世茂服務
SHIMAO SERVICE

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

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND RESUMPTION OF TRADING

RESULTS HIGHLIGHTS

1. Revenue amounted to RMB8,343.4 million, representing an increase of 66.0% as compared to RMB5,025.7 million for the same period of 2020.

2. Revenue of the Group was derived from our four business lines: (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owners; and (iv) city services. During the year, (i) revenue from property management services was approximately RMB4,169.6 million, accounting for approximately 50.0% of the total revenue, and representing a year-on-year increase of 54.2% as compared to RMB2,703.6 million for the same period of last year; (ii) revenue from community value-added services amounted to RMB2,448.2 million, accounting for 29.3% of the overall revenue and representing a year-on-year increase of 53.0% as compared to RMB1,600.6 million for the same period of last year; (iii) revenue from value-added services to non-property owners amounted to RMB870.5 million, accounting for 10.4% of the overall revenue and representing a year-on-year increase of 22.1% as compared to RMB712.7 million for the same period of last year; and (iv) revenue from city services amounted to RMB855.1 million, which was principally attributable to the layout of a new business line and the acquisition of Shi Lu Yuan and Jinshatian during the period.

3. Gross profit reached RMB2,390.1 million, representing a year-on-year increase of 51.5% as compared to RMB1,577.7 million for the same period of 2020.

4. Operating profit amounted to RMB1,505.3 million, representing an increase of 67.8% as compared to RMB897.1 million for the same period of 2020.

5. Profit for the year amounted to RMB1,216.8 million, representing an increase of 68.0% as compared to RMB724.3 million for the same period of 2020. Profit attributable to the equity holders of the Company was RMB1,110.4 million, representing an increase of 60.2% as compared to RMB693.0 million for the same period of 2020.

6. During the year, basic earnings per share amounted to approximately RMB0.46, representing an increase of 35.3% as compared to RMB0.34 for the same period of 2020.

7. The Group's cash and cash equivalents amounted to RMB9,842.1 million as of 31 December 2021, representing an increase of 68.8% as compared to RMB5,830.0 million as of 31 December 2020.

8. As of 31 December 2021, the Group's GFA under management to which we offered property management services reached 240.5 million sq.m., representing an increase of approximately 64.6% as compared to approximately 146.1 million sq.m. for the same period of 2020; the Group's contracted GFA was approximately 308.0 million sq.m., representing an increase of approximately 53.2% as compared to approximately 201.1 million sq.m. for the same period of 2020.

AUDITED ANNUAL RESULTS

Reference is made to the announcement of Shimao Services Holdings Limited ("Shimao Services" or the "Company", together with its subsidiaries, the "Group") dated 31 March 2022 in relation to the unaudited consolidated annual results of the Group for the year ended 31 December 2021 (the "Unaudited Results Announcement").

The board of directors of the Company (the "Board") is pleased to present the audited consolidated annual results of the Group for the year ended 31 December 2021 together with comparative figures for 2020. These annual results have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Audited)	(Audited)
Revenue	*5*	**8,343,432**	5,025,688
Cost of sales and services	*5*	**(5,953,343)**	(3,447,939)
Gross profit		**2,390,089**	1,577,749
Selling and marketing expenses		**(184,342)**	(52,444)
Administrative expenses		**(688,990)**	(562,336)
Provision of impairment losses on financial assets – net		**(251,148)**	(70,527)
Other income	*7*	**75,301**	40,873
Fair value changes in derivative embedded in convertible bonds		**144,746**	–
Other gains/(losses) – net		**26,492**	(24,662)
Other operating expenses		**(6,855)**	(11,601)
Operating profit		**1,505,293**	897,052
Finance income		**30,775**	11,407
Finance costs		**(53,761)**	(14,587)
Finance costs – net		**(22,986)**	(3,180)
Share of results of associates accounted for using the equity method		**13,396**	10,915
Profit before income tax	*6*	**1,495,703**	904,787
Income tax expense	*8*	**(278,857)**	(180,469)
Profit for the year		**1,216,846**	724,318

	Note	Year ended 31 December **2021** ***RMB'000*** **(Audited)**	 2020 *RMB'000* (Audited)
Profit attributable to:			
– Equity holders of the Company		**1,110,447**	692,952
– Non-controlling interests		**106,399**	31,366
		1,216,846	724,318
Other comprehensive loss for the year			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(80,841)**	(166,508)
Total other comprehensive loss for the year, net of tax		**(80,841)**	(166,508)
Total comprehensive income for the year		**1,136,005**	557,810
Total comprehensive income attributable to:			
– Equity holders of the Company		**1,029,606**	526,444
– Non-controlling interests		**106,399**	31,366
		1,136,005	557,810
Earnings per share for profit attributable to the equity holders of the Company	*9*		
– Basic *(RMB)*		**0.46**	0.34
– Diluted *(RMB)*		**0.46**	0.34

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		As at 31 December	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Audited)	(Audited)
Assets and liabilities			
Non-current assets			
Property, plant and equipment	*11*	**511,745**	206,143
Right-of-use assets		**43,942**	27,212
Investment properties		**20,177**	19,931
Intangible assets	*12*	**3,276,926**	1,873,297
Deferred tax assets		**95,236**	67,533
Investment in associates accounted for using the equity method		**42,184**	34,074
Financial assets at fair value through other comprehensive income		**–**	356
Contract assets		**173,926**	–
Prepayments		**62,388**	259,567
Total non-current assets		**4,226,524**	2,488,113
Current assets			
Inventories		**218,469**	267,233
Trade receivables	*13*	**3,154,942**	1,863,164
Prepayments, deposits and other receivables		**688,971**	454,422
Restricted cash		**29,452**	2,045
Cash and cash equivalents		**9,842,099**	5,830,046
Total current assets		**13,933,933**	8,416,910
Current liabilities			
Trade payables	*15*	**1,143,127**	679,403
Deposits received, accruals and other payables		**2,065,830**	2,307,548
Contract liabilities		**1,550,393**	815,334
Income tax liabilities		**390,864**	185,729
Convertible bonds	*16*	**2,389,029**	–
Derivative embedded in convertible bonds	*16*	**57**	–
Borrowings		**270,812**	25,600
Lease liabilities		**21,071**	12,809
Total current liabilities		**7,831,183**	4,026,423
Net current assets		**6,102,750**	4,390,487
Total assets less current liabilities		**10,329,274**	6,878,600

	Note	As at 31 December 2021 RMB'000 (Audited)	2020 RMB'000 (Audited)
Non-current liabilities			
Borrowings		**546,529**	4,400
Lease liabilities		**10,302**	7,896
Deferred tax liabilities		**207,389**	122,162
Provisions for other liabilities and charges		**4,796**	3,297
Other payables		**333,135**	–
Total non-current liabilities		**1,102,151**	137,755
Net assets		**9,227,123**	6,740,845
Equity			
Share capital	*14*	**21,445**	20,499
Reserves		**8,505,592**	6,427,488
Total equity attributable to equity holders of the Company		**8,527,037**	6,447,987
Non-controlling interests		**700,086**	292,858
Total equity		**9,227,123**	6,740,845

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 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 Main Board of the Stock Exchange since 5 July 2006. The Company's ultimate holding company is Gemfair Investments Limited, a company incorporated in the BVI which is wholly-owned by Mr. Hui Wing Mau ("Mr. Hui" / "Ultimate Controlling Shareholder").

2. BASIS OF PREPARATION

The 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 ("HKASs") and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements have been prepared on historical cost convention, except for certain financial instruments, which are carried at fair value at the end of the reporting period.

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 comparative figures of deposits received, accruals and other payables have been reclassified from "trade and other payables" to confirm with the current year's presentation.

The preparation of consolidated 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 the notes to the consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2020, except for the application of the amendments to HKFRSs as explained in below.

Application of amendments to HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concession beyond 30 June 2021", which are mandatorily effective for annual reporting periods beginning on or after 1 April 2021.

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

Impact on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (the "2021 Amendment")

The Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022. The early application of the 2021 Amendment has had no impact to the opening retained earnings at 1 January 2021 and the financial position and financial performance for the current year.

Issued but not yet effective HKFRS

The Group has not early applied the following new or amendments to HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2020. The effective date has now been deferred. Early application of the amendments continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the directors of the Company have concluded that the application of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

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

During the year ended 31 December 2020, the Group was principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners. Management reviewed the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there was only one segment which was used to make strategic decisions.

During the current year, the Group commenced the provision of city services in the PRC. The operating results of city services are newly added in the reports reviewed by CODM for performance evaluation and resources allocation purposes. Certain comparative figures of segment information were therefore reclassified to conform with current year's presentation.

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 profits, adjusted by excluding finance income, finance costs, other gains/(losses) – net, fair value changes in derivative embedded in convertible bonds, share of results of associates accounted for using the equity method and certain unallocated expenses.

All assets are allocated to operating segment assets other than deferred tax assets, investments in associates accounted for using the equity method, financial assets at fair value through other comprehensive income and other corporate assets. All liabilities are allocated to operating segment liabilities other than deferred tax liabilities, income tax liabilities, convertible bonds, derivative embedded in convertible bonds, borrowings and other corporate liabilities.

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

The principal operating entity of the Group is domiciled in the PRC. For the purpose of segment information disclosure under HKFRS 8, the Group regarded the PRC as its place of domicile. The Group's revenue from external customers is classified based on the geographical locations of the customers and the details are disclosed above. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2021 (2020: Same).

As at 31 December 2021, all of the non-current assets of the Group were located in the PRC (2020: Same).

The segment revenue and results are as follows:

	Property management and related services *RMB'000*	**City services** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2021 (Audited)			
Reportable segment revenue	**7,488,378**	**855,054**	**8,343,432**
Reportable segment results	**1,258,395**	**94,297**	**1,352,692**
Amounts included in the measure of segment results:			
Provision of impairment losses on financial assets – net	**(210,877)**	**(40,271)**	**(251,148)**
Depreciation of property, plant and equipment, right-of-use assets and investment properties	**(27,241)**	**(33,172)**	**(60,413)**
Amortisation of intangible assets	**(102,744)**	**(14,100)**	**(116,844)**
Year ended 31 December 2020 (Audited)			
Reportable segment revenue	5,016,914	8,774	5,025,688
Reportable segment results	948,330	1,183	949,513
Amounts included in the measure of segment results:			
Provision of impairment losses on financial assets – net	(70,527)	–	(70,527)
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(45,470)	–	(45,470)
Amortisation of intangible assets	(39,348)	–	(39,348)

A reconciliation of segment results to profit before income tax is provided as follows:

	Year ended 31 December	
	2021 *RMB'000* **(Audited)**	2020 *RMB'000* (Audited)
Segment results	**1,352,692**	949,513
Fair value changes in derivative embedded in convertible bonds	**144,746**	–
Other gains/(losses) – net	**26,492**	(24,662)
Share of results of associates accounted for using the equity method	**13,396**	10,915
Finance costs	**(53,761)**	(14,587)
Finance income	**30,775**	11,407
Unallocated expenses	**(18,637)**	(27,799)
Profit before income tax	**1,495,703**	904,787

The segment assets and liabilities are as follows:

	Property management and related services *RMB'000*	**City services** *RMB'000*	**Total** *RMB'000*
As at 31 December 2021 (Audited)			
Segment assets	**13,189,403**	**1,580,514**	**14,769,917**
Segment liabilities	**4,388,779**	**729,911**	**5,118,690**
As at 31 December 2020 (Audited)			
Segment assets	6,308,781	–	6,308,781
Segment liabilities	3,817,822	–	3,817,822

