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)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

RESULTS HIGHLIGHTS

1. Revenue amounted to RMB8,425.8 million, representing an increase of 67.7% 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 RMB4,186.8 million, accounting for approximately 49.7% of the total revenue, and representing a year-on-year increase of 54.4% as compared to RMB2,712.4 million for the same period of last year; (ii) revenue from community value-added services amounted to RMB2,513.2 million, accounting for 29.8% of the overall revenue and representing a year-on-year increase of 57.0% 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 RMB870.7 million, accounting for 10.3% of the overall revenue and representing a year-on-year increase of 22.2% 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 RMB2,469.7 million, representing a year-on-year increase of 56.5% as compared to RMB1,577.7 million for the same period of 2020.

4. Operating profit amounted to RMB1,501.3 million, representing an increase of 67.4% as compared to RMB897.1 million for the same period of 2020.

5. Profit for the year amounted to RMB1,236.5 million, representing an increase of 70.7% as compared to RMB724.3 million for the same period of 2020. Profit attributable to the Group's equity shareholders was RMB1,130.0 million, representing an increase of 63.1% as compared to RMB693.0 million for the same period of 2020.

6. During the year, basic earnings per share amounted to approximately RMB0.47, representing an increase of 38.2% 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.

9. The Board recommended the payment of a final dividend of payout ratio of 30% for 2021.

UNAUDITED ANNUAL RESULTS

The board of directors (the "Board") of Shimao Services Holdings Limited ("Shimao Services" or the "Company", together with its subsidiaries, the "Group") presents the unaudited consolidated annual results of the Group for the year ended 31 December 2021 together with comparative figures for 2020. These financial statements have not been audited but have been reviewed by the Company's Audit Committee.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*5*	**8,425,776**	5,025,688
Cost of sales and services		**(5,956,073)**	(3,447,939)
Gross profit		**2,469,703**	1,577,749
Selling and marketing expenses		**(172,265)**	(52,444)
Administrative expenses		**(826,708)**	(562,336)
Provision of impairment losses on financial assets – net		**(210,804)**	(70,527)
Other income	*7*	**76,177**	40,873
Fair value changes in convertible bonds		**115,597**	–
Other gains/(losses) – net		**54,908**	(24,662)
Other operating expenses		**(5,285)**	(11,601)
Operating profit		**1,501,323**	897,052
Finance income		**30,775**	11,407
Finance costs		**(46,609)**	(14,587)
Finance costs – net		**(15,834)**	(3,180)
Share of results of associates accounted for using the equity method		**13,617**	10,915
Profit before income tax	*6*	**1,499,106**	904,787
Income tax expense	*8*	**(262,616)**	(180,469)
Profit for the year		**1,236,490**	724,318

	Note	Year ended 31 December 2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Profit attributable to:			
– Equity holders of the Company		**1,130,039**	692,952
– Non-controlling interests		**106,451**	31,366
		1,236,490	724,318
Other comprehensive losses for the year			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(93,525)**	(166,508)
Total other comprehensive losses for the year, net of tax		**(93,525)**	(166,508)
Total comprehensive income for the year		**1,142,965**	557,810
Total comprehensive income attributable to:			
– Equity holders of the Company		**1,036,514**	526,444
– Non-controlling interests		**106,451**	31,366
		1,142,965	557,810
Earnings per share for profit attributable to the equity holders of the Company			
– Basic and diluted earnings per share (RMB)	*9*	**0.47**	0.34

UNAUDITED CONSOLIDATED BALANCE SHEET
As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment		**511,745**	206,143
Right-of-use assets		**43,942**	27,212
Investment properties		**20,177**	19,931
Intangible assets		**3,336,781**	1,873,297
Deferred tax assets		**96,675**	67,533
Investment in associates accounted for using the equity method		**43,441**	34,074
Financial assets at fair value through other comprehensive income		**–**	356
Prepayments		**63,345**	259,567
Total non-current assets		**4,116,106**	2,488,113
Current assets			
Inventories		**299,471**	267,233
Contract assets		**228,868**	–
Trade receivables	*11*	**3,180,768**	1,863,164
Prepayments, deposits and other receivables		**1,208,472**	454,422
Restricted cash		**29,452**	2,045
Cash and cash equivalents		**9,842,099**	5,830,046
Total current assets		**14,789,130**	8,416,910
Total assets		**18,905,236**	10,905,023
Equity			
Equity attributable to equity holders of the Company			
Share capital	*12*	**21,445**	20,499
Reserves		**8,512,501**	6,427,488
		8,533,946	6,447,987
Non-controlling interests		**735,604**	292,858
Total equity		**9,269,550**	6,740,845

