# A-LIVING SMART CITY SERVICES CO., LTD. *
# 雅生活智慧城市服務股份有限公司

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 3319)**

## ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

### FINANCIAL SUMMARY

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2021** | 2020 | Change |
| Revenue *(RMB million)* | **14,080.1** | 10,026.1 | 40.4% |
| Gross profit *(RMB million)* | **3,868.7** | 2,973.0 | 30.1% |
| *Gross profit margin* | ***27.5%*** | *29.7%* | *-2.2 percentage points* |
| Net profit *(RMB million)* | **2,565.6** | 1,972.7 | 30.1% |
| *Net profit margin* | ***18.2%*** | *19.7%* | *-1.5 percentage points* |
| Profit attributable to shareholders of the Company *(RMB million)* | **2,308.5** | 1,754.4 | 31.6% |
| Basic earnings per share *(RMB)* | **1.67** | 1.32 | 26.5% |
| Cash generated from operating activities *(RMB million)* | **2,644.5** | 2,620.5 | 0.9% |
| Proposed Final Dividend per share *(RMB)* | **0.41** | 0.52 | -21.2% |
| Proposed dividend payout ratio | **25.2%** | 39.5% | *-14.3 percentage points* |
| Total proposed Final Dividend *(RMB million)* | **582.2** | 693.3 | -16.0% |

Reference is made to the announcement of A-Living Smart City Services Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") in relation to the unaudited annual results of the Group for the year ended 31 December 2021 (the "**2021 Unaudited Results**") dated 31 March 2022 (the "**Unaudited Results Announcement**").

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 (the "**2021 Audited Results**"), and the 2021 Audited Results remain the same as those disclosed in the Unaudited Results Announcement, except for the "Cash generated from operating activities" disclosed in the Unaudited Results Announcement which has been decreased from RMB2,679.3 million to RMB 2,644.5 million mainly due to reclassification of cash flows in relation to guarantee deposits in the bank for certain property management projects.

- For the year ended 31 December 2021 (the "**Year**"), the Group recorded revenue of RMB14,080.1 million, representing an increase of 40.4% as compared with the corresponding period of last year. During the Year, the revenue attributable to the four major business lines of the Group was as follows: revenue from (i) the property management services increased by 33.6% to RMB8,658.4 million as compared with the corresponding period of last year; (ii) the property owners value-added services increased by 77.3% to RMB1,866.6 million as compared with the corresponding period of last year; (iii) the city services was RMB698.1 million; and (iv) the extended value-added services increased by 14.7% to RMB2,857.0 million as compared with the corresponding period of last year.

- During the Year, the Group recorded (i) a gross profit of RMB3,868.7 million, representing an increase of 30.1% as compared with the corresponding period of last year, a gross profit margin of 27.5%, representing a year-on-year decrease of 2.2 percentage points, and a gross profit margin after excluding the effect of the amortisation of intangible assets due to the merger and acquisition ("**M&A**") of 28.7%; (ii) a profit attributable to the Shareholders (the "**Shareholders**") of RMB2,308.5 million, representing an increase of 31.6% as compared with the corresponding period of last year; (iii) a net profit margin of 18.2%, representing a year-on-year decrease of 1.5 percentage points, and a net profit margin after excluding the effect of the amortisation of intangible assets and depreciation of appraised appreciation of fixed assets due to the M&A of 19.1%; and (iv) basic earnings per share of RMB1.67.

- Taking into account the Group's business development needs and the Shareholders' investment returns, the Board proposed a final dividend of RMB0.41 per share (before tax) for the year of 2021, representing a dividend payout ratio of 25.2%.

## CONSOLIDATED INCOME STATEMENT

| | *Note* | **Year ended 31 December** **2021** ***RMB'000*** | 2020 *RMB'000* |
|---|---|---|---|
| **Revenue** | *3* | **14,080,089** | 10,026,147 |
| Cost of sales | | **(10,211,343)** | (7,053,112) |
| **Gross profit** | | **3,868,746** | 2,973,035 |
| Selling and marketing expenses | | **(141,635)** | (77,139) |
| Administrative expenses | | **(778,131)** | (548,295) |
| Net impairment losses on financial assets | | **(160,181)** | (97,406) |
| Other income | *4* | **178,059** | 198,515 |
| Other gains – net | *5* | **102,070** | 17,136 |
| **Operating profit** | | **3,068,928** | 2,465,846 |
| Finance costs | *6* | **(24,888)** | (40,358) |
| Share of post-tax profits of joint ventures and associates | | **31,534** | 62,261 |
| **Profit before income tax** | | **3,075,574** | 2,487,749 |
| Income tax expenses | *7* | **(510,005)** | (515,015) |
| **Profit for the year** | | **2,565,569** | 1,972,734 |
| Profit attributable to: | | | |
| – Shareholders of the Company | | **2,308,458** | 1,754,411 |
| – Non-controlling interests | | **257,111** | 218,323 |
| | | **2,565,569** | 1,972,734 |
| **Earnings per share (expressed in RMB per share)** | | | |
| – Basic and diluted earnings per share | *8* | **1.67** | 1.32 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| **Profit for the year** | **2,565,569** | 1,972,734 |
| **Other comprehensive income** | | |
| Item that will not be reclassified to profit or loss | | |
| – changes in fair value of financial assets at fair value through other comprehensive income, net of tax | **3,764** | 931 |
| **Total comprehensive income for the year** | **2,569,333** | 1,973,665 |
| **Attributable to:** | | |
| – Shareholders of the Company | **2,310,717** | 1,754,970 |
| – Non-controlling interests | **258,616** | 218,695 |
| | **2,569,333** | 1,973,665 |

## CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment ("PPE") | *9* | **506,831** | 254,971 |
| Right-of-use assets | *9* | **73,868** | 35,119 |
| Investment properties | | **88,916** | – |
| Other intangible assets | *10* | **1,350,661** | 961,241 |
| Goodwill | *10* | **3,123,231** | 2,181,967 |
| Deferred income tax assets | | **137,701** | 50,304 |
| Investment accounted for using the equity method | | **1,111,141** | 1,105,391 |
| Prepayments | *11* | **350,952** | 253,722 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | | **23,868** | 29,122 |
| Financial assets at fair value through profit or loss ("FVPL") | | **3,249** | 2,991 |
| | | **6,770,418** | 4,874,828 |
| **Current assets** | | | |
| Trade and other receivables and prepayments | *11* | **5,105,345** | 3,405,566 |
| Inventories | | **38,533** | 18,850 |
| Financial assets at fair value through profit or loss | | **527,043** | 591,161 |
| Restricted cash | *12(b)* | **3,349,493** | 27,572 |
| Cash and cash equivalents | *12(a)* | **4,390,545** | 5,056,976 |
| | | **13,410,959** | 9,100,125 |
| **Total assets** | | **20,181,377** | 13,974,953 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

| | *Note* | **As at 31 December** **2021** ***RMB'000*** | 2020 *RMB'000* |
|---|---|---|---|
| **Equity** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Share capital | *13* | **1,420,001** | 1,333,334 |
| Other reserves | *14* | **5,614,759** | 3,402,511 |
| Retained earnings | | **4,156,348** | 2,618,957 |
| | | **11,191,108** | 7,354,802 |
| **Non-controlling interests** | | **1,719,820** | 1,302,598 |
| **Total equity** | | **12,910,928** | 8,657,400 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Other payables | *15* | **35,190** | 51,046 |
| Contract liabilities | | **84,344** | 75,271 |
| Borrowings | | **12,445** | 9,197 |
| Lease liabilities | | **30,590** | 16,288 |
| Deferred income tax liabilities | | **351,060** | 225,348 |
| Financial liabilities for put options | | **–** | 75,233 |
| | | **513,629** | 452,383 |
| **Current liabilities** | | | |
| Trade and other payables | *15* | **4,808,002** | 3,370,856 |
| Contract liabilities | | **1,180,991** | 804,134 |
| Current income tax liabilities | | **547,217** | 425,299 |
| Borrowings | | **66,084** | 224,539 |
| Lease liabilities | | **47,168** | 20,800 |
| Financial liabilities for put options | | **107,358** | 19,542 |
| | | **6,756,820** | 4,865,170 |
| **Total liabilities** | | **7,270,449** | 5,317,553 |
| **Total equity and liabilities** | | **20,181,377** | 13,974,953 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

## 1 GENERAL INFORMATION

A-Living Smart City Services Co., Ltd. (previously named as "A-Living Services Co., Ltd", the "Company") was established in the People's Republic of China (the "PRC") on 26 June 1997. On 21 July 2017, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company's registered office is Management Building, Xingye Road, Agile Garden, Sanxiang Town, Zhongshan, Guangdong Province, PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 9 February 2018.

The Company's parent company is Zhongshan A-Living Enterprise Management Services Co., Ltd. ("Zhongshan A-Living"), an investment holding company established in the PRC, and its ultimate holding company is Agile Group Holdings Limited ("Agile Holdings"), a company incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange.

The Company and its subsidiaries (together the "Group") are primarily engaged in the provision of property management services, related value-added services and city sanitation and cleaning services in the PRC.

The outbreak of the 2019 Novel Coronavirus (the "COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of property management. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial information is authorised for issue, COVID-19 doesn't have any material adverse impact on the financial position and operating result of the Group.

These consolidated financial statements are presented in Renminbi, unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

#### *(a) Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance (HKCO) Cap. 622.

### *(b) Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) and investment properties measured at fair value.

### *(c) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021 and there is no material impact on the Group's consolidated financial statement:

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

### *(d) New standards and interpretations not yet adopted*

The following new standards, amendments to standards and interpretation have been published but will only become effective for accounting period beginning on or after 1 January 2022 and have not been early adopted by the Group:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before intended use | 1 January 2022 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Annual Improvements | Annual Improvements to HKFRS Standards 2018-2020 Cycle | 1 January 2022 |
| Revised Accounting Guideline 5 | Merger Accounting for Common Control Combination | 1 January 2022 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| 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 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associates or joint ventures | To be determined |

The adoption of the new and amended standards and interpretation is not expected to have a material impact on the consolidated financial statements of the Group.

## 3 REVENUE

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

| | **Timing of revenue recognition** | **Year ended 31 December** | |
|---|---|---|---|
| | | **2021** | 2020 |
| | | ***RMB'000*** | *RMB'000* |
| Property management services | over time | **8,658,423** | 6,482,133 |
| Value-added services related to property management | | | |
| – Other value-added services | over time | **4,395,219** | 3,420,536 |
| – Sales of goods | at a point in time | **328,345** | 123,478 |
| City sanitation and cleaning services | over time | **698,102** | – |
| | | **14,080,089** | 10,026,147 |

## 4 OTHER INCOME

| | **Year ended 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Interest income | | |
| – from deposits and loans to third parties | **72,903** | 90,015 |
| – from loans to