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Segment assets	**14,769,917**	6,308,781
Deferred tax assets	**95,236**	67,533
Investment in associates accounted for using the equity method	**42,184**	34,074
Financial assets at fair value through other comprehensive income	**–**	356
Other corporate assets	**3,253,120**	4,494,279
Total assets	**18,160,457**	10,905,023
Segment liabilities	**5,118,690**	3,817,822
Deferred tax liabilities	**207,389**	122,162
Convertible bonds	**2,389,029**	–
Derivative embedded in convertible bonds	**57**	–
Income tax liabilities	**390,864**	185,729
Borrowings	**817,341**	30,000
Other corporate liabilities	**9,964**	8,465
Total liabilities	**8,933,334**	4,164,178

5. REVENUE AND COST OF SALES AND SERVICES

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

	Year ended 31 December			
	2021		2020	
	Revenue *RMB'000* **(Audited)**	**Cost of sales and services** *RMB'000* **(Audited)**	Revenue *RMB'000* (Audited)	Cost of sales and services *RMB'000* (Audited)
Revenue from customer and recognised over time:				
Property management services	**4,169,630**	**3,019,608**	2,703,621	1,968,668
Community value-added services	**474,303**	**195,652**	353,377	201,737
Value-added services to non-property owners	**870,513**	**631,542**	712,670	512,638
City services	**855,054**	**746,166**	8,774	7,591
	6,369,500	**4,592,968**	3,778,442	2,690,634
Revenue from customer and recognised at a point in time:				
Community value-added services	**1,973,932**	**1,360,375**	1,247,246	757,305
	8,343,432	**5,953,343**	5,025,688	3,447,939
Gross basis	**7,715,477**	**5,628,670**	4,637,224	3,340,388
Net basis	**627,955**	**324,673**	388,464	107,551
	8,343,432	**5,953,343**	5,025,688	3,447,939

6. PROFIT BEFORE INCOME TAX

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

	Notes	Year ended 31 December 2021 RMB'000 (Audited)	2020 RMB'000 (Audited)
Employee benefit expenses (excluding directors' and chief executive's remuneration)		**2,322,750**	1,664,036
Provision of impairment losses on financial assets – net			
– Third parties			
Provision of impairment losses on trade receivables	*13*	**131,607**	75,534
Provision of impairment losses on other financial assets included in deposits and other receivables		**40,661**	351
– Related parties			
Provision/(reversal) of impairment losses on trade receivables	*13*	**65,077**	(705)
Provision/(reversal) of impairment losses on other financial assets included in deposits and other receivables		**13,803**	(4,653)
Total provision of impairment losses on financial assets – net		**251,148**	70,527
Depreciation and amortisation:			
Depreciation of property, plant and equipment	*11*	**33,125**	26,300
Depreciation of right-of-use assets, included in administrative expenses		**26,745**	9,541
Depreciation of investment properties, included in cost of sales and services		**543**	9,629
Amortisation of intangible assets	*12*	**116,844**	39,348
		177,257	84,818
Listing expenses excluding audit fees		**–**	27,009
Auditors' remuneration			
– Audit services in relation to the listing		**–**	6,600
– Annual and other audit services *(Note)*		**7,500**	2,580
– Non-audit services		**–**	6,440
		7,500	15,620
Cost of inventories sold		**975,413**	384,710
Cost of selling parking lots		**89,261**	138,258
Raw materials used in catering services		**135,196**	65,926

Note: Auditor's remuneration for the year ended 31 December 2021 included approximately RMB3,300,000 and RMB4,200,000 payable to current and predecessor auditor respectively.

7. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Government grants	**43,728**	28,205
Value-added tax deductibles	**31,573**	6,668
Rental income	**–**	6,000
	75,301	40,873

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current income tax – PRC		
– Corporate income tax	**317,841**	232,087
– Withholding tax	**–**	1,031
– Under-provision in prior years	**4,460**	–
	322,301	233,118
Deferred income tax credit		
– PRC corporate income tax	**(43,444)**	(52,649)
	278,857	180,469

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares. For the year ended 31 December 2021, the weighted average number of ordinary shares represented the 2,478,973,000 ordinary shares in issue for the year, and included the effects of 115,000,000 ordinary shares issued by the Company on 2 November 2021 (Note 14(i)(e)), unsubscribed buyback of 10,800,000 ordinary shares (Note 14(i)(g)) and the 4,866,137 unvested shares awarded on 3 May 2021.

For the year ended 31 December 2020, the weighted average number of ordinary shares represented the 2,363,973,000 ordinary shares in issue for the year and included the effect of convertible redeemable preferred shares ("CRPSs").

Each CRPS is entitled to any non-cumulative dividend in preference to the holders of the ordinary shares when declared. In addition, the holders of the CRPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CRPS issued. Hence, the rights of the CRPS to the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company. Accordingly, the CRPS is accounted for as an equity instrument and is included in the calculation of earnings per share.

	Year ended 31 December	
	2021	2020
	(Audited)	(Audited)
Profit attributable to equity holders of the Company *(RMB'000)*	**1,110,447**	692,952
Weighted average number of equity shares *(in thousands)*	**2,388,262**	2,061,866
Basic earnings per share *(RMB)*	**0.46**	0.34

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

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

	Year ended 31 December	
	2021	2020
	(Audited)	(Audited)
Profit attributable to equity holders of the Company *(RMB'000)*	**1,110,447**	692,952
Add: Interest savings on convertible bonds *(RMB'000)*	**–**#	–
Profit for the year, attributable to owners of the Company for diluted earnings per shares *(RMB'000)*	**1,110,447**	692,952
Weighted average number of equity shares for basic earnings per share *(in thousands)*	**2,388,262**	2,061,866
Adjustments: share award scheme *(in thousands)*	**1,842**	–
Adjustments: effect of dilutive potential ordinary shares: conversion of convertible bonds (in thousands)	**–**#	–
Weighted average number of equity shares for dilutive earnings per share *(in thousands)*	**2,390,104**	2,061,866

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

10. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: HK11 cents).

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

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Machinery and equipment	Vehicles	Leasehold improvements	Assets under construction	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020							
Cost	–	13,083	13,882	2,416	1,188	–	30,569
Accumulated depreciation	–	(8,619)	(5,538)	(1,724)	(659)	–	(16,540)
Net book amount	–	4,464	8,344	692	529	–	14,029
Year ended 31 December 2020							
Opening net book amount	–	4,464	8,344	692	529	–	14,029
Additions from acquisition of subsidiaries	46,945	7,985	14,602	13,432	4,860	58,569	146,393
Additions	1,094	8,151	15,101	7,870	49,895	1,802	83,913
Depreciation charge *(Note 6)*	(841)	(3,658)	(7,127)	(2,841)	(11,833)	–	(26,300)
Disposal of a subsidiary	–	(8)	–	–	–	–	(8)
Disposals	–	(3,859)	(2,823)	(5,202)	–	–	(11,884)
Closing net book amount	47,198	13,075	28,097	13,951	43,451	60,371	206,143
As at 31 December 2020 and 1 January 2021							
Cost	48,188	21,144	40,938	16,648	55,284	60,371	242,573
Accumulated depreciation	(990)	(8,069)	(12,841)	(2,697)	(11,833)	–	(36,430)
Net book amount	47,198	13,075	28,097	13,951	43,451	60,371	206,143
Year ended 31 December 2021							
Opening net book amount	47,198	13,075	28,097	13,951	43,451	60,371	206,143
Additions from acquisition of subsidiaries	12,883	16,946	55,564	149,236	–	27,049	261,678
Additions	483	848	64,516	–	43,251	10,549	119,647
Depreciation charge *(Note 6)*	(445)	(2,189)	(9,997)	(4,236)	(16,258)	–	(33,125)
Disposal of a subsidiary	–	–	–	(38,862)	–	–	(38,862)
Disposals	–	(1,442)	(165)	(2,129)	–	–	(3,736)
Closing net book amount	60,119	27,238	138,015	117,960	70,444	97,969	511,745
As at 31 December 2021							
Cost	61,554	36,382	159,570	124,677	98,535	97,969	578,687
Accumulated depreciation	(1,435)	(9,144)	(21,555)	(6,717)	(28,091)	–	(66,942)
Net book amount	60,119	27,238	138,015	117,960	70,444	97,969	511,745

12. INTANGIBLE ASSETS

	Computer Software *RMB'000*	Goodwill *RMB'000* *(Note (a))*	Customer relationships *RMB'000* *(Note (b))*	Concession intangible assets *RMB'000* *(Note (c))*	Brand name *RMB'000*	Total *RMB'000*
As at 1 January 2020						
Cost	18,983	176,318	95,800	–	–	291,101
Accumulated amortisation	(1,819)	–	(5,988)	–	–	(7,807)
Net book amount	17,164	176,318	89,812	–	–	283,294
Year ended 31 December 2020						
Opening net book amount	17,164	176,318	89,812	–	–	283,294
Additions from acquisition of subsidiaries	3,027	1,037,461	539,000	–	–	1,579,488
Additions	49,877	–	–	–	–	49,877
Disposals	(14)	–	–	–	–	(14)
Amortisation charge *(Note 6)*	(4,152)	–	(35,196)	–	–	(39,348)
Closing net book amount	65,902	1,213,779	593,616	–	–	1,873,297
As at 31 December 2020 and 1 January 2021						
Cost	71,948	1,213,779	634,800	–	–	1,920,527
Accumulated amortisation	(6,046)	–	(41,184)	–	–	(47,230)
Net book amount	65,902	1,213,779	593,616	–	–	1,873,297
Year ended 31 December 2021						
Opening net book amount	**65,902**	**1,213,779**	**593,616**	**–**	**–**	**1,873,297**
Additions from acquisition of subsidiaries	**185**	**915,704**	**436,000**	**79,058**	**16,000**	**1,446,947**
Additions	**73,526**	**–**	**–**	**–**	**–**	**73,526**
Amortisation charge *(Note 6)*	**(10,694)**	**–**	**(101,320)**	**(4,163)**	**(667)**	**(116,844)**
Closing net book amount	**128,919**	**2,129,483**	**928,296**	**74,895**	**15,333**	**3,276,926**
As at 31 December 2021						
Cost	**145,659**	**2,129,483**	**1,070,800**	**79,058**	**16,000**	**3,441,000**
Accumulated amortisation	**(16,740)**	**–**	**(142,504)**	**(4,163)**	**(667)**	**(164,074)**
Net book amount	**128,919**	**2,129,483**	**928,296**	**74,895**	**15,333**	**3,276,926**

Notes:

(a) Goodwill

Based on management's assessment on the recoverable amounts of the subsidiaries acquired in prior years and during the current year, no impairment provision on goodwill for the year ended 31 December 2021 was made (2020: Nil).

(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

During the year ended 31 December 2021, the Group acquired sanitation company. The identified concession intangible assets, which represents the services concession agreements entered into with the local government, acquired and with useful lives ranging from 15–25 years, were recognised by the Group as intangible assets.

13. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Trade receivables		
– Related parties	**528,460**	197,094
– Third parties	**2,784,809**	1,595,208
	3,313,269	1,792,302
Note receivables		
– Related parties	**143,978**	173,995
– Third parties	**11,091**	13,039
	155,069	187,034
	3,468,338	1,979,336
Less: allowance for impairment of trade receivables	**(313,396)**	(116,172)
	3,154,942	1,863,164

For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (2020: Nil).

