)

Notes: (continued)

(f) The movement in provision for impairment of other receivables are as follows:

	Third parties			Related parties		
	12m ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000	12m ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2023	91,930	–	91,930	–	248,531	248,531
Written off	(9,611)	–	(9,611)	–	–	–
Charge/(Reversal) for the year (Note 7)	8,250	256	8,506	–	(49,247)	(49,247)
As at 31 December 2023 and 1 January 2024	**90,569**	**256**	**90,825**	**–**	**199,284**	**199,284**
Written off	**–**	**(183)**	**(183)**	**–**	**–**	**–**
Disposal of subsidiaries	**(1,413)**	**–**	**(1,413)**	**–**	**–**	**–**
Asset held for sale	**(165)**	**–**	**(165)**	**–**	**–**	**–**
Reversal for the year (Note 7)	**(9,315)**	**–**	**(9,315)**	**–**	**(27,118)**	**(27,118)**
As at 31 December 2024	**79,676**	**73**	**79,749**	**–**	**172,166**	**172,166**

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

26. Cash and cash equivalents/time deposits with maturity over three months

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Cash on hand	**1,376**	2,029
Time deposits with maturity over three months	**1,600,129**	1,000,000
Cash at bank	**2,200,225**	3,823,169
	3,801,730	4,825,198
Time deposits with maturity over three months	**(1,600,129)**	(1,000,000)
Restricted bank balances	**(37,489)**	(36,898)
	2,164,112	3,788,300

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 2024 and 2023.

As at 31 December 2024, 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 RMB3,683,734,000 (2023: RMB2,555,559,000). 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 HK$, US$ and GBP£ amounted to approximately RMB101,509,000 (2023: RMB657,640,000), RMB16,407,000 (2023: RMB1,403,497,000) and RMB80,000 (2023: RMB208,502,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

27. Assets and liabilities classified as held for sale

On 31 December 2024, Shimao Tiancheng entered into an equity transfer agreement with independent third parties (the "Purchaser A"), pursuant to which Shimao Tiancheng agreed to sell, and the Purchaser A agreed to acquire the 51% equity interests in Quanzhou Youda for a consideration of RMB2,800,000. The disposal of Quanzhou Youda was completed in January 2025. The assets and liabilities of Quanzhou Youda were classified as "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale", respectively, in the Group's consolidated statement of financial position in accordance with HKFRS 5.

Assets and liabilities classified as held for sale are analysed as follows:

	Notes	As at 31 December 2024 RMB'000
Assets classified as held for sale		
Property, plant and equipment	17	144
Intangible assets	20	1,737
Deferred tax assets	35	899
Trade receivables		10,391
Prepayments, deposits and other receivables		6,070
Cash and cash equivalents		19,527
		38,768
Less: Impairment loss recognised on assets classified as held for sale		(2,306)
		36,462
Liabilities directly associated with assets classified as held for sale		
Trade payables		(6,338)
Deposits received, accruals and other payables		(12,532)
Contract liabilities		(7,739)
Income tax liabilities		(1,973)
Deferred tax liabilities	35	(621)
		(29,203)
Cash consideration to be received		2,800
Less: Carrying amount of net assets of Quanzhou Youda		(9,565)
Add: Non-controlling interest		4,459
Impairment losses on assets classified as held for sales		(2,306)

28. Share capital

Ordinary shares

	Number of ordinary shares of HK$0.01 each	Share capital HK$	RMB
Authorised			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	3,500,000,000	35,000,000	30,350,583
Issued and fully paid			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,468,173,000	24,681,730	21,357,812

29. 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.

29. Reserves (CONTINUED)

Other reserves

Other reserves account of the Group mainly comprises the merger reserve of approximately RMB223,785,000 (2023: RMB223,785,000), capital reserve of approximately RMB1,110,138,000 (2023: RMB1,130,267,000), share options reserve of approximately RMB2,916,000 (2023: RMB2,172,000), and exchange reserve of approximately RMB312,690,000 (2023: RMB306,077,000).

– Merger reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganisation. Details please refer to Note 1 to consolidated financial statements in 2020 Annual Report.

– Capital reserve represents the amount (i) arising from transactions undertaken with non-controlling interests and (ii) deemed as capital contribution from shareholders.

– Share options reserve represents award shares granted to certain directors and employees of the Group. The reserve is dealt with in accordance with the accounting policy set out in Note 2.3(z).