	Note	As at 31 December 2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings		**546,529**	4,400
Lease liabilities		**10,302**	7,896
Deferred tax liabilities		**163,596**	122,162
Provisions for other liabilities and charges		**4,796**	3,297
Total non-current liabilities		**725,223**	137,755
Current liabilities			
Trade and other payables	*13*	**4,250,116**	2,986,951
Contract liabilities		**1,550,461**	815,334
Dividends payables		**–**	–
Income tax liabilities		**390,864**	185,729
Borrowings		**270,812**	25,600
Convertible bonds		**2,427,139**	–
Lease liabilities		**21,071**	12,809
Total current liabilities		**8,910,463**	4,026,423
Total liabilities		**9,635,686**	4,164,178
Total equity and liabilities		**18,905,236**	10,905,023

NOTES TO UNAUDITED 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 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 ultimate holding company is Shimao Group Holdings Limited ("Shimao Group") whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx") since 5 July 2006.

The Company has its primary listing on the Main Board of the HKEx on 30 October 2020.

2 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair value at the end of reporting period.

The consolidated financial statements have not been audited and are presented in Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2020 except for the adoption of certain new or amendments to HKFRSs that are relevant to the Group and effective from the current period as set out below.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New or amendments to HKFRSs in issue and effective

In the current year, the Group has adopted, for the first time, the following new or amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the accounting period beginning on 1 January 2021 for the preparation of the Group's consolidated financial statements:

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

Further, the Group has early adopted the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" (the "2021 Amendment") which are mandatorily effective for annual periods beginning on or after 1 April 2021 in preparing the consolidated financial statements for the year ended 31 December 2021.

Impact on early adoption of the 2021 Amendment

The Group has early adopted 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 adoption of the 2021 Amendment has had no impact to the opening retained profits at 1 January 2021 and the financial position and financial performance for the current year.

The adoption of these 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.

New or amendments to HKFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
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 HKFRS 17	Insurance Contract	1 January 2023
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023

The directors of the Company are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the Group in the current or future reporting periods and on foreseeable future transactions

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 and non-executive directors.

During the year ended 31 December 2021, the Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners, and city services. Management reviews 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 is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2021.

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

5 REVENUE AND COST OF SALES AND SERVICES

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales and services by category for the years ended 31 December 2021 and 2020 is as follows:

	Year ended 31 December			
	2021		2020	
	RMB'000		*RMB'000*	
	Revenue (Unaudited)	**Cost of sales (Unaudited)**	Revenue (Audited)	Cost of sales (Audited)
Revenue from customer and recognized over time:				
Property management services	**4,186,822**	**3,034,459**	2,703,621	1,968,668
Community value-added services	**478,532**	**195,652**	353,377	201,737
Value-added services to non-property owners	**870,655**	**631,684**	712,670	512,638
City services	**855,054**	**740,646**	8,774	7,591
	6,391,063	**4,602,441**	3,778,442	2,690,634
Revenue from customer and recognized at a point in time:				
Community value-added services	**2,034,713**	**1,353,632**	1,247,246	757,305
	8,425,776	**5,956,073**	5,025,688	3,447,939
Revenue recognized on gross basis/net basis:				
Revenue recognized on gross basis	**8,011,462**	**5,807,329**	4,637,224	3,340,388
Revenue recognized on net basis	**414,314**	**148,744**	388,464	107,551
	8,425,776	**5,956,073**	5,025,688	3,447,939

6 PROFIT BEFORE INCOME TAX

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Employee benefit expenses	**2,834,228**	1,664,036
Cleaning costs	**801,826**	464,976
Security costs	**462,372**	244,031
Maintenance costs	**407,550**	281,540
Depreciation and amortization charges	**207,066**	75,189
Cost of goods sold	**774,509**	384,710
Listing expenses excluding audit fees	**–**	27,009
Auditors' remuneration		
– Audit services in relation to the listing	**–**	6,600
– Annual and other audit services	**4,200**	2,580
– Non-audit services	**–**	6,440

7 OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Government grants	**58,684**	28,205
Value-added tax deductibles	**12,696**	6,668
Rental income	**–**	6,000
Others	**4,797**	–
	76,177	40,873

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax		
– PRC corporate income tax and withholding income tax	**314,739**	233,118
Deferred income tax credit		
– PRC corporate income tax	**(52,123)**	(52,649)
	262,616	180,469

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares used has taken into account the effects of 115,000,000 Subscription Shares issued (Note 12(a)) and the unsubscribed buyback of 10,800,000 shares.