Trade receivables from value-added services and city services are due for payments in accordance with the terms of the relevant services agreements with property developers and government bodies, which is normally within 30-90 days (2020: 60 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 invoice date and before impairment, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within 1 year	**2,919,781**	1,666,064
1 to 2 years	**340,563**	76,843
2 to 3 years	**33,261**	18,909
3 to 4 years	**3,612**	10,416
4 to 5 years	**2,698**	7,292
Over 5 years	**13,354**	12,778
	3,313,269	1,792,302

As at 31 December 2021, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts (2020: Same).

14. SHARE CAPITAL

(i) Ordinary shares

	Number of ordinary shares of HK$0.01 each	Share capital	
		HK$	*RMB*
Authorised			
As at 1 January 2020 (Audited) *(Note (a))*	38,000,000	380,000	340,404
Additions *(Note (f))*	3,462,000,000	34,620,000	30,010,179
As at 31 December 2020, 1 January 2021 and 31 December 2021	3,500,000,000	35,000,000	30,350,583
Issued and fully paid			
As at 1 January 2020 *(Note (a))*	1	–	–
Issue of shares to then holding company *(Note (a))*	94,999	950	869
Re-designated into convertible redeemable preferred shares ("Series A CPS") *(Note 14(ii))*	(5,000)	(50)	(45)
Series A CPS converted into ordinary shares *(Note 14(ii))*	10,000	100	87
Capitalisation issue *(Note (b))*	1,999,900,000	19,999,000	17,344,064
Issuance of ordinary shares pursuant to initial public offering *(Note (c))*	352,942,000	3,529,420	3,060,877
Exercise of over-allotment option *(Note (d))*	11,031,000	110,310	93,565
As at 31 December 2020 (Audited) and 1 January 2021	2,363,973,000	23,639,730	20,499,417
Placing of new shares *(Note (e))*	115,000,000	1,150,000	945,553
As at 31 December 2021 (Audited)	2,478,973,000	24,789,730	21,444,970

Notes:

(a) On 3 December 2019, the Company was incorporated in the Cayman Islands with limited liability. As of the date of incorporation, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares with par value of HK$0.01 each, among which one fully-paid share was issued to the initial subscriber, an independent third party, at par value and such share was transferred to Best Cosmos at par value on the same day.

On 7 May 2020, 94,999 ordinary shares were allotted and issued to Best Cosmos, which rank pari passu with the then existing share in issue.

(b) Pursuant to a shareholders' resolution dated 14 October 2020, the Company capitalised an amount of HK$19,999,000 (equivalent to approximately RMB17,344,064), standing to the credit of its other reserve account and to appropriate such amount as capital to pay up 1,999,900,000 ordinary shares in full at par to the then shareholders of the Company in proportion to their then respective shareholdings in the Company.

(c) On 30 October 2020, the Company issued 352,942,000 new ordinary shares at HK$16.60 per share in connection with its global offering and commencement of the listing of its shares on the Stock Exchange on the same date and raised gross proceeds of approximately HK$5,858,837,000 (equivalent to approximately RMB5,081,056,000). The excess over the par value of HK$3,529,420 (equivalent to approximately RMB3,060,877) net of the transaction costs of approximately RMB113,596,000 was credited to share premium with an amount of RMB4,967,460,000.

(d) On 25 November 2020, the Company exercised over-allotment option to issue 11,031,000 new ordinary shares at HK$16.60 per share and raised gross proceeds of approximately HK$183,114,600 (equivalent to approximately RMB155,318,000). The excess over the par value of HK$110,310 (equivalent to approximately RMB93,565) net of the transaction costs of approximately RMB63,000 was credited to share premium with an amount of RMB155,255,000.

(e) On 2 November 2021, an aggregate of 115,000,000 placing shares has been placed to not less than six placees at the placing price of HK$15.18 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to approximately HK$1,745,700,000 and the net proceeds (after deducting all applicable costs and expenses) amount to approximately HK$1,735,000,000 (equivalent to approximately RMB1,427,718,000), with amount of approximately RMB946,000 and RMB1,426,772,000 credited to share capital and share premium respectively.

(f) Pursuant to a shareholder written resolutions passed on 14 October 2020, the authorised share capital of the Company was increased from HK$380,000 divided into 37,990,000 ordinary shares of HK$0.01 each and 10,000 Series A CPS of HK$0.01 each to HK$35,000,000 dividend into 3,499,990,000 ordinary shares of HK$0.01 each and 10,000 Series A CPS of HK$0.01 each. By the creation additional 3,462,000,000 ordinary shares of HK$0.01 each, such share shall rank pari passu in all respects with the existing ordinary shares.

(g) During the year ended 31 December 2021, the Company repurchased 10,800,000 of its own shares from the market which were subsequently cancelled on 10 March 2022. The shares were acquired at prices ranging from HK$4.68 to HK$13.68, with an average price of HK$6.69 per share.

(ii) Convertible redeemable preferred shares

On 30 April 2020, (i) SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd. and (ii) Image Frame Investment (HK) Limited (together, the "Pre-IPO investors") entered into a Series A Preferred Share Purchase Agreement with the Company and certain of its subsidiaries, as well as Best Cosmos and Shimao Group (the "Share Agreement"), pursuant to which the Pre-IPO Investors agreed to subscribe for an aggregate of 5,000 Series A CPS at a total consideration of RMB864,500,000 payable in United States Dollars ("US dollars"). Simultaneous with the subscription, the Pre-IPO investors purchased from Best Cosmos an aggregate of 5,000 ordinary shares to be re-designated into Series A CPS on a one to one basis at a total consideration of RMB864,500,000 payable in US dollars.

Each Series A CPS shall be automatically converted, based on the then-effective applicable conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the closing of an initial public offering of the shares of the Company or voluntarily converted by Series A CPS holders, as stipulated by the Share Agreement.

On 30 October 2020, the total outstanding 10,000 Series A CPS was converted to ordinary shares upon the listing of the Company. The excess over the par value of these ordinary shares of HK$100 (equivalent to RMB87) in aggregate of approximately RMB1,729,000,000 was credited to share premium.

The movements of Series A CPS are set out as below:

	RMB'000
As at 1 January 2020	–
Issuance of Series A CPS	864,500
Ordinary shares re-designated into Series A CPS	864,500
Conversion to ordinary shares	(1,729,000)
As at 31 December 2020, 1 January 2021 and 31 December 2021	–

15. TRADE PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Trade payables		
– Related parties	**207**	38,756
– Third parties	**1,142,920**	640,647
	1,143,127	679,403

The trade payables have a normal credit terms of 30 to 90 days (2020: 30 to 90 days). As at 31 December 2021, the carrying amounts of trade payables approximated to their fair values (2020: Same).

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within 1 year	**949,747**	670,056
1-2 years	**189,407**	6,065
2-3 years	**2,391**	1,826
3-4 years	**979**	723
4-5 years	**288**	733
Over 5 years	**315**	–
	1,143,127	679,403

At 31 December 2021, trade payables were denominated in RMB (2020: Same).

16. CONVERTIBLE BONDS

On 2 November 2021, the Company issued a 2.25% convertible bond due on 31 October 2022 in an aggregate principal amount of HK$3,110,000,000 (equivalent to approximately RMB2,536,858,000). The convertible bond is listed on the Singapore Stock Exchange.

The principal terms of the convertible bond are set out below:

(1) Conversion right

The convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 13 December 2021 up to 10 trading days prior to the maturity date into fully paid ordinary shares with a par value of HK$0.01 each at an initial conversion price of HK$18.22 per share with no fixed exchange rate. The conversion price is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price.

(2) Redemption

Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each convertible bond at 100 percent of its outstanding principal amount on the maturity date of 31 October 2022.

Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice,

(a) redeem all, but not some only, of the convertible bond for the time being outstanding at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) if at least 90% in principal amount of the convertible bond originally issued have already been converted, redeemed or purchased and cancelled; or

(b) redeem whole, but not in part, at any time if (i) the Company has or will become obliged to pay additional amounts as a result of any changes in, or amendment to, the laws or regulations of the BVI or, in each case, the PRC, or in any such case, any political subdivision of any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 19 October 2021; and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.

Redemption at the option of the bondholders

When (a) the shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive trading days, on the Stock Exchange or (b) a change of control occurs, the holder may, having given not later than 30 days following any such event, or if later, 30 days following the giving of notice by the Company of such events to require the Company to redeem all or some only of the convertible bond on the 14th day following the expiry of such 30-day period, at a redemption price equal to the principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid).

The convertible bond contains two components, debt component and derivative component. Since the redemption amount, the principal payable on the maturity date are denominated and settled in HK$ which is not same as the Company's functional currency which is RMB, the conversion option will not result in an exchange of a fixed amount of cash (in the context of the functional currency of the Company) for a fixed number of shares and hence the conversion option does not meet the definition of an equity instrument in accordance with the applicable accounting standards.

The derivative component is measured at fair value with changes in fair value recognised in profit or loss. The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers.

The movement of the debt and derivative components of the convertible bonds for the year ended 31 December 2021 is set out as below:

	Debt component *RMB'000*	Derivative component *RMB'000*
Issuance on 2 November 2021	**2,392,055**	144,803
Transaction cost on issuance *(Note)*	**(19,136)**	–
Effective interest expenses *(Note)*	**31,340**	–
Interest payable	**(9,219)**	–
Fair value change	**–**	(144,746)
Foreign exchange adjustment	**(6,011)**	–
As at 31 December 2021 (Audited)	**2,389,029**	57

Note:

The effective interest rate of the debt component on initial recognition and the subsequent recognition of interest expense on the Bonds was calculated using effective interest rate of 8.32% per annum.

Transaction costs are apportioned between the debt component and derivative component based on their respective carrying amounts at the date of issue. The portion relating to the derivative component is charged directly to profit or loss.

The convertible bonds were guaranteed by the Company. No conversion or redemption of the convertible bond has occurred up to 31 December 2021.

The shares of the Company are suspended in trading in the Stock Exchange since 3 May 2022, the convertible bondholders, pursuant to the terms of subscription agreement, have the rights to give notice to the Company to redeem all or some of the convertible bonds they hold at a redemption price equal to the principal amount together with the interest accrued up to the date before fixed for redemption but unpaid when the shares of the Company are suspended for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange. Up to the date of the report, the Company is in the process of making an assessment of the impact of the redemption notice and will not quantify the financial impact on the consolidated financial statements until the end of the notice period (i.e. 29 June 2022).