– Exchange reserve comprises all foreign exchange differences arising from translation of the financial statements of entities with functional currency other than RMB, the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2.3(x)(iii).

Treasury reserve

Treasury reserve account of the Group comprises (i) the amount of shares repurchased by the Company but not yet cancelled at the end of reporting period and (ii) the amount of shares deemed as capital contribution from shareholders granted under the share award scheme and held by Best Cosmos before being transferred to the employees of the Group when vesting conditions are fully met.

30. Provisions for other liabilities and charges

	As at 31 December			
	2024		2023	
	Current RMB'000	**Non-current RMB'000**	Current RMB'000	Non-current RMB'000
Claim provisions	**–**	**22,688**	–	30,311

As at 31 December 2024 and 2023, the Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB22,688,000 and RMB30,311,000, respectively.

31. Borrowings

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	–	15,000
– secured (note)	–	237,407
	–	252,407
Less: Portion of long-term bank borrowings due within one year	–	(184,619)
	–	67,788
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured (note)	–	29,980
– unsecured	–	17,555
Current portion of long-term bank borrowings	–	184,619
	–	232,154

Note: As at 31 December 2023, bank borrowings of RMB267,387,000 are pledged by certain properties of directors of the Group's subsidiaries, certain projects and receivables and equity interest of the Group's subsidiaries.

For year ended 31 December 2023, the weighted average effective interest rates on borrowings were 5.2%. As at 31 December 2023, the carrying amounts of the bank and other borrowings were denominated in RMB amounting to RMB299,942,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

32. Trade payables

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Trade payables		
– Related parties (Note 40(d))	**18,548**	6,291
– Third parties	**1,393,740**	1,206,230
	1,412,288	1,212,521

The trade payables have a normal credit term of 30 to 90 days (2023: 30 to 90 days). As at 31 December 2024 and 2023, the carrying amounts of trade payables approximated to their fair values. At 31 December 2024 and 2023, trade payables were denominated in RMB.

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

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Within 1 year	**1,028,286**	968,851
1 to 2 years	**222,145**	103,603
2 to 3 years	**44,564**	111,234
3 to 4 years	**98,161**	26,143
4 to 5 years	**16,600**	1,702
Over 5 years	**2,532**	988
	1,412,288	1,212,521

33. Deposits received, accruals and other payables

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Other payables		
– Payable to related parties (note (e) and Note 40(d))	**111,325**	143,890
– Accrued expenses (note (f))	**417,418**	573,015
– Amounts collected on behalf of property owners (note (c))	**215,667**	264,873
– Consideration payable arising from non-controlling shareholders' put option (note (b))	**50,513**	50,513
– Purchase consideration (note (a))	**137,553**	412,264
– Interest payable	**–**	7,144
– Deposits received	**381,247**	442,513
– Other borrowings (note (d))	**–**	134,398
– Other payables (note (g))	**290,776**	150,976
	1,604,499	2,179,586
Non-current	**1,928**	59,478
Current	**1,602,571**	2,120,108
	1,604,499	2,179,586

Notes:

(a) As at 31 December 2024, the balance represented the purchase consideration for business combination of approximately RMB137,553,000, which is measured at amortised cost.

As at 31 December 2023, the balance represented the contingent purchase consideration for business combination of approximately RMB412,264,000, which is measured at fair value.

The acquisition agreements required 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 were valued by an independent valuer as at respective dates of acquisition and the end of each reporting period, by using the probabilistic approach with possible scenarios under different financial forecasts and adjusted by the estimated discount rate. The subsequent changes in fair value of contingent consideration payables were to be recognised in the profit or loss. The fair value of the contingent purchase consideration payable, classified as Level 3, the details of the significant unobservable inputs were set forth in Note 3(f).

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

Notes:: (continued)

(b) As at 31 December 2024 and 2023, there is a put option guaranteed to a non-controlling shareholder of a subsidiary of the Group which they had the right to sell the remaining equity interests to the Group.

Xi'an Fangrui
In November 2020, Shimao Tiancheng entered into an acquisition agreement with an independent 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 was recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised in profit or loss. The initial amount of the put opinion was valued at RMB82,389,000. As the terms in the acquisition agreement were not achieved and the Company do not have obligation to acquire the remaining equity, the fair value of the put option was transferred to the capital reserve of RMB82,389,000, with the fair value change of RMB385,000 credited to profit or loss during the year ended 31 December 2023.