	Year ended 31 December	
	2021	2020
	(Unaudited)	(Audited)
Profit attributable to equity holders of the Company *(RMB'000)*	**1,130,039**	692,952
Weighted average number of equity shares *(in thousands)*	**2,382,056**	2,061,866
Basic earnings per share of the Company during the year *(expressed in RMB)*	**0.47**	0.34

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The group has dilutive potential ordinary shares arising from the convertible bonds issued in 2021. 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 owners 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 conversion right and the conversion of convertible bonds. For the year ended 31 December 2021, the effect of the convertible bonds was dilutive and therefore included in the calculation of the diluted earnings per share.

	Year ended 31 December	
	2021	2020
	(Unaudited)	(Audited)
Profit attributable to equity holders of the Company *(RMB'000)*	**1,140,044**	692,952
Weighted average number of equity shares *(in thousands)*	**2,382,056**	2,061,866
Adjustments – convertible bonds *(in thousands)*	**28,059**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands shares)*	**2,410,115**	2,061,866
Diluted earnings per share of the Company during the year *(expressed in RMB)*	**0.47**	0.34

10 DIVIDENDS

Dividend attributable to the year

The payout ratio of final dividend for 2021 proposed after the reporting date was 30% (2020: payout ratio was 31%), for the year ended 31 December 2021, which was not recognised as liability at the reporting date. In addition, the final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

11 TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables *(Note (a))*		
– Related parties	**764,942**	197,094
– Third parties	**2,533,269**	1,595,208
	3,298,211	1,792,302
Note receivables		
– Related parties	**164,849**	173,995
– Third parties	**4,740**	13,039
	169,589	187,034
Less: allowance for impairment of trade receivables	**(287,032)**	(116,172)
	3,180,768	1,863,164

(a) Trade receivables mainly arise from property management services managed under lump sum basis, city services and value-added services. Property management services income under lump sum basis is received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon rendering of services. Payment of revenue from city services and value-added services is made in accordance with the terms of the relevant services agreements.

As at 31 December 2021 and 2020, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**2,833,700**	1,666,064
1 to 2 years	**382,497**	76,843
2 to 3 years	**44,685**	18,909
3 to 4 years	**11,604**	10,416
4 to 5 years	**8,493**	7,292
Over 5 years	**17,232**	12,778
	3,298,211	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.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For the year ended 31 December 2021, a provision of RMB287,032,000 (2020: RMB116,172,000) was made against the gross amounts of trade receivables. The provision for impairment increased during the year ended 31 December 2021 due to the increase of trade receivables.

12 SHARE CAPITAL

Ordinary shares

	Number of ordinary shares	Share capital	
		HKD	*RMB*
Authorized			
As at 31 December 2021	3,500,000,000	35,000,000	30,350,583
Issued and fully paid			
As at 1 January 2020	1	–	–
Issue of shares to the then holding company	94,999	950	869
Re-designation into convertible redeemable preferred shares	(5,000)	(50)	(45)
Conversion of convertible redeemable preferred shares to ordinary shares	10,000	100	87
Capitalization issue	1,999,900,000	19,999,000	17,344,064
Issue of ordinary shares pursuant to initial public offering	352,942,000	3,529,420	3,060,877
Exercise of over-allotment option	11,031,000	110,310	93,565
As at 31 December 2020	2,363,973,000	23,639,730	20,499,417
General mandate *(Note (a))*	115,000,000	1,150,000	945,553
As at 31 December 2021	2,478,973,000	24,789,730	21,444,970

(a) On 22 October 2021, the Company was pleased to announce that the completion of the Placing. A total of 115,000,000 Placing Shares were successfully placed by the Placing Agent 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 and Subscription Agreement.