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the financial information contained in the Unaudited Results Announcement has not been audited and has not been agreed with the Company's auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are the principal details and reasons for the material differences in such financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December			
	2021	2021		
	RMB'000	*RMB'000*	*RMB'000*	*Notes*
	(Audited)	(Unaudited)	(Differences)	
Revenue	**8,343,432**	8,425,776	(82,344)	1, 2 and 3
Cost of sales and services	**(5,953,343)**	(5,956,073)	2,730	1, 2, 3, 4 and 9
Gross profit	**2,390,089**	2,469,703	(79,614)	
Selling and marketing expenses	**(184,342)**	(172,265)	(12,077)	2
Administrative expenses	**(688,990)**	(826,708)	137,718	2, 4 and 5
Provision of impairment losses on financial assets – net	**(251,148)**	(210,804)	(40,344)	6
Other income	**75,301**	76,177	(876)	
Fair value changes in derivative embedded in convertible bonds	**144,746**	115,597	29,149	7
Other gains/(losses) – net	**26,492**	54,908	(28,416)	8
Other operating expenses	**(6,855)**	(5,285)	(1,570)	
Operating profit	**1,505,293**	1,501,323	3,970	
Finance income	**30,775**	30,775	–	
Finance costs	**(53,761)**	(46,609)	(7,152)	7 and 8
Finance costs – net	**(22,986)**	(15,834)	(7,152)	
Share of results of associates accounted for using the equity method	**13,396**	13,617	(221)	
Profit before income tax	**1,495,703**	1,499,106	(3,403)	
Income tax expense	**(278,857)**	(262,616)	(16,241)	4, 6, 9 and 13
Profit for the year	**1,216,846**	1,236,490	(19,644)	

	Year ended 31 December		
	2021	2021	
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Unaudited)	(Differences)
Profit attributable to:			
– Equity holders of the Company	**1,110,447**	1,130,039	(19,592)
– Non-controlling interests	**106,399**	106,451	(52)
	1,216,846	1,236,490	(19,644)
Other comprehensive loss for the year			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations	**(80,841)**	(93,525)	12,684
Total other comprehensive loss for the year, net of tax	**(80,841)**	(93,525)	12,684
Total comprehensive income for the year	**1,136,005**	1,142,965	(6,960)
Total comprehensive income attributable to:			
– Equity holders of the Company	**1,029,606**	1,036,514	(6,908)
– Non-controlling interests	**106,399**	106,451	(52)
	1,136,005	1,142,965	(6,960)
Earnings per share for profit attributable to the equity holders of the Company			
– Basic *(RMB)*	**0.46**	0.47	(0.01)
– Diluted *(RMB)*	**0.46**	0.47	(0.01)

CONSOLIDATED BALANCE SHEET
As at 31 December 2021

	As at 31 December			
	2021	2021		
	RMB'000	*RMB'000*	*RMB'000*	*Notes*
	(Audited)	(Unaudited)	(Differences)	
Assets and liabilities				
Non-current assets				
Property, plant and equipment	**511,745**	511,745	–	
Right-of-use assets	**43,942**	43,942	–	
Investment properties	**20,177**	20,177	–	
Intangible assets	**3,276,926**	3,336,781	(59,855)	9
Deferred tax assets	**95,236**	96,675	(1,439)	6 and 13
Investment in associates accounted for using the equity method	**42,184**	43,441	(1,257)	
Contract assets	**173,926**	–	173,926	10
Prepayments	**62,388**	63,345	(957)	
Total non-current assets	**4,226,524**	4,116,106	110,418	
Current assets				
Inventories	**218,469**	299,471	(81,002)	1
Contract assets	**–**	228,868	(228,868)	9 and 10
Trade receivables	**3,154,942**	3,180,768	(25,826)	6, 9 and 11
Prepayments, deposits and other receivables	**688,971**	1,208,472	(519,501)	5, 9 and 11
Restricted cash	**29,452**	29,452	–	
Cash and cash equivalents	**9,842,099**	9,842,099	–	
Total current assets	**13,933,933**	14,789,130	(855,197)	
Total assets	**18,160,457**	18,905,236	(744,779)	
Equity				
Share capital	**21,445**	21,445	–	
Reserves	**8,505,592**	8,512,501	(6,909)	5, 6, 7, 9 and 13
Equity attributable to equity holders of the Company	**8,527,037**	8,533,946	(6,909)	
Non-controlling interests	**700,086**	735,604	(35,518)	9
Total equity	**9,227,123**	9,269,550	(42,427)	

	As at 31 December			
	2021	2021		
	RMB'000	*RMB'000*	*RMB'000*	*Notes*
	(Audited)	(Unaudited)	(Differences)	
Liabilities				
Non-current liabilities				
Borrowings	**546,529**	546,529	–	
Lease liabilities	**10,302**	10,302	–	
Deferred tax liabilities	**207,389**	163,596	43,793	9 and 13
Provisions for other liabilities and charges	**4,796**	4,796	–	
Other payables	**333,135**	–	333,135	12
Total non-current liabilities	**1,102,151**	725,223	376,928	
Current liabilities				
Trade payables	**1,143,127**	1,171,780	(28,653)	11
Deposit received, accruals and other payables	**2,065,830**	3,078,336	(1,012,506)	1, 7, 9, 11 and 12
Contract liabilities	**1,550,393**	1,550,461	(68)	
Income tax liabilities	**390,864**	390,864	–	
Borrowings	**270,812**	270,812	–	
Convertible bonds	**2,389,029**	2,427,139	(38,110)	7
Derivative embedded in convertible bonds	**57**	–	57	
Lease liabilities	**21,071**	21,071	–	
Total current liabilities	**7,831,183**	8,910,463	(1,079,280)	
Total liabilities	**8,933,334**	9,635,686	(702,352)	
Total equity and liabilities	**18,160,457**	18,905,236	(744,779)	

Notes:

1. Differences are due to the adjustment on revenue and the corresponding cost, from gross to net basis, with approximately RMB85,600,000 and adjustment of inventories of car parking spaces that the Group acts as an agent and reallocation of the corresponding payables with approximately RMB81,000,000.

2. Difference are due to the elimination of intra-group transactions of approximately RMB17,098,000 for revenue, RMB11,671,000, RMB45,000 and RMB5,382,000 for cost of sales and services, selling and marketing expenses and administrative expenses, respectively.

3. Differences are due to the adjustment on revenue and corresponding cost of sales and services for cancellation of contracts with approximately RMB20,400,000 and RMB16,841,000, respectively.

4. Differences are due to (a) the reclassification of administrative expenses of approximately RMB86,922,000 to cost of sales and services; and (b) the reclassification of other taxes, which was included in income tax expense, of approximately RMB43,516,000 to administrative expenses.

5. Differences are due to the reversal of provision of impairment on deposits and other receivables of approximately RMB70,560,000 which was included in administrative expenses.

6. Differences are mainly due to (a) the adjustment on additional allowance of expected credit loss on trade receivables of approximately RMB40,884,000 after taking into account the finalised valuation from the independent valuer; and (b) the adjustment of corresponding deferred tax impact of approximately RMB10,221,000.

7. Differences are due to (a) the adjustment on fair value changes in derivative embedded in the convertible bonds of approximately RMB29,149,000 upon finalisation of valuation from the independent valuer; and (b) the adjustment on debt component using effective interest rate method by recognising the interest payable and accrued interest expenses of approximately RMB9,219,000 and RMB31,340,000 on convertible bonds.

8. Differences are mainly due to the reclassification of fair value changes of approximately RMB24,188,000 in consideration payables from business combination from finance costs to other gains/(losses), net.

9. Differences are mainly due to (a) the adjustment on intangible assets, trade receivables, contract assets, deposits and other receivables, accruals and other payables and non-controlling interests from acquisition of subsidiaries during the year upon finalisation of valuation in respect of purchase price allocation from the independent valuer and the corresponding deferred tax impact of approximately RMB8,519,000; and (b) the adjustment on amortisation of intangible assets of newly acquired subsidiaries of approximately RMB5,520,000 in cost of sales and services.

10. Differences are due to the reclassification of current portion of contract assets from city services of approximately RMB173,926,000 to non-current portion.

11. Differences are mainly due to (a) elimination of intra-group balances of approximately RMB593,796,000; and (b) reclassification or offsetting the trade receivables, prepayments, deposits and other receivables, trade payables and deposit received, accruals and other payables within the scope of HKFRS 7.

12. Differences are due to the reclassification of consideration payables from business combination of approximately RMB333,135,000 from current portion to non-current portion.

13. Differences are due to the adjustment on deferred tax assets and deferred tax liabilities of approximately RMB11,612,000 and RMB54,140,000 respectively.

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of the Group for the year ended 31 December 2021.

Market and Industry Outlook

In 2021, despite the overall volatility and downturn in the real estate market, the property services industry grew rapidly and displayed great vitality.

Governments at all levels issued multiple favorable policies related to the property services industry, proactively encouraging the better and faster development of property services companies. In January 2021, ten ministries and commissions including the Ministry of Housing and Urban-Rural Development issued *the Notice on Strengthening and Improving Residential Property Management* (關於加強和改進住宅物業管理工作的通知), which encouraged property services companies to extend into elderly care, childcare and express delivery. In April 2021, the CPC Central Committee and the State Council issued *the Opinion on Strengthening the Modernization of Grassroots Governance System and Governance Capacity* (關於加強基層治理體系和治理能力現代化建設的意見), which proposed the commencement of service quality enhancement activities for the "New Era, New Community and New Life" (新時代新社區新生活), advancing the standardization of community services. In May 2021, twelve ministries and commissions including the Ministry of Commerce issued *the Opinion on Promoting the Building of 15-Minute Urban Community Life Circles* (關於推進城市一刻鐘便民生活圈建設的意見), which clarified the primary task of developing 15-minute urban community life circles, to encourage property services companies to address the inadequacy of facilities and enrich business operations. In October 2021, the National Development and Reform Commission issued *Certain Opinions on Addressing the Inadequacies in Life Services and Improving People's Quality of Life* (關於推動生活性服務業補短板上水平提高人民生活品質的若干意見), which clearly proposed to strengthen the supply of welfare and basic services for the public and exert great efforts to develop community convenient services. Governments at all levels recognized the importance of the property services industry in grassroots governance and the improvement of people's quality of life, and encouraged the advancement of industry development. The leading enterprises in the industry have ushered in more development opportunities and broader room for development.

In 2021, property services companies focused more on cultivating their capacity of independent development. While leveraging the real estate industry to undertake development projects, these companies have been actively seeking for broader room for development.

In light of the unprecedented momentum of mergers and acquisitions ("M&A"), the leading companies actively expanded their management scale, which led to the M&A between listed companies and between large and medium-sized companies, demonstrating evidently faster industry integration. M&A targets became more and more diversified and extended beyond residential targets. The leading companies have included professional service, city service and diversified value-added service providers in their potential M&A targets. Through M&A, the leading companies increased the density of regional management, addressed the inadequacies in their professional management operation, enhanced their comprehensive service capabilities and actively created a second source of growth.

With the rapid development of third-party bidding expansion, more and more companies have realized the importance of third-party bidding expansion. Therefore, they devoted more internal resources to enhance capabilities and engage in market tendering and bidding, in order to cultivate independent and sustainable organic growth capacity. Third-party bidding expansion is undergoing expansion from residential projects to market segments such as office buildings, universities and colleges, industrial parks and public facilities, with the broad market of non-residential projects becoming a new focus.

City services have become the new development focus of the leading companies, which established entry points and built platforms through M&A. Going beyond the existing business scope of property services companies, the leading companies embraced the broader common spaces in cities from single projects, attempted on integrated city management and operation, and explored new business models.

In 2021, the property services industry continued to expand the business foundation, with a more diverse customer base, continuous enrichment of service varieties and the ongoing emergence of new business opportunities. With 40 years of development, the industry is experiencing the best development period.

Annual Results

The Group recorded revenue of RMB8,343.4 million during the year, representing a year-on-year increase of 66.0%. Its profit for the year amounted to RMB1,216.8 million, with a year-on-year increase of 68.0%. Profit attributable to equity holders of the Company was RMB1,110.4 million, representing a year-on-year increase of 60.2%.

The gross floor area ("GFA") under management amounted to 240.5 million sq.m., representing a year-on-year increase of 64.6%; and the contracted GFA reached 308.0 million sq.m. with a year-on-year uptick of 53.2%.