Zhejiang Xiangyu
In July 2020, Shimao Tiancheng entered into a partnership with Zhejiang Xiangyu and Ningbo Tianquan Equity Investment Partnership (Limited Partnership) ("Ningbo Tianquan") (both of which are the original owners of Zhejiang Xinyu shareholders) entered into an acquisition agreement, and the acquisition agreement stated that the original shareholders of Zhejiang Xiangyu have been guaranteed by the put option, according to which they can sell Zhejiang Xiangyu's shares to the Group at their discretion within 3 months after 31 December 2022. The remaining of the 37.5% equity.

In April 2023, an equity transfer agreement was entered into with the original shareholders, confirming the acquisition of the remaining equity. The acquisition consideration was RMB180,792,000, and the financial liabilities (i.e., the present value of the redemption amount of the remaining equity acquired due to the exercise of the put option) have been recognised and such amount was from "Consideration payable arising from non-controlling shareholders' put option" transferred to "Purchase consideration". The fair value amount of the put option as at 31 December 2022 was RMB197,974,000 and the fair value change of RMB17,182,000 credited to profit or loss during the year ended 31 December 2023.

During the year ended 31 December 2024, the Group completed the acquisition of the additional 18.07% (2023: 6.9%) equity interests in Zhejiang Xiangyu. The amount of RMB99,644,000 (2023: RMB33,290,000) related to the put option, which was previously deducted from the capital reserve at initial recognition, has been reversed.

Quanzhou Sanyuan
In 2019, the Group entered into an agreement with an independent third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller had the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believed that it was 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.

Such option is 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 option on exercise is initially recognised at present value of the redemption amount. The option is 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.

In the event that the option expires unexercised, the liability is derecognised with corresponding adjustments to equity (i) for the portion previously recognised in capital reserve at its initial recognition; and (ii) profit or loss for the remaining portion represent the change of its fair value in the subsequent measurement during the year.

As at 31 December 2024, the consideration payable arising from the non-controlling's shareholder put option is valued as RMB50,513,000, which is measured at amortised cost.

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

Notes:: (continued)

(c) The balance mainly comprised the utility charges temporarily received from property owners on behalf of utility companies.

(d) As at 31 December 2023, other borrowings mainly represented the borrowings from financial institutions which were (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 8.5% and (iii) repayable within 1 to 3 years.

(e) Other payables to related parties were unsecured, interest-free and repayable demand.

(f) Balances mainly consist of accrued payroll, other taxes payable and dividend payable to non-controlling interests.

(g) Balances mainly represented payables for the purchase of property, plant, and equipment and accrued subcontracting costs for property management and operational services.

34. Leases liabilities

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

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Leased in properties for operation		
– Buildings	**43,766**	68,337
Lease liabilities		
Current	**20,138**	32,383
Non-current	**23,628**	35,954
	43,766	68,337

(b) Amounts recognised in the profit or loss

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Depreciation charge		
– Land-use-rights (Note 18)	**131**	175
– Buildings (Note 18)	**33,059**	46,891
Finance costs on leases	**2,972**	4,339
	36,162	51,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

34. Leases liabilities (CONTINUED)

(c) Amounts recognised in the consolidated statements of cashflows

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cash flow from financing activities		
Payments of interest element of lease liabilities	**2,972**	4,339
Payments of principal element of lease liabilities	**33,543**	41,492
	36,515	45,831

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Minimum lease payments (Note 3(d))	**50,864**	76,652
Future finance charge	**(7,098)**	(8,315)
Total lease liabilities	**43,766**	68,337

35. Deferred tax

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**329,187**	321,451
Net-off with deferred tax liability	**(48,289)**	(65,913)
	280,898	255,538
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(157,588)**	(193,408)
– Deferred tax liability to be recovered within 12 months	**(22,825)**	(29,136)
Net-off with deferred tax asset	**48,289**	65,913
	(132,124)	(156,631)

35. Deferred tax (CONTINUED)

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

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
At beginning of the year	**98,907**	81,517
Disposal of subsidiaries (Note 39(b))	**2,938**	–
Reclassified as held for sale (Note 27)	**(278)**	–
Recognised in profit or loss (Note 13)	**47,207**	17,390
At end of the year	**148,774**	98,907