As all conditions of the Subscription had been fulfilled, the completion of the Subscription took place on 2 November 2021, and the Company allotted and issued a total of 115,000,000 Subscription Shares (equivalent to the number of the Placing Shares actually sold by the Vendor under the Placing) to the Vendor at the Subscription Price of HK$15.18 per Subscription Share in accordance with the terms and conditions of the Placing and Subscription Agreement. The Subscription Shares represent approximately 4.64% of the enlarged total number of Shares in issue upon completion of the Placing and Subscription (without taking into account any Shares which may be issued as a result of the conversion of any of the Bonds).

13 TRADE PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables *(Note (a))*		
Related parties	**34,339**	38,756
Third parties	**1,137,441**	640,647
Subtotal	**1,171,780**	679,403

(a) As at 31 December 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**1,087,150**	670,056
1-2 years	**80,437**	6,065
2-3 years	**2,792**	1,826
3-4 years	**1,029**	723
4-5 years	**258**	733
Over 5 years	**114**	–
	1,171,780	679,403

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 services, diversified value-added services and smart 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 operating revenue of RMB8,425.8 million, representing a year-on-year growth of 67.7%, and profit for the year of RMB1,236.5 million, representing a year-on-year growth of 70.7%. The gross floor area ("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 49.7% of total revenue and 46.7% of total gross profit**

  During the year, the Group's revenue from property management services reached RMB4,186.8 million, representing an increase of 54.4% as compared to RMB2,712.4 million for the same period of 2020, mainly due to the rapid growth in GFA under management.

  Gross profit from property management services was RMB1,152.4 million, representing an increase of 56.5% as compared to RMB736.1 million for the same period of 2020. Gross profit margin was 27.5%, remaining stable with an increase of 0.4 percentage point as compared to 27.1% 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
	(Unaudited)	(Audited)
Revenue *(RMB million)*	**4,186.8**	2,712.4
Gross profit *(RMB million)*	**1,152.4**	736.1
Gross profit margin *(%)*	**27.5%**	27.1%

- **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)*** **(Unaudited)**	**Percentage** ***(%)***	Area *(sq.m. in million)* (Audited)	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)*** **(Unaudited)**	**Percentage** ***(%)***	GFA under management *(sq.m. in million)* (Audited)	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)*** **(Unaudited)**	**Percentage** ***(%)***	Contracted GFA *(sq.m. in million)* (Audited)	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 its 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 different types of service and product systems and normative materials 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 mergers and acquisitions (“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” (椿熙堂)) 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 mode.

  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 29.8% of total revenue and 39.0% of total gross profit**

  During the year, revenue amounted to RMB2,513.2 million, representing a rapid increase of 57.0% 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, involving 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 ***(RMB million)*** **(Unaudited)**	**Percentage**	Revenue *(RMB million)* (Audited)	Percentage	revenue *(%)*	percentage *(percentage point)*
Community asset management services	**303.2**	**12.1%**	217.8	13.6%	39.2%	decrease by 1.5
Smart scenario solutions	**605.8**	**24.1%**	451.3	28.2%	34.2%	decrease by 4.1
Carpark asset operation services	**513.7**	**20.4%**	454.1	28.4%	13.1%	decrease by 8.0
Home decoration services	**190.5**	**7.6%**	147.6	9.2%	29.1%	decrease by 1.6
New retail services	**413.5**	**16.5%**	99.1	6.2%	317.3%	increase by 10.3
Campus value-added services	**462.2**	**18.3%**	230.7	14.4%	100.3%	increase by 3.9
Elderly care services	**24.3**	**1.0%**	N/A	N/A	N/A	N/A
Subtotal of community value-added services	**2,513.2**	**100%**	1,600.6	100%	57.0%	N/A

- ***For community asset management services, revenue was RMB303.2 million, representing a year-on-year increase of 39.2% 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 RMB605.8 million, representing a year-on-year increase of 34.2% 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 RMB513.7 million, representing a year-on-year increase of 13.1% 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 6.1% 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 RMB413.5 million, representing a year-on-year increase of 317.3% 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 were aggregated such as parent-child, education, health, food and beverage, life and retail, 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 160,000 registered users, with an average unit price 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 Zheda Sinew Group 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, with centralised care, health regimen and recreation services taking place. As a complementary business, our institutional elderly care services provided specialist care services for disability, dementia and rehabilitation.