"Swift and Quality Growth"

Business Scale

In 2021, Shimao Services strived ahead boldly and unwaveringly in the face of industrial turmoil by continuously strengthening its business foundation, enhancing operation standards and building up the capabilities of independent development.

The four business segments achieved synergy and efficiency, which effectively supported the Group in realizing quality high growth. Revenues from property management services, community value-added services and value-added services to non-property owners amounted to RMB4,169.6 million, RMB2,448.2 million and RMB870.5 million respectively, representing the year-on-year increase of 54.2%, 53.0% and 22.1% respectively. As for city services, the revenue was RMB855.1 million.

With reasonable layout of the four business segments, revenue from property management services accounted for 50.0% of the total revenue, which greatly demonstrated its role as a "ballast stone". Revenue from community value-added services accounted for 29.3% of the total revenue, which outperformed other players in the industry, continuously contributing high profits to the Group.

Independent Development

Sound progress in cultivating the capabilities in competitive bidding for third-party market expansion

Shimao Services established a truly unique market expansion system which effectively cultivated and strengthened its expansion capabilities. In 2021, with concerted efforts, the Group attained a contracted GFA of 61.6 million sq.m. through market expansion, representing a year-on-year increase of 162.1%, delivering exceptional performance.

Revenue from developer-related business decreased further

Revenue from value-added services to non-property owners as a percentage of the total revenue dropped from 25.8% in 2019 to 14.2% in 2020, and further to 10.4% in 2021. Revenue from carpark asset operation business as a percentage of the total revenue also decreased from 16.4% in 2019 to 9.0% in 2020, and further to 5.1% in 2021. As the percentage of contribution to the total revenue from cyclical business is diminishing, the businesses are more well-structured with greater independence.

Management Operation

Building up the development capabilities of "Horizontal Integration" to achieve scale growth

Through M&A as well as third-party bidding expansion, Shimao Services swiftly expanded its management area and enriched its management portfolio, thereby broadening and strengthening its bases in the property management services sector steadily.

In 2021, Shimao Services continued to execute its planned investment and M&A strategies, and made efforts in enhancing its density of management and depth of business within the existing management coverage. The Group successfully signed contracts for acquiring six property management companies, effectively complementing the management area in the Yangtze River Delta Region, the Greater Bay Area and Central and Western China.

In 2021, Shimao Services prioritized high-tier cities in respect of third-party market expansion, with 71% of the newly added contracted GFA for the year situated in the first- and second-tier cities. Meanwhile, comprehensive efforts were made to diversify management portfolio. Among the newly added contracted GFA for the year, residential projects accounted for 40%, university and college projects accounted for 11% and industrial park projects accounted for 6%, which enriched the business portfolio, setting ground for value-added service development.

Cultivated development capabilities of "Vertical Integration", being intensively engaged in business segments

Through continuous cultivation of professional development capabilities, Shimao Services delivered exceptional performance in the university and college property management segment. Zheda Sinew, a subsidiary of the Group, had the largest business scale in terms of university and college property management services within the nation, with more than 240 projects under management, serving over two million teachers, students and users. In 2021, Zheda Sinew eagerly expanded into new markets and entered Jiangsu, Liaoning and Shangdong Provinces. It won the tender of comprehensive management service contracts of nine universities, and also secured quality benchmark projects such as Peking University (Wanliu Campus) (北京大學（萬柳校區）), Beijing University of Posts and Telecommunications (北京郵電大學) and Minzu University of China (Fengtai Campus) (中央民族大學（豐台校區）).

In 2021, Shimao Services deliberately planned out new businesses. It successfully acquired two city services companies, set up platforms, gained advantages in business development, and strategically established its presence of city services business in the Greater Bay Area and the Yangtze River Delta Region, the most economically prosperous regions in China. The Group also successfully acquired an elderly care service company, established a business line of asset-light elderly care services, and developed such businesses as home elderly care services and community elderly care services.

Strengthened the regional comprehensive capabilities through "centralization" strategies

In 2021, Shimao Services identified five key cities and executed development plans for those cities individually with such basis. In those cities where it has established presence, the Group continuously increased its management efforts and business coverage to maximize the economies of scale of individual cities and unleash their values. Taking Hangzhou as an example, the contracted GFA increased from 2.3 million sq.m. in 2019 to 15.4 million sq.m. in 2021, achieving a tremendous growth which significantly increased the comprehensive business operation capabilities of Hangzhou.

Enhanced customers' satisfaction and stickiness through "high quality services"

In 2021, Shimao Services fully established a "User-Responsive" organization. Through full-type, full-scenario and full-cycle dimensions, the Group maintained relationship with its users, improved user experiences with an emphasis on broadening and deepening the service scope. The Group looked into the major concerns and core demands of users by monitoring user satisfaction data collected from all channels, thereby fulfilling users' expectations to a greater extent. It achieved an encouraging result in customer satisfaction with a score of 94.2. Besides, the Group enhanced customers' stickiness, reduced the costs of customer acquisition, which created more opportunities for promoting value-added services.

Promoting “High-quality Growth”

The Company’s Vision

The vision of Shimao Services is to establish itself as a “Leading Full-scenario Provider of City Life Services in China” so as to create a better life for its service users. The Company is positioned itself as a “Leading Comprehensive Property Management and Community Living Service Provider in China”, and aspires to become a leader in the property management industry in the future.

With “Three Business Portfolios”, Shimao Services continuously refined its three business portfolios, namely comprehensive property management services, diversified value-added services and city services, with innovative development in digital technology business.

Our comprehensive property management services focus on residential and non-residential properties, and we pursue scale expansion as well as higher quality and efficiency via “organic growth and external expansion”. Our diversified value-added services cultivate professional capabilities by establishing presence in high-potential markets with a focus on users and assets. Our city services cater to individual users, enterprises and the government for business cooperation. Through targeting the demands of city services from the government, we explored the provision of enhanced level of services for the enterprise and individual users. Our digital technology services will carry out trial run and business training with standards comparable to professional companies.

Future Outlook

Over the past three years, Shimao Services forged ahead and made substantial progress in all its business with impressive results of 83.1% increase in compound annual growth rate in terms of revenue.

In 2022, Shimao Services will focus more on the quality of business and work on consolidating its business to explore more intrinsic values. We will progress from “Swift and Quality Growth” in 2021 to “High-Quality Growth” in 2022:

For business scale, we will focus on quantity, structure and quality indicators. For operating capacity, we will pay more attention to operational efficiency, operating cash flow and long term sustainability. For customer value, we will create higher value by increasing service satisfaction and further cementing customer stickiness. For operation and management, we will fully materialize high level of operation and management quality in four aspects, namely strategies, operation, organizational mechanism and manpower.

Social Responsibility

Shimao Services remains attentive to fulfilling its corporate social responsibility as a responsible member.

In 2021, Shimao Services, the only company in the property management industry, and other 19 academic and industrial units were invited to jointly participate in the compilation of "Park Guide on Carbon Peak and Carbon Neutrality for Industrial Internet (2021)" (工業互聯網碳達峰碳中和園區指南(2021)), which contributed for the realization of "Dual Carbon" Goal and Development of Green Economy.

The COVID-19 pandemic broke out repeatedly and unpredictably. Shimao Services promptly joined the front-line of pandemic prevention, providing property owners with offline services such as anti-epidemic supplies and vegetable delivery, voluntary errand and purchasing daily necessities for them, as well as online services such as offering parent-child courses, psychological counselling, health diagnoses and fitness live broadcast, in a bid to meet property owners' various basic needs during quarantine at home. We have 12,000 individuals participated in the front-line of pandemic prevention with 145.7 tons of vegetables delivered to property owners for free. We have devoted a total of 12.67 million hours, ran errands of 460,407 times and donated 220,000 masks.

Acknowledgement

In 2021, the capital market experienced fluctuation. On behalf of the Board, I would like to extend my heartfelt gratitude and deepest respect to our shareholders, business partners, local governments, property owners and customers for their valuable support. Thank you for the support and perseverance over the past year.

Shimao Services will unite as one and continue its advancement with concerted efforts and through its entrepreneurship. Shimao Services will continue to uphold the Shimao spirit of "Pioneering, Down-to-earth and Prudent", we act in a practical and realistic manner, stay diligent and progressive, and keep creating value for shareholders.

Hui Sai Tan, Jason
Chairman

Hong Kong, 22 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

BUSINESS OVERVIEW

The Group is positioned as a leading comprehensive property management and full-scenario provider of city life services in the PRC. We have created three business portfolios, namely comprehensive property management services, diversified value-added services and city services, and cultivated digital service capabilities. 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 2021, Shimao Services provided a wide variety of services for 830 projects, covering various types of clients, including residential projects, universities and colleges, industrial parks and hospitals.

As at 31 December 2021, the Group recorded revenue of RMB8,343.4 million, representing a year-on-year growth of 66.0%, and profit for the year of RMB1,216.8 million, representing a year-on-year growth of 68.0%. The GFA under management amounted to 240.5 million sq.m., representing a year-on-year increase of 64.6%; and contracted GFA was 308.0 million sq.m., representing a year-on-year increase of 53.2%.

➢ PROPERTY MANAGEMENT SERVICES

- **Representing 50.0% of total revenue and 48.1% of total gross profit**

  During the year, the Group's revenue from property management services reached RMB4,169.6 million, representing an increase of 54.2% as compared to RMB2,703.6 million for the same period of 2020, mainly due to the rapid growth in GFA under management.

  Gross profit from property management services was RMB1,150.0 million, representing an increase of 56.5% as compared to RMB735.0 million for the same period of 2020. Gross profit margin was 27.6%, remaining stable with an increase of 0.4 percentage point as compared to 27.2% for the same period of 2020. The projects undertaken by our Group featured more diverse managed project types, with a higher percentage from third-party projects, enhanced lean management capabilities and an overall gross profit still at a high level in the industry.

	For the year ended 31 December	
	2021	2020
Revenue *(RMB million)*	**4,169.6**	2,703.6
Gross profit *(RMB million)*	**1,150.0**	735.0
Gross profit margin *(%)*	**27.6%**	27.2%

- **Sustained swift growth in GFA**

During the year, the Group recorded high growth rates in both GFA under management and contracted GFA, laying a solid foundation for the growth of the Group's consolidated revenue and creating an important foundation for the development of various value-added services. As of 31 December 2021, the Group's GFA under management amounted to 240.5 million sq.m., representing a 64.6% uptick or a net increase of 94.4 million sq.m. from 146.1 million sq.m. for the same period of 2020. There were 830 projects under our management in 107 cities nationwide.

As of 31 December 2021, the Group's contracted GFA was 308.0 million sq.m., representing a year-on-year rise of 53.2% or a net increase of 106.9 million sq.m. from 201.1 million sq.m. for the same period of 2020.

The following table sets forth the Group's GFA under management and contracted GFA which were categorized by property developer type for the years ended 31 December 2021 and 31 December 2020, respectively:

	For the year ended 31 December			
	2021		2020	
	Area ***(sq.m. in million)***	**Percentage** ***(%)***	Area *(sq.m. in million)*	Percentage *(%)*
GFA under management	**240.5**	**100%**	146.1	100%
Among which:				
From Shimao Group and its co-developers	**58.1**	**24.2%**	51.5	35.2%
From independent third-party developers	**182.4**	**75.8%**	94.6	64.8%
Contracted GFA	**308.0**	**100%**	201.1	100%
Among which:				
From Shimao Group and its co-developers	**76.1**	**24.7%**	71.0	35.3%
From independent third-party developers	**231.9**	**75.3%**	130.1	64.7%

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

  The Group manages various types of properties such as residential and non-residential properties. In 2021, we delivered outstanding performance in expanding our market of non-residential projects. Non-residential properties mainly include universities and colleges, hospitals and industrial parks.