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 tax assets

	Provision RMB'000	**Deductible tax loss** RMB'000	**Accrued expense** RMB'000	**Put option fair value change** RMB'000	**Deferred tax credit arise from profit guarantee provisions** RMB'000	**Total** RMB'000
As at 1 January 2023	262,275	7,693	16,023	8,504	–	294,495
Recognised in profit or loss	14,695	2,035	(182)	(8,504)	18,912	26,956
As at 31 December 2023 and 1 January 2024	**276,970**	**9,728**	**15,841**	**–**	**18,912**	**321,451**
Recognised in profit or loss	**31,309**	**270**	**3,196**	**–**	**(12,416)**	**22,359**
Reclassified as held for sale (Note 27)	**(899)**	**–**	**–**	**–**	**–**	**(899)**
Disposal of subsidiaries (Note 39(b))	**(7,137)**	**(244)**	**–**	**–**	**(6,343)**	**(13,724)**
As at 31 December 2024	**300,243**	**9,754**	**19,037**	**–**	**153**	**329,187**

Deferred tax liabilities

	Fair value adjustment on assets and liabilities upon acquisition of subsidiaries and others RMB'000	**Deferred tax expense arise from profit guarantee** RMB'000	**Depreciation** RMB'000	**Total** RMB'000
As at 1 January 2023	(212,813)	–	(165)	(212,978)
Recognised in profit or loss	45,270	(54,918)	82	(9,566)
As at 31 December 2023 and 1 January 2024	**(167,543)**	**(54,918)**	**(83)**	**(222,544)**
Recognised in profit or loss	**29,801**	**(5,036)**	**83**	**24,848**
Reclassified as held for sale (Note 27)	**621**	**–**	**–**	**621**
Disposal of subsidiaries (Note 39(b))	**16,662**	**–**	**–**	**16,662**
As at 31 December 2024	**(120,459)**	**(59,954)**	**–**	**(180,413)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

36. Share Award Schemes

(a) Shimao Group Share Award Scheme

Shimao Group operates a restricted share award scheme (the "Shimao Group Share Award Scheme") for the main purpose of recognising the contributions by the selected employees and providing them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The grantees of the scheme include the Company's directors, senior executives and employees. The scheme was adopted by the board of directors of Shimao Group (the "Group Board") on 3 May 2021 (the "Adoption Date I") and shall remain valid and effective for a period of three years from the Adoption Date I. The maximum number of shares of the Company can be awarded is 0.3% (i.e. 7,091,919 shares of the Company) of the issued share capital of the Company as at the Adoption Date I.

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

At the Adoption Date I, a trust deed was entered into between Shimao Group and Best Cosmos whereby Shimao Group appointed Best Cosmos as trustee to hold the awarded shares. The shares of the Company granted by Shimao Group are treated as a capital contribution in equity (recorded in "Other reserves").

In 2021, a total of 4,866,137 shares were granted to 136 directors and employees of the Group (each, the "2021 Grantee"), and the aforesaid shares were granted to the 2021 Grantees at nil consideration. As of 31 December 2024, 4,075,309 shares and 757,447 shares out of the 4,866,137 shares granted in 2021 are vested and lapsed, the remaining 33,381 shares were unvested. As the Shimao Group Share Award Scheme was terminated on 3 May 2024, no further grant of the Company's shares shall be made.

(b) Shimao Services Share Award Scheme

A share award scheme of the Company (the "Shimao Services Share Award Scheme") was adopted by the Board on 28 June 2021 (the "Adoption Date II"). The purpose of the Shimao Services Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Shimao Services Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date II. The maximum number of shares which can be awarded under the Shimao Services Share Award Scheme is 3% (i.e. 70,919,190 shares) of the total number of issued shares of the Company as at the Adoption Date II. In 2022, a total of 169 employees (including two directors) of the Group (each, the "2022 Grantee") were awarded a total of 4,017,105 shares under the Shimao Services Share Award Scheme. All the said shares were granted to the 2022 Grantees at nil consideration. Pursuant to the Shimao Services Share Award Scheme, after meeting the vesting criteria and conditions of the Share Award Scheme, 60% of the award shares will be vested 6 months from the grant date, and 40% of the award shares will be vested after 18 months from the grant date. During the year ended 31 December 2024, nil (2023: 1,826,554) share and 235,827 (2023: 610,268) shares were vested and lapsed, respectively. As at 31 December 2024, 1,344,456 (2023: 1,580,283) shares were unvested.