  Currently, the Healthtop 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 10.3% of total revenue and 9.7% of total gross profit**

  During the year, the revenue amounted to RMB870.7 million, representing an increase of 22.2% from RMB712.7 million for the same period of 2020. Its percentage in total revenue decreased to 10.3% 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 benefit 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) and 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 10.1% 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

During the year, the pandemic broke out repeatedly in many places within the nation. Actively responded 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 net profit as well as sufficient working capital. Our business development and operation were not affected by the COVID-19 pandemic.

FINANCIAL REVIEW

During the year, the Group realized:

Revenue

Revenue was RMB8,425.8 million, representing a year-on-year increase of 67.7% 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 RMB4,186.8 million, accounting for 49.7% of the overall revenue and representing a year-on-year increase of 54.4% as compared to RMB2,712.4 million for the same period of 2020; (ii) revenue from community value-added services amounted to RMB2,513.2 million, accounting for 29.8% of the overall revenue and representing a year-on-year increase of 57.0% 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 RMB870.7 million, accounting for 10.3% of the overall revenue and representing a year-on-year increase of 22.2% 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

Cost of sales 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 was RMB5,956.1 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 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 RMB2,469.7 million, representing a year-on-year increase of 56.5% as compared to RMB1,577.7 million for the same period of 2020. Gross profit margin was 29.3%, representing a slight decrease of 2.1 percentage points as compared to 31.4% for the same period of 2020. Gross profit margin for the four business segments were: 27.5% for property services, 38.4% for community value-added services, 27.4% for value-added services to non-property owners and 13.4% for city services, respectively. Gross profit margin for those segments were 27.1%, 40.1%, 28.1% and 13.5% in 2020, respectively.

Gross profit margin for property services was 27.5%, which remained largely stable as compared to 27.1% 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 38.4%, 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 27.4%, 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 13.4% 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 RMB172.3 million, representing a year-on-year increase of 228.8% as compared to RMB52.4 million in 2020. Marketing expenses for the year accounted for 2.0% of the revenue, representing an increase of 1.0 percentage point 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 services) as well as higher staff costs for market development and more brand marketing and promotional expenses.

Administrative Expenses

During the year, administrative expenses were RMB826.7 million. Administrative expenses for 2021 grew at a year-on-year rate of 47.0% as compared to RMB562.3 million in 2020. Administrative expenses for the year accounted for 9.8% of the revenue, representing a decrease of 1.4 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 RMB1,501.3 million, representing an increase of 67.4% as compared to RMB897.1 million in 2020. Operating profit margin was 17.8%, basically unchanged as compared to 17.8% in 2020.

Net Finance (Costs)/Income

During the year, net finance costs were RMB15.8 million, representing an increase of 393.8% as compared to RMB3.2 million in 2020, primarily due to an increase in bank loan balance during the period.

Profit before Income Tax Expense

During the year, profit before tax amounted to RMB1,499.1 million, representing an increase of RMB594.3 million or a year-on-year uptick of 65.7% 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

During the year, income tax was RMB262.6 million, representing a year-on-year increase of 45.5% as compared to RMB180.5 million in 2020. The effective tax rate was 17.5%, representing a decrease of 2.4 percentage points from 19.9% in 2020, primarily due to the preferential tax policies the Group enjoyed.

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". This year 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 RMB1,236.5 million, representing an increase of 70.7% as compared to RMB724.3 million in 2020. Profit attributable to the Group's equity shareholders was RMB1,130.0 million, representing an increase of 63.1% as compared to RMB693.0 million for the same period of 2020.