  As of 31 December 2021, the Group's GFA under management of non-residential properties was 101.7 million sq.m., accounting for 42.3% of the Group's GFA under management. The share of non-residential properties in our GFA under management increased by 1.8 percentage points compared with the same period of 2020.

  The following table sets forth the Group's GFA under management and contracted GFA which were categorized by property type for the years ended 31 December 2021 and 31 December 2020, respectively:

	For the year ended 31 December			
	2021		2020	
	GFA under management *(sq.m. in million)*	**Percentage** *(%)*	GFA under management *(sq.m. in million)*	Percentage *(%)*
Residential properties	**138.8**	**57.7%**	86.9	59.5%
Non-residential properties	**101.7**	**42.3%**	59.2	40.5%
Total	**240.5**	**100%**	146.1	100%
	Contracted GFA *(sq.m. in million)*	**Percentage** *(%)*	Contracted GFA *(sq.m. in million)*	Percentage *(%)*
Residential properties	**184.8**	**60.0%**	129.3	64.3%
Non-residential properties	**123.2**	**40.0%**	71.8	35.7%
Total	**308.0**	**100%**	201.1	100%

- **Outstanding achievements in third-party bidding expansion**

  In 2021, the Group attained exceptional performance in third-party bidding expansion. 61.6 million sq.m. was added to its area from third-party bidding expansion, representing a year-on-year increase of 162.1% as compared to 23.5 million sq.m. for the same period of 2020. Various indicators such as third-party bidding expansion GFA and annualized contract amount were enhanced considerably. It obtained quality bids such as Beijing University of Posts and Telecommunications (北京郵電大學) and Chengdu Research Base of Giant Panda Breeding (成都大熊貓基地).

  In 2022, Shimao Services will continue to vigorously expand its market and acquire more third-party projects. It will keep enhancing its capabilities in market expansion, fully upgrading its market expansion strategies and boosting its competitiveness:

  (1) Business planning capabilities by city and property type. We select cities within our management radius for the development of third-party market expansion business and define the criteria for "cities for intensive engagement", "cities for breakthrough" and "cities for opportunity". According to the characteristics of the three types of cities, we choose effective "main" property types that match the Company's resources;

  (2) Clear and long-term systematic management capabilities. We make clear business and operations plans, and further improve our incentive system to enhance the effectiveness of the way of operation;

  (3) Organizational professionalism and competitiveness. We assess our three tiers of cities to develop effective functional units. We further divides such tiers and work, and arrange the market expansion staff for "front and middle offices" in our "cities for intensive engagement" to develop localized management;

  (4) Refined scheduling capabilities for the entire project lifecycle. We refine our scheduling by setting up various monitoring, warning and handling mechanism, clarify our tracking mechanism for "important" and "urgent" projects, coordinate work division across operating units, and engage in business collaboration in different functional departments;

  (5) Capabilities in consolidating and delivering product proposals. We upgrade the types of service and product systems and normative materials for different departments to deliver effective products and proposals; and

  (6) Capabilities in exploring and maintaining resources via "multiple channels". We enrich our information channels and fully tap into a range of information channels such as public platforms, paid information, walk-in customers, referrals and local partners. We maintain strategic customer resources and actively work with real estate firms, business management companies, industrial and commercial enterprises and joint venture partners.

- **Enhancing regional comprehensive capabilities through M&A and establishing presence in key business lines**

  In 2021, the Group newly acquired (including newly signed acquisition agreements) 9 companies, of which 6 were engaged in property services, 2 in city services and 1 in elderly care services. Among which, the Group completed the M&A for 5 companies during the year and for the remaining 4 companies in January 2022. Through M&A, the Group has effectively enhanced its business scale and project density in key regions, rapidly established its city services business network, successfully positioned itself in key business lines on value-added services and developed its core capabilities.

  In 2021, the Group successfully acquired Shenzhen Shenxiong Environmental Co., Ltd. (深圳深兄環境有限公司) (currently known as Shenzhen Shi Lu Yuan Environmental Co., Ltd. (深圳世路源環境有限公司) ("Shi Lu Yuan")) and Wuxi Jinshatian Technology Co., Ltd. (無錫市金沙田科技有限公司) ("Jinshatian") to establish a new business line of city services, providing comprehensive business capabilities in full-scenario city services.

  In the second half of 2021, the Group successfully acquired Shanghai Chunqiji Elderly Care Service Co., Ltd. (上海椿祺集養老服務有限公司) ("Healthtop") to establish a new business line of home elderly care services. Healthtop conducts home elderly care business and community elderly care business in an asset-light model.

  Shimao Services carried out integration and enhancement for all the acquired companies. Through the integration of finance, human resources, risk control and business information, all the target companies were able to align with Shimao Services' standards, implement the internal marketization policy, share resources and achieve comprehensive empowerment to realize higher operational capability, service quality and customer satisfaction.

➢ COMMUNITY VALUE-ADDED SERVICES

- **Representing 29.3% of total revenue and 37.3% of total gross profit**

  During the year, revenue amounted to RMB2,448.2 million, representing a rapid increase of 53.0% as compared to RMB1,600.6 million for the same period of 2020.

  Community value-added services mainly revolved around users and assets, with a focus on high-potential areas to develop core competitive capabilities. The Group's fast-growing number of users associated with the rapid expansion of GFA under management laid a good foundation for the development of value-added services. Meanwhile, the Group also actively tapped into value-added services in a range of operations, providing a great variety of value-added services to various non-residential projects such as universities and colleges, hospitals and industrial parks, etc.

The following table sets forth the Group's revenue from community value-added services by category for the years ended 31 December 2021 and 31 December 2020, respectively:

	For the year ended 31 December					
	2021		2020		Change in	Change in
	Revenue	**Percentage**	Revenue	Percentage	revenue	percentage
	(RMB million)	***(%)***	*(RMB million)*	*(%)*	*(%)*	*(percentage point)*
Community asset management services	**299.0**	**12.2%**	217.8	13.6%	37.3%	decrease by 1.4
Smart scenario solutions	**610.2**	**24.9%**	451.3	28.2%	35.2%	decrease by 3.3
Carpark asset operation services	**428.1**	**17.5%**	454.1	28.4%	-5.7%	decrease by 10.9
Home decoration services	**190.5**	**7.8%**	147.6	9.2%	29.1%	decrease by 1.4
New retail services	**433.9**	**17.7%**	99.1	6.2%	337.8%	increase by 11.5
Campus value-added services	**462.2**	**18.9%**	230.7	14.4%	100.3%	increase by 4.5
Elderly care services	**24.3**	**1.0%**	N/A	N/A	N/A	N/A
Subtotal of community value-added services	**2,448.2**	**100%**	1,600.6	100%	53.0%	N/A

- ***For community asset management services, revenue was RMB299.0 million, representing a year-on-year increase of 37.3% as compared to RMB217.8 million for the same period of last year***

  In 2021, the Group recorded rapid growth in the number of projects under management and GFA under management, laying the groundwork for the development of its community value-added services business. The Group will further tap into the available resources of its managed projects. It will sort out resources for new projects, utilize its existing mature management experience and operational capabilities, and actively explore available site resources in communities to develop new business categories while maintaining low operating costs.

  Shimao Services took the initiative to share its operational achievements with property owners, regularly published its revenue information, and encouraged property owners to engage in the management and supervision of community affairs to jointly build a happy and beautiful community.

- ***For smart scenario solutions, revenue was RMB610.2 million, representing a year-on-year increase of 35.2% as compared to RMB451.3 million for the same period of last year***

  In 2021, the Group actively upgraded its business capabilities and further diversified its businesses:

  (1) We have evolved from providing smart single products and single scenario service to a comprehensive solution service provider with multiple product portfolios and scenarios. We have developed various sets of integrated solutions for smart campus, smart parks, smart buildings, smart hotels, smart car parking spaces, etc., to meet the demands of different customers;

  (2) We created benchmark projects as practice and promotion cases to replicate our business in each product line on a large-scale basis;

  (3) We extended from providing system solutions to back-end design by developing initial lifetime service capabilities for our business, to support its rapid expansion; and

  (4) We remained intensively engaged in digital technology and intelligence. We have obtained the certification of high-tech double-software enterprise (雙軟企業) and ISO9000 management system certification, and successfully applied for 39 patents and 98 software copyrights. We also won professional awards in intelligence, actively participated in formulating industry standards, jointly compiled the "Guide for Smart Dual Carbon Parks" (智慧雙碳園區指南).

- ***For carpark asset operation services, the revenue was RMB428.1 million, representing a year-on-year decrease of 5.7% as compared to RMB454.1 million for the same period of last year***

  In 2021, the Group focused on the growth in non-cyclical business. 31.8% of the revenue from carpark asset operation services was generated from non-cyclical carpark operation and management services, which represents recurring revenue. The revenue from cyclical carpark sales business accounted for 5.1% of the total revenue, indicating a further optimized business structure.

- ***For home decoration services, the revenue was RMB190.5 million, representing a year-on-year increase of 29.1% as compared to RMB147.6 million for the same period of last year***

  Shimao Services provided its property owners with such services as refined decoration, home improvement, turnkey furnishing, and promotion of home furnishing products. It also provided its third-party home furnishing service providers with marketing and promotional services.

Shimao Services strictly controlled its quality standards and provided users with dedicated service. We worked on service efficiency enhancement driven by digitization, and built efficient supply chains via platforms. We focused on families to extend our service capabilities, to truly realize full-dimensional home improvement and create a better life for property owners.

- ***For new retail services, the revenue was RMB433.9 million, representing a year-on-year increase of 337.8% as compared to RMB99.1 million for the same period of last year***

  In an effort to build the "SUNIT" brand, Shimao Services positions itself as a local lifestyle service platform and customers as "Joy-savoring Youths" (樂享青年), "Well Educated Parents" (高知爹媽) and "Wise Grandparents" (慧享祖輩), providing differentiated and targeted products for property owners, as well as building a sales capability of high quality and good experience.

  Leveraging on the "SUNIT" brand, the Company worked to establish its online platform and offline space, where a range of life service operations such as parent-child, education, health, food and beverage, life and retail were aggregated to create special service spaces including libraries, shared rooms for reception and meetings (匯客廳) and X-space, and bring unique humanistic community life of "SUNIT" to Shimao property owners and users through the operation of activities, content, communities and users.

  The Group worked actively to provide online-offline synergy services. A new "SUNIT" mini-program was added to develop the online product sales channel. Its start proved to be a success. From August 2021 to December 2021, the "SUNIT" mini-program had a total of 160,000 registered users, with an average transaction value per customer of RMB108.

  In 2022, the Company will continue to expand its sales channels, establish its own supply chain system, increase its brand advantages and improve its market share.

- ***For campus value-added services, the revenue was RMB462.2 million, representing a year-on-year increase of 100.3% as compared to RMB230.7 million for the same period of last year***

  Leveraging on Zhejiang Zheda Sinew Property Services Group Co., Ltd.* (浙江浙大新宇物業集團有限公司) and based in universities and colleges, we provided teachers and students with various value-added services on campus study and life, including catering, accommodation and business trading services.