On 19 June 2023, a total of 125 employees (including three directors) of the Group (each, the "2023 Grantee") were awarded a total of 3,525,446 shares under the Shimao Services Share Award Scheme. All the said shares were granted to the 2023 Grantees at nil consideration. Subject to the satisfaction of the vesting criteria and conditions of the Shimao Services Share Award Scheme, 60% of the award shares will be vested after 12 months from the grant date, and 40% of the award shares will be vested after 24 months from the grant date. During the year ended 31 December 2024, nil (2023: nil) share and 857,415 (2023: 386,768) shares were vested and lapsed, respectively. As at 31 December 2024, 2,281,263 (2023: 3,138,678) shares were unvested.

The fair value of 2023 Grantee's services, 2022 Grantee's services and 2021 Grantee's services received in return for shares awarded of approximately HK$5,923,000, HK$10,645,000 and HK$97,323,000 (equivalent to approximately RMB5,391,000, RMB9,566,000 and RMB79,571,000), respectively, was measured by reference to the market price of the shares of the Company at grant date. No other feature of the shares was incorporated into the measurement of the fair value.

The Group recognised share-based payment expense relating to the shares granted pursuant to the share award scheme of approximately RMB1,159,000 (2023: RMB17,445,000) in profit or loss during the year ended 31 December 2024.

The weighted average fair value of the unvested shares granted during the year ended 31 December 2024 is HK$3,366,000, equivalent to RMB3,152,000 (31 December 2023: HK$5,655,000, equivalent to RMB5,125,000).

37. Dividends

The Board does not recommend the payment of final dividend for the year ended 31 December 2024 (2023: Nil).

38. Cash flow information

(a) Net cash generated from operating activities

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
(Loss)/Profit before income tax	**(147,744)**	387,845
Adjustments for:		
– Depreciation and amortization (Note 7)	**326,993**	392,377
– Provision for impairment loss on financial assets – net (Note 7)	**142,878**	86,595
– Impairment losses on intangible assets (Note 20)	**263**	105,925
– Impairment losses on goodwill (Note 20)	**45,566**	15,391
– Impairment losses on property, plant and equipment (Note 11)	**8,170**	6,457
– Impairment losses on assets classified as held for sale	**2,306**	–
– Provision for inventories	**31,818**	1,230
– Net gain on disposal of property, plant and equipment (Note 11)	**(3,383)**	(270)
– Loss on disposal of subsidiaries (Note 39(b))	**589,143**	–
– Finance cost (Note 12)	**30,879**	45,932
– Finance income (Note 12)	**(31,501)**	(78,106)
– Fair value gain of non-controlling shareholders' put options (Note 11)	**–**	(17,567)
– Fair value changes in consideration payable (Note 11)	**–**	88,369
– Fair value gain on financial assets at FVPL (Note 11)	**(20,144)**	(44,338)
– Loss from deregistration of an associate	**–**	356
– Net foreign exchange loss/(gain) (Note 11)	**195**	(26)
– Share of results of associates (Note 16)	**(9,348)**	(12,102)
– Equity-settled share-based payment – share award scheme (Note 7)	**1,159**	17,445
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
– (Increase)/Decrease in restricted bank balances	**(591)**	55,224
– Increase in inventories	**(16,712)**	(18,350)
– Increase in trade receivables	**(941,924)**	(118,504)
– Decrease in contract assets	**15,007**	5,470
– (Increase)/Decrease in other operating assets	**(135,238)**	211,563
– Increase in trade payables	**404,880**	37,418
– Increase in contract liabilities	**42,071**	25,459
– Decrease in other operating liabilities	**(82,749)**	(152,211)
	251,994	1,041,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024

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	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	(138,112)	(526,869)	(88,303)	(753,284)
Addition of lease liabilities	–	–	(21,526)	(21,526)
Interest expenses	(6,179)	(35,414)	(4,339)	(45,932)
Cash flows, net	9,893	262,341	45,831	318,065
At 31 December 2023 and 1 January 2024	**(134,398)**	**(299,942)**	**(68,337)**	**(502,677)**
Addition of lease liabilities	**–**	**–**	**(14,045)**	**(14,045)**
Disposal of subsidiaries	**83,152**	**109,788**	**4,438**	**197,378**
Termination of lease liabilities	**–**	**–**	**635**	**635**
Interest expenses	**(10,003)**	**(17,904)**	**(2,972)**	**(30,879)**
Cash flows, net	**61,249**	**208,058**	**36,515**	**305,822**
At 31 December 2024	**–**	**–**	**(43,766)**	**(43,766)**