During the year, net profit margin was 14.7%, representing a year-on-year increase of 0.3 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 135.2% as compared to RMB226.1 million as at 31 December 2020. This was primarily due to an increase of approximately RMB262.1 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 other intangible assets was RMB3,336.8 million, representing an increase of 78.1% as compared to RMB1,873.3 million as of 31 December 2020. The Group's intangible assets primarily included: (i) goodwill of RMB2,093.9 million recognized for the acquired companies; (ii) customer relationship of RMB1,063.8 million recognized for the acquired companies; (iii) software research and development and purchase worth RMB122.7 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 RMB2,093.9 million, representing an increase of 72.5% 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 and Other Receivables

As at 31 December 2021, trade and other receivables amounted to RMB4,229.7 million, representing a year-on-year increase of 89.4% as compared to RMB2,232.8 million for the same period of 2020. In particular, trade receivables amounted to RMB3,180.8 million, representing an increase of 70.7% 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 RMB1,171.8 million, representing a year-on-year increase of 72.5% 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 RMB14,789.1 million during the year, representing an increase of 75.7% from RMB8,416.9 million for the same period of 2020. The Group's cash and cash equivalents amounted to RMB9,842.1 million during the year, representing a year-on-year increase of 68.8% from RMB5,830.0 million for the same period of 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 RMB5,878.7 million during the year, with a current ratio of 1.66, which stood at a robust level as compared with the net current assets of RMB4,390.5 million for the same period of 2020.

Capital Expenditure Commitments

As at 31 December 2021, the capital commitments that 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% (i.e. 70,919,190 shares) of the total number of issued share of the Company as at the Adoption Date. 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 "HKEx") on 30 October 2020. Excluding underwriting fees and related expenses, the gross proceeds from the listing amounted to HK$5,917.4 million (equivalent to RMB5,125.9 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 same number of new ordinary shares as the placing shares at the placing price that have been placed by the Placing Agent. The subscription shares have a nominal value of HK$1.15 million and a market value of HK$1,934.3 million, based on the closing price of HK$16.82 per share as quoted on the HKEx on the last full trading day immediately before the time at which the 2021 Placing and Subscription Agreement was signed. The net price per subscription share is HK$15.09. The completion of placing of existing shares took place on 22 October 2021, and the Company allotted and issued 115,000,000 ordinary shares to Best Cosmos on 2 November 2021 under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2021 annual general meeting of the Company (the "General Mandate").

The net proceeds received by the Company after deducting related fees and expenses were estimated approximately HK$1,735 million. The Company intends to apply such net proceeds for potential mergers and acquisitions, 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 HKEx 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 mergers and acquisitions, 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	**Available net proceeds** *(RMB million)*	**Percentage of the allocation** %	**Utilized net amount as of 31 December 2021** *(RMB million)*	**Unutilized net amount as of 31 December 2021** *(RMB million)*	**Expected timeline for utilizing the remaining unutilized net proceeds** *(RMB million)*
(1) Potential mergers and acquisitions	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's previous potential targets were not successfully acquired, 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 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 recognize 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.

FINAL DIVIDEND

The Board has proposed the payment of a final dividend of payout ratio of 30% for the year ended 31 December 2021 (2020: payout ratio was 31%).

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 HKEx 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 HKEx 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The audit process for the annual results for the year ended 31 December 2021 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The unaudited annual results contained herein have not been agreed by the Company's auditor. An announcement relating to the annual results as agreed with the Company's auditor will be made when the audit process has been completed in accordance with Hong Kong Standards on Auditing issued by The Hong Kong Institute of Certified Public Accountants.

The information set out in the unaudited annual results contained herein is provided by the management and have been reviewed by the Audit Committee of the Company.

FACTORS AFFECTING THE COMPANY TO REPORT ON TIME

As explained in the announcement of the Company dated 21 March 2022, the audit process has been affected by (i) certain management and employees of the Group have been placed under quarantine in the latest wave of COVID-19 outbreak; and (ii) there has been a delay in obtaining certain external confirmations from third parties for the audit, resulting in the delay in the publication of the audited annual results of the Group for the year ended 31 December 2021.

FURTHER ANNOUNCEMENT(S)

Following the completion of the audit process, the Company will issue further announcement(s) in relation to (i) the audited annual results of the Group for the year ended 31 December 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting will be held; (iii) final dividends for the year ended 31 December 2021; (iv) the date from which the register of members will be closed in order to ascertain shareholders' eligibility to attend and vote at the annual general meeting and the proposed arrangements relating to dividend payment; and (v) arrangements for publication and despatch of the 2021 annual report. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in course of the completion of the audit process.

Save as disclosed in this announcement, as at the date of this announcement, to the best knowledge of the Directors, there is no other issue in relation to the unaudited annual results of the Group that need to be brought to the attention of the shareholders of the Company.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed by the auditors. Holders of the securities of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 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.