  Going forward, the Group will focus on developing the group catering business. Based on the university group catering business, we will keep abreast of the general trend of the social reform in university logistics and expand the scale while enhancing the density of regional group catering projects, and use the group catering business such as enterprises and institutions, hospitals and various parks as an effective supplement to improve the profitability and industry competitiveness of the group catering business.

- ***For elderly care services, the revenue for the year was RMB24.3 million***

  In August 2021, the Group successfully acquired Healthtop to establish its presence in the elderly care services. With its asset-light model, Healthtop focuses on community-based long-term elderly care services at home, providing customers with care services regarding safety, health and daily life. Healthtop worked with communities to provide community-based elderly care services, commencing centralized care, health regimen and recreation services business. As a complementary business, our institutional elderly care services provided specialist care services for disability, dementia and rehabilitation.

  Currently, Healthtop's business has covered in such developed cities as Shanghai, Nanjing, Wuxi and Suzhou in the Yangtze River Delta region. In addition, it has run 278 community elderly care service sites and 8 elderly care service institutions, serving around 100,000 elderly people.

➢ **VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS**

- **Representing 10.4% of total revenue and 10.0% of total gross profit**

During the year, the revenue amounted to RMB870.5 million, representing an increase of 22.1% from RMB712.7 million for the same period of 2020. Its percentage in total revenue decreased to 10.4% in 2021 from 14.2% in 2020, representing an optimized revenue structure.

During the year, the Group continued to increase its efforts in external development. Its brand effect yielded preliminary results, as efforts were made to improve the Group's industry reputation and attract attention from customers by creating a regional benchmark. We also developed "M+Service" as a high-end service team to establish our position in the industry. The Group also kept amplifying its customer base and market, with a number of cross-industry projects secured, such as Lanzhou Tobacco Company (蘭州煙草公司), Yiwu Customs Building (義烏海關大樓) and Wenzhou University of Technology (溫州理工學院).

Furthermore, the Group managed to replicate its management capability externally by newly entering into projects with the private banquet service of Beijing Workers' Sports Complex (北京工體私宴), Fuzhou Difeng River (福州帝封江私宴) and Shijiazhuang Rongding Project (石家莊榮鼎項目), providing advisory services. Superior product quality, superb strategies and tactics, and robust operational control comprised the premise of our successful expansion of value-added services to non-property owners. While expanding the sources of revenue, we have also been improving our status in the industry.

➢ CITY SERVICES

- **Representing 10.2% of total revenue and 4.6% of total gross profit**

  In 2021, the revenue reached RMB855.1 million, providing a good start for such business operation.

  During the year, Shimao Services successfully acquired Shi Lu Yuan, to cater to the Greater Bay Area, one of the most developed regions in the PRC. Shi Lu Yuan is a Shenzhen-based company providing integrated environmental sanitation services for urban and rural areas. Its projects under management won many accolades. Among such projects is the Longcheng Street Project, which has retained its first place in the Shenzhen Environmental Assessment Index Ranking (深圳環評指數榜) for 13 consecutive times. The firm's business covers urban environmental sanitation, classified garbage treatment, road facilities installation, landscape engineering and smart blocks, etc. In August 2021, the Group successfully acquired Jinshatian in the Yangtze River Delta region. Jinshatian provides clients with city services regarding smart environmental protection integrated solutions. Its business covers the research, development and manufacturing of sanitation equipment, the operation and management services of urban sanitation, sewage treatment, the recycling of renewable resources, etc.

  The acquisition enabled Shimao Services to quickly develop its comprehensive capabilities in city services and enter the core market, equipped itself with management foundation and talent reserves for nationwide business promotion. With the advantageous position of Shi Lu Yuan and Jinshatian in the city services and environmental sanitation business, Shimao Services will expand its market share, quickly roll out the Group's development strategies and grow bigger and stronger with its city services business.

IMPACTS OF THE COVID-19 PANDEMIC

In 2021, the pandemic broke out repeatedly in many places within the nation. Actively responding to the call of the government, the Group cooperated with sub-district offices and community offices to carry out test, provided user-friendly and convenient services for property owners and assisted in delivering daily necessities.

All businesses of the Group operated normally with a rapid growth in revenue and profit for the year as well as sufficient working capital. Our business development and operation were not affected by the COVID-19 pandemic.

In 2022, there was another massive outbreak of COVID-19. From 28 March 2022 to 31 May 2022, Shanghai, where the Group's headquarters was located, was managed in silent mode during the lockdown period. The Group overcame difficulties to ensure the normal operation of various businesses, and actively allocated resources to provide various daily necessities to property owners to combat the pandemic at home.

FINANCIAL REVIEW

During the year, the Group realized:

Revenue

Revenue was RMB8,343.4 million, representing a year-on-year increase of 66.0% as compared to RMB5,025.7 million for the same period of 2020. The Group generated revenue from four business segments: (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owners; and (iv) city services. During the year: (i) property management services remained the largest source of revenue and profit to the Group, with revenue amounted to RMB4,169.6 million, accounting for 50.0% of the overall revenue and representing a year-on-year increase of 54.2% as compared to RMB2,703.6 million for the same period of 2020; (ii) revenue from community value-added services amounted to RMB2,448.2 million, accounting for 29.3% of the overall revenue and representing a year-on-year increase of 53.0% as compared to RMB1,600.6 million for the same period of 2020; (iii) revenue from value-added services to non-property owners amounted to RMB870.5 million, accounting for 10.4% of the overall revenue and representing a year-on-year increase of 22.1% as compared to RMB712.7 million for the same period of 2020; and (iv) revenue from city services amounted to RMB855.1 million, which was principally attributable to the establishment of a new business line and the acquisition of Shi Lu Yuan and Jinshatian during the year.

Cost of Sales and Services

Cost of sales and services of the Group primarily included staff costs, subcontracting costs, utilities and facility operating costs, cost of selling carpark spaces, cost of smart community solutions and others. During the year, the cost of sales and services was RMB5,953.3 million, representing a year-on-year increase of 72.7% as compared to RMB3,447.9 million for the same period of 2020. The increase in the cost of sales and services was mainly due to the increase in staff number and various costs following the Group's continuous expansion of GFA under management and business scale and lines.

Gross Profit and Gross Profit Margin

Gross profit amounted to RMB2,390.1 million, representing a year-on-year increase of 51.5% as compared to RMB1,577.7 million for the same period of 2020. Gross profit margin was 28.6%, representing a slight decrease of 2.8 percentage points as compared to 31.4% for the same period of 2020. Gross profit margin for the four business segments were: 27.6% for property management services, 36.4% for community value-added services, 27.5% for value-added services to non-property owners and 12.7% for city services, respectively. Gross profit margin for those segments were 27.2%, 40.1%, 28.1% and 13.5% in 2020, respectively.

Gross profit margin for property management services was 27.6%, which remained largely stable as compared to 27.2% in 2020. This was primarily due to the Group's accumulation of rich integration experiences during the acquisition and integration processes over the years. Through sharing of resources such as personnel and information system, the two property companies that mainly engaged in property management services acquired in 2021 realized a stable business and financial transition, and avoided significant fluctuation in gross profit.

Gross profit margin for community value-added services was 36.4%, representing a slight decrease as compared to 40.1% in 2020. This was primarily due to the higher proportion of campus catering services, as well as the continuous exploration and development of community resources in 2021, which introduced campus value-added business to the new retail business with lower gross profit and expanded new retail business as compared with last year, having a relatively low gross profit margin.

Gross profit margin for value-added services to non-property owners was 27.5%, which remained largely stable as compared to 28.1% in 2020.

City services business, a new business line established by the Company in 2021, recorded a gross profit margin of 12.7% during the year. In 2020, the scale of similar businesses was smaller, which generated a gross profit margin of 13.5%.

Selling and Marketing Expenses

Selling and marketing expenses were RMB184.3 million, representing a year-on-year increase of 251.5% as compared to RMB52.4 million in 2020. Selling and marketing expenses for the year accounted for 2.2% of the revenue, representing an increase of 1.2 percentage points as compared to 1.0% in 2020. The increase was primarily due to the expansion of the Group's various community value-added businesses (such as smart scenario solutions, new retail and home decoration businesses) as well as higher staff costs for market development and more brand marketing and promotional expenses.

Administrative Expenses

During the year, administrative expenses were RMB689.0 million. Administrative expenses for 2021 grew at a year-on-year rate of 22.5% as compared to RMB562.3 million in 2020. Administrative expenses for the year accounted for 8.3% of the revenue, representing a decrease of 2.9 percentage points as compared to 11.2% in 2020, primarily due to the fact that the Group created management synergy from its integrated management of the acquired companies on a regional basis and that the Group further streamlined its management structure with higher management efficiency and effectively reduced management expenses.

Operating Profit

During the year, operating profit was RMB1,505.3 million, representing an increase of 67.8% as compared to RMB897.1 million in 2020. Operating profit margin was 18.0%, slightly increased as compared to 17.8% in 2020.

Finance Costs – Net

During the year, finance costs-net were RMB23.0 million, representing an increase of 618.8% as compared to RMB3.2 million in 2020, primarily due to an increase in bank loan balance and the interest accrued at the effective interest rate of the convertible bonds during the year.

Profit before Income Tax

During the year, profit before income tax amounted to RMB1,495.7 million, representing an increase of RMB590.9 million or a year-on-year uptick of 65.3% from RMB904.8 million in 2020, primarily due to the fast growth of the Group's projects under management and GFA under management, as well as the rapid development of community value-added services.

Income Tax Expense

During the year, income tax expense was RMB278.9 million, representing a year-on-year increase of 54.5% as compared to RMB180.5 million in 2020. The effective tax rate was 18.6%, representing a decrease of 1.3 percentage point from 19.9% in 2020.

The IoT technology companies under the Group are entitled to the preferential tax policy of "tax exemption for the first two years and 50% tax reduction for the third to fifth year". 2021 was the second year of entitlement to such preferential tax policy. Hailiang Property, headquartered in Tibet, enjoyed tax benefits; while Chengdu Xinyi, Xi'an Fangrui and the newly established "second headquarter" enjoyed the preferential tax policy for "Western Region Development".

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

The income tax rate applicable to the Group's entities incorporated in Hong Kong was 16.5% on the income subject to Hong Kong profits tax for the year. No provision was made for Hong Kong profits tax over the 12 months from 1 January 2021 to 31 December 2021, as the Group did not derive any income subject to Hong Kong profits tax.

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

Profit for the Year

Profit for the year amounted to RMB1,216.8 million, representing an increase of 68.0% as compared to RMB724.3 million in 2020. Profit attributable to the equity holders of the Company was RMB1,110.4 million, representing an increase of 60.2% as compared to RMB693.0 million for the same period of 2020.

During the year, net profit margin was 14.6%, representing an increase of 0.2 percentage point as compared to 14.4% in 2020.

Investment Properties, Property, Plant and Equipment

As at 31 December 2021, net book value of investment properties, property, plant and equipment amounted to RMB531.9 million, representing a year-on-year increase of 135.3% as compared to RMB226.1 million as at 31 December 2020. This was primarily due to an increase of approximately RMB261.7 million in vehicles, plant and equipment as a result of the acquisition of Shi Lu Yuan and Jinshatian during the year.