39. Acquisitions and disposal of subsidiaries

(a) Transaction with non-controlling interests

2024

During the year ended 31 December 2024, the Group completed the acquisition of the additional 18.07% equity interests in a non-wholly owned subsidiary. The Group recognised a decrease in non-controlling interests of RMB20,129,000 and an increase in other reserves of RMB20,129,000.

2023

During the year ended 31 December 2023, the Group acquired additional 30%, 33% and 6.9% equity interests in three subsidiaries, respectively, for a total consideration of RMB107,857,000. The Group recognised a decrease in non-controlling interests and other reserves of RMB60,377,000 and RMB14,190,000, respectively.

The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the years ended 31 December 2024 and 2023 is summarised as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Total consideration	**–**	74,567
Carrying amount of non-controlling interests acquired	**(20,129)**	(60,377)
(Increase)/Decrease in equity attributable to the equity holders of the Company	**(20,129)**	14,190

39. Acquisitions in and disposal of subsidiaries (CONTINUED)

(b) Disposal of subsidiaries with loss of control in 2024

(i) On 24 September 2024, Shimao Tiancheng, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party (the "Purchaser B"), pursuant to which Shimao Tiancheng agreed to sell, and the Purchaser B agreed to acquire the 60% equity interests in Wuxi Jinshatian for a consideration of RMB250,000,000. The disposal was completed in September 2024.

(ii) The Group also disposed three subsidiaries to independent third parties during the year ended 31 December 2024 at a total consideration of approximately RMB18,116,000.

Net assets disposed with reconciliation of disposal loss and net cash inflow/(outflow) on disposal are as follow:

	Notes	Wuxi Jinshatian RMB'000	Others RMB'000	Total RMB'000
Cash and cash equivalents		59,751	25,838	85,589
Trade receivables		574,704	8,429	583,133
Prepayments, deposits and other receivables		84,160	6,230	90,390
Property, plant and equipment	17	221,874	343	222,217
Deferred tax assets	35	13,002	722	13,724
Inventories		21,431	–	21,431
Contract assets		161,227	–	161,227
Right of use assets	18	12,718	–	12,718
Intangible assets (excluding goodwill)		202,766	3,875	206,641
Deferred tax liabilities	35	(16,071)	(591)	(16,662)
Borrowings		(109,788)	–	(109,788)
Lease liabilities		(4,438)	–	(4,438)
Trade payables		(192,733)	(6,042)	(198,775)
Deposits received, accruals and other payables		(216,565)	(14,731)	(231,296)
Income tax liabilities		(9,916)	(5,425)	(15,341)
Provisions for other liabilities and charges		(4,579)	–	(4,579)
Total identifiable net assets		797,543	18,648	816,191
Less: non-controlling interests		(323,259)	(7,228)	(330,487)
Net assets attribute to the equity holders of the Company		474,284	11,420	485,704
Goodwill	20	359,627	11,928	371,555
Loss on disposal of subsidiaries		(583,911)	(5,232)	(589,143)
Disposal consideration				
– Cash received		206,000	17,506	223,506
– Outstanding and included in other receivable		44,000	610	44,610
		250,000	18,116	268,116
Cash proceeds from disposal consideration		206,000	17,506	223,506
Less: Cash and cash equivalents in the entities disposed of		(59,751)	(25,838)	(85,589)
Net cash inflow/(outflow) from disposal		146,249	(8,332)	137,917

40. Related party transactions

(a) Names and relationship with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in Cayman Islands which owns 62.87% (2023: 62.87%) of the Company's shares as at 31 December 2024). 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	
	2024 RMB'000	2023 RMB'000
Services provided to related parties		
– Shimao Group	**231,966**	358,138
– Joint ventures and associates of Shimao Group	**28,600**	45,034
	260,566	403,172
Interest on lease liabilities paid to related parties		
– Shimao Group	**774**	1,063
Payment of lease liabilities in relation to leases with a related company		
– Shimao Group	**6,390**	7,355

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 RMB500,000 (2023: RMB661,000) per month and the lease terms will be expired in 1-4 years.

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 9 is set out below:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Salaries and other short-term employee benefits	**12,658**	14,428

40. Related party transactions (CONTINUED)

(d) Balances with related parties – trade

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Receivables from related parties		
Trade and notes receivables (Note 23)		
– Shimao Group	**667,498**	658,778
– Joint ventures and associates of Shimao Group	**85,937**	91,136
	753,435	749,914
Prepayments, deposits and other receivables (Note 25) (note)		
– Shimao Group	**378,641**	355,007
– Joint ventures and associates of Shimao Group	**11,334**	33,005
	389,975	388,012
Total receivables from related parties (before allowance for impairment losses)	**1,143,410**	1,137,926
Less: allowance for impairment losses	**(601,624)**	(619,236)
Total receivables from related parties (net allowance for impairment losses)	**541,786**	518,690
Payables to related parties		
Contract liabilities (Note 6(a))		
– Shimao Group	**21,982**	47,512
– Joint ventures and associates of Shimao Group	**603**	14,051
	22,585	61,563
Trade payables (Note 32)		
– Shimao Group	**17,736**	6,291
– Joint ventures and associates of Shimao Group	**812**	–
	18,548	6,291
Deposits received, accruals and other payables (Note 33)		
– Shimao Group	**90,280**	124,208
– Joint ventures and associates of Shimao Group	**21,045**	19,682
	111,325	143,890
Lease payable to related parties		
– Shimao Group	**13,005**	17,016
Total payables to related parties	**165,463**	228,760

Note: Included in the amount, the deposit of approximately RMB190,955,000 (2023: RMB295,366,000) was paid by the Group to Shimao Group for the sales rights of car parking spaces. Such deposit paid together with the commission income of approximately RMB21,823,000 (2023: RMB34,028,000) generated from the sales of car parking spaces constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. Related party transactions (CONTINUED)

(e) Guarantees provided by related parties

As at 31 December 2023, the Group's bank borrowings included a borrowing of approximately RMB166,010,000, bearing a fixed interest rate of 5.50% per annum, which was expired in 2024.

41. Contingencies

As at 31 December 2024 and 2023, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

42. Partly-owned subsidiaries with material non-controlling interests

Financial information of the subsidiaries of the Group that had a material non-controlling interest ("NCI") is summarised below. The amounts disclosed are before any inter-company elimination:

NCI percentage	Zhejiang Sinew 20.01% (2023: 27.24%) As at 31 December	
	2024 RMB'000	2023 RMB'000
Current assets	**513,642**	515,923
Non-current assets	**343,289**	401,556
Current liabilities	**(298,967)**	(325,674)
Non-current liabilities	**(31,139)**	(49,478)
Equity attributable to owners of the Company	**(421,407)**	(394,597)
Non-controlling interests of Zhejiang Sinew	**(105,418)**	(147,730)

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue	**1,279,815**	1,385,789
Cost of sales	**(1,113,740)**	(1,211,980)
Profit and total comprehensive income for the year	**29,406**	42,333
Profit and total comprehensive income attributable to:		
– equity holders of the Company	**23,522**	30,801
– non-controlling interests	**5,884**	11,532
Dividend paid to non-controlling interests	**30,000**	2,731
Cash flow generated from operating activities	**39,854**	81,814
Cash flow generated from/(used in) investing activities	**3,376**	(47,479)
Cash flow used in financing activities	**(151,204)**	(15,000)
Net cash (outflow)/inflow	**(107,974)**	19,335

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

NCI percentage	Wuxi Jinshatian N/A (2023: 40%) As at 31 December	
	2024 RMB'000	2023 RMB'000
Current assets	**N/A**	962,654
Non-current assets	**N/A**	491,115
Current liabilities	**N/A**	(436,230)
Non-current liabilities	**N/A**	(243,692)
Equity attributable to owners of the Company	**N/A**	(464,308)
Non-controlling interests of Wuxi Jinshatian	**N/A**	(309,539)