Intangible Assets

As at 31 December 2021, the carrying amount of the Group's intangible assets was RMB3,276.9 million, representing an increase of 74.9% as compared to RMB1,873.3 million as of 31 December 2020. The Group's intangible assets primarily included: (i) goodwill of RMB2,129.5 million recognized for the acquired companies; (ii) customer relationship of RMB928.3 million recognized for the acquired companies; (iii) software research and development and purchase worth RMB128.9 million by the Group; and (iv) partially offset by customer relationships and software amortization. Customer relationships and software have definite useful lives and are accounted for at cost less accumulated amortization.

As at 31 December 2021, the Group's goodwill amounted to RMB2,129.5 million, representing an increase of 75.4% as compared to RMB1,213.8 million as at 31 December 2020. The Group's goodwill mainly arose from the expected future development of the acquired companies, the improvement of market coverage, the expansion of service portfolio, the integration of value-added services and the enhancement of management efficiency.

As at 31 December 2021, the Group's management was not aware of any significant impairment risk on goodwill.

Trade Receivables

As at 31 December 2021, trade receivables amounted to RMB3,154.9 million, representing an increase of 69.3% as compared to RMB1,863.2 million in 2020, primarily due to expansion of the Group's business scale and addition of new business.

Trade Payables

As at 31 December 2021, trade payables amounted to RMB1,143.1 million, representing a year-on-year increase of 68.3% as compared to RMB679.4 million for the same period of 2020, primarily due to expansion of the Group's business scale and addition of new business.

Liquidity, Reserves and Capital Structure

The Group maintained a strong financial position during the year. Current assets amounted to RMB13,933.9 million as at 31 December 2021, representing an increase of 65.5% from RMB8,416.9 million as at 31 December 2020. The Group's cash and cash equivalents amounted to RMB9,842.1 million as at 31 December 2021, representing a year-on-year increase of 68.8% from RMB5,830.0 million as at 31 December 2020, which mainly stemmed from the proceeds from placing of shares and issue of convertible bonds of approximately RMB3,940.9 million.

The Group's net current assets amounted to RMB6,102.8 million as at 31 December 2021, with a current ratio of 1.78, which stood at a robust level as compared with the net current assets of RMB4,390.5 million as at 31 December 2020.

Capital Expenditure Commitments

As at 31 December 2021, the capital commitments that the Group contracted but not provided for amounted to approximately RMB410.5 million, which were mainly for the payment of consideration for M&A transactions.

Share Award Scheme

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

The Share Award Scheme shall be valid and effective for a term of ten years commencing from the Adoption Date. The maximum number of shares can be awarded under the Share Award Scheme is 3% of the total number of issued shares of the Company as at the Adoption Date (i.e. 70,919,190 shares). During the twelve months ended 31 December 2021, no share award was granted to any employees of the Group under the Share Award Scheme.

Proceeds from the Listing

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

Intended use of net proceeds	**Proceeds available for utilization** *(RMB million)*	**Allocation percentage** *%*	**Utilized amount as of 31 December 2021** *(RMB million)*	**Unutilized amount as of 31 December 2021** *(RMB million)*	**Expected timeline for utilizing the remaining unutilized amount**
(1) To continue to expand business scale through multiple channels	3,332	65%	2,139	1,193	2022
(2) To diversify people-oriented and property-oriented value-added service offerings	769	15%	88	681	2023
(3) To improve the information technology system and smart technologies	256	5%	73	183	2023
(4) To attract and nurture talent	256	5%	22	234	2023
(5) For working capital and other general corporate purposes	513	10%	213	300	2023
Total	5,126	100%	2,535	2,591	

Equity Fund Raising Activities and Use of Proceeds

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

On 19 October 2021, the Company entered into the placing and subscription agreement (the "2021 Placing and Subscription Agreement") with Morgan Stanley & Co. International plc (the "Placing Agent"), Shimao Group Holdings Limited 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 has conditionally agreed to allot and issue to Best Cosmos, the new ordinary shares, which were the same number as the placing shares that have been placed by the Placing Agent, at the placing price. The subscription shares have a nominal value of HK$1.15 million and a market value of HK$1,934.3 million, based on the closing price of HK$16.82 per share as quoted on the Stock Exchange on the last full trading day immediately before the time at which the 2021 Placing and Subscription Agreement was signed. The net price per subscription share is HK$15.09. The completion of placing of existing shares took place on 22 October 2021, and the Company allotted and issued 115,000,000 ordinary shares to Best Cosmos on 2 November 2021 under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2021 annual general meeting of the Company (the "General Mandate").

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

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

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

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

The details for the intended and actual use of aggregate net proceeds of approximately HK$4,820 million (equivalent to approximately RMB3,941 million) from the above equity fund raising activities of the Top-up Placing and Bonds Issue are as follows:

Intended use of net proceeds	**Net proceeds available for utilization** *(RMB million)*	**Allocation percentage** *%*	**Utilized net proceeds as of 31 December 2021** *(RMB million)*	**Unutilized net proceeds as of 31 December 2021** *(RMB million)*	**Expected timeline for utilizing the remaining unutilized net proceeds**
(1) Potential M&A	3,153	80%	–	3,153	2023
(2) Business expansion	394	10%	–	394	2022
(3) General working capital and general corporate uses	394	10%	–	394	2023
Total	3,941	100%	–	3,941	

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

SIGNIFICANT ACQUISITION

During the year, the Group managed to seize market opportunities and successfully acquired five companies and signed contracts with four companies in December 2021 (completed M&A in January 2022) by selecting segments and regional leaders within its existing management coverage. Hence, we effectively increased the project management density in individual regions and bolstered our market status in individual cities. Meanwhile, we effectively developed market segments through M&A. In April and August 2021, the Group successfully acquired Shi Lu Yuan and Jinshatian respectively, the leading brands in city services segment in the Greater Bay Area and the Yangtze River Delta, respectively. Besides, in September 2021, it successfully acquired Healthtop, an outstanding enterprise in elderly care. Leveraging the platforms of Shi Lu Yuan, Jinshatian and Healthtop, the Group has successfully entered the market segments of city services and elderly care services. By integrating the excellent resources and capabilities of both sides, the Group expanded its business scope.

The following table sets forth the percentage of shareholdings acquired and transaction considerations of the companies acquired by the Group in 2021:

Time of contract signing	**Name of company**	**Percentage of shareholdings acquired** *(%)*	**Transaction consideration** *(RMB million)*
April 2021	Shenzhen Shenxiong Environmental Co., Ltd.* (深圳深兄環境有限公司) (currently known as Shenzhen Shi Lu Yuan Environmental Co., Ltd.* (深圳世路源環境有限公司))	67.00	498.64
June 2021	Zhejiang Yefeng Property Service Co., Ltd.* (浙江野風物業服務有限公司)	100.00	169.16
August 2021	Wuxi Jinshatian Technology Co., Ltd.* (無錫市金沙田科技有限公司)	60.00	862.80
August 2021	Shanghai Chunqiji Elderly Care Service Co., Ltd.* (上海椿祺集養老服務有限公司)	56.36	59.68
September 2021	Wuhan Ruizhengxindadi Property Management Co., Ltd.* (武漢瑞征新大地物業管理有限公司)	60.00	16.43
December 2021	Suzhou Tianxiang Real Estate Management Co., Ltd.* (蘇州市天翔物業管理有限公司)	70.00	245.70
December 2021	Hunan Jili Property Management Co., Ltd.* (湖南吉立物業管理有限公司)	70.00	99.65
December 2021	Quanzhou Youda Real Estate Management Co., Ltd.* (泉州友達置業管理有限公司)	51.00	4.00
December 2021	Zhejiang Xindadi Property Management Co., Ltd* (浙江新大地物業管理有限公司)	100.00	61.14

FUTURE OUTLOOK

When making acquisitions, the Group does not only focus on the alignment of the target companies to the Group, but also the support for expansion of business scale and the establishment of new business lines, as well as developing new capabilities:

(1) Basic requirement: A target company should fall within the existing management coverage of the Group, serve as a regional or segment leader without "Red Line" issues such as safety and can accept the integration as requested by the Group. The customers of the target company shall be the local middle and high income groups, so as to promote the development of community value-added services in the later stage;

(2) Horizontal integration: Focusing on the expansion of management scale, optimizing the business scale and project density in key regions, and enhancing comprehensive cost control capability and supply chain output capacity of the regions; and

(3) Vertical integration: Focusing on the professional operation capability and project experience of the target company in various segments, achieving effective empowerment and synergy.

The Group believes that through acquisitions and effective integration, we can rapidly and effectively expand the Group's business scale, increase the status in the industry, build core business capabilities, and give greater impetus for future development.

The Group will not only pursue sheer scale expansion, it will rather pay more attention to quality capacity building, develop comprehensive capabilities from M&A, thereby lowering the proportion of M&A and ultimately realizing effective organic growth.

FOREIGN EXCHANGE RISK

The Group principally operates business in the PRC, with the majority of its business conducted in RMB, and has limited exposure to the foreign exchange risk. However, due to the successful listing on the Hong Kong Stock Exchange during the year, 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 the exchange rate risk and interest rate risk concerned, actively explore foreign exchange hedging options with major banks and use financial instruments to hedge against such risks when necessary.

EMPLOYEES AND COMPENSATION POLICY

During the year, the Group offered diversified trainings and personal development schemes to its employees in accordance with the established human resources policy and system. The salary paid to the employees was determined according to their duties and the prevailing market standards. Discretionary bonuses are paid based on performance to recognise and reward employees for their contributions. The Group also provided employees with employee benefits, including pension fund, medical insurance and provident fund.

As at 31 December 2021, the Group had 41,643 employees, representing a growth of 71.1% as compared with the same period of 2020; total staff costs amounted to RMB2,834.2 million, representing an increase of 70.3% from RMB1,664.0 million in the same period of 2020.

CONTINGENT LIABILITIES

As at 31 December 2021, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

Compliance with the Corporate Governance Code

The Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2021,

(1) the Company repurchased an aggregate of 10,800,000 shares on the Stock Exchange at an aggregate consideration of HK$72,302,910 (before expenses). Particulars of the shares repurchased are as follows:

Month of repurchased	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration (before expenses)**
		HK$	*HK$*	*HK$*
September 2021	500,000	13.68	13.40	6,784,460
November 2021	2,300,000	12.16	10.06	24,194,920
December 2021	8,000,000	6.11	4.68	41,323,530
	10,800,000			**72,302,910**

All the above shares repurchased were cancelled on 10 March 2022. The Board believes that the above shares repurchased are in the best interests of the Company and its shareholders and that such shares repurchased would lead to an enhancement of the net assets value and/or earnings per share of the Company; and

(2) the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased from the market a total of 500,000 shares at a total consideration of approximately HK$8,327,380 (before expenses).

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

Annual General Meeting

The 2022 annual general meeting of the Company (the "AGM") will be held on Thursday, 18 August 2022. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK11 cents).

Closure of Register of Members

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 12 August 2022 to Thursday, 18 August 2022 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 11 August 2022.

Scope of Work of the Company's Auditor

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The Company's auditor has indicated to the Company that it has no objection to issue a clean opinion on a true and fair view on the consolidated financial statements of the Company for the year ended 31 December 2021. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

Publication of the Audited Annual Results Announcement and 2021 Annual Report

This audited annual results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.shimaofuwu.com. The 2021 annual report is expected to be despatched to shareholders of the Company on or before 8 July 2022, which will be also made available on the websites of the Stock Exchange and the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 3 May 2022 pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 23 June 2022.

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

Hong Kong, 22 June 2022

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

* *For identification purposes only.*