	From 1 January 2024 to 30 September 2024 (Date of disposal) RMB'000	Year ended 31 December 2023 RMB'000
Revenue	**703,643**	1,065,680
Cost of sales	**(585,276)**	(902,890)
Profit and total comprehensive income for the year	**53,674**	53,964
Profit and total comprehensive income attributable to:		
– equity holders of the Company	**32,204**	32,378
– non-controlling interests	**21,470**	21,586
Dividend paid to non-controlling interests	**938**	1,663
Cash flow generated from operating activities	**43,984**	105,866
Cash flow used in investing activities	**(13,123)**	(25,061)
Cash flow used in financing activities	**(77,352)**	(15,738)
Net cash (outflow)/inflow	**(46,491)**	65,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2024

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

NCI percentage	Shi Lu Yuan 33% (2023: 33%) As at 31 December	
	2024 RMB'000	2023 RMB'000
Current assets	**292,634**	286,955
Non-current assets	**156,403**	159,279
Current liabilities	**(141,490)**	(138,696)
Non-current liabilities	**(312)**	(2,283)
Equity attributable to owners of the Company	**(205,847)**	(204,521)
Non-controlling interests of Shi Lu Yuan	**(101,388)**	(100,734)

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue	**237,369**	269,577
Cost of sales	**(207,773)**	(248,773)
Profit/(Loss) and total comprehensive income/(expense) for the year	**21,648**	(53,660)
Profit/(Loss) and total comprehensive income/(expense) attributable to:		
– equity holders of the Company	**14,504**	(35,952)
– non-controlling interests	**7,144**	(17,708)
Cash flow generated from operating activities	**6,095**	28,078
Cash flow used in investing activities	**(12,777)**	(9,529)
Cash flow generated from/(used in) financing activities	**535**	(55,864)
Net cash outflow	**(6,147)**	(37,315)

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

(i) Statement of financial position of the Company

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Prepayments, deposits and other receivables		**9,255,121**	9,249,071
Investment in subsidiaries		**212,275**	212,275
Total non-current assets		**9,467,396**	9,461,346
Current asset			
Cash and cash equivalents		**29**	118
Total current asset		**29**	118
Current liability			
Other payables		**2,412,507**	2,395,392
Total current liability		**2,412,507**	2,395,392
Net assets		**7,054,918**	7,066,072
Equity attributable to owners of the Company			
Share capital	28	**21,357**	21,357
Reserves	43(ii)	**7,033,561**	7,044,715
Total equity		**7,054,918**	7,066,072

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2025 and was signed on its behalf.

Shao Liang
Director

Cao Shiyang
Director

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

(ii) Reserve movement of the Company

	Share premium RMB'000 (Note 29)	Other reserves RMB'000 (Note 29)	Treasury reserve RMB'000 (Note 29)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2023	8,416,063	(990,078)	(32,029)	(331,124)	7,062,832
Total comprehensive expense for the year	–	–	–	(21,291)	(21,291)
Equity-settled share-based payment (Note 36)	–	17,445	–	–	17,445
Vesting of equity-settled share-based payment	–	(41,758)	38,839	2,919	–
Lapse of equity-settled share-based payment	–	(2,329)	–	2,329	–
Repurchase of shares	–	–	(14,271)	–	(14,271)
Balance at 31 December 2023 and 1 January 2024	**8,416,063**	**(1,016,720)**	**(7,461)**	**(347,167)**	**7,044,715**
Total comprehensive expense for the year	**–**	**–**	**–**	**(12,313)**	**(12,313)**
Equity-settled share-based payment (Note 36)	**–**	**1,159**	**–**	**–**	**1,159**
Lapse of shares under equity-settled share-based payment	**–**	**(1,903)**	**–**	**1,903**	**–**
Balance at 31 December 2024	**8,416,063**	**(1,017,464)**	**(7,461)**	**(357,577)**	**7,033,561**

44. Event after the reporting period

On 3 January 2025, Shimao Tiancheng and Shanghai Xumaorui Enterprise Management Co., Ltd. ("Shanghai Xumaorui"), both indirect wholly-owned subsidiaries of the Company, entered into an equity transfer agreement and a settlement agreement with the vendor and the former shareholders. Under these agreements, the vendor agreed to sell, and Shanghai Xumaorui agreed to acquire, 33% of the equity interests in Shi Lu Yuan at a consideration of RMB83,159,000. The consideration will be partially settled the net contingent consideration receivables amounting to RMB138,703,000 (Note 21). The transaction and settlement were completed in January 2025. For further details, please refer to the Company's announcement dated 3 January 2025.

45. Comparative figures

Certain comparative figures in the consolidated financial statements have been reclassified to confirm with the current year's presentation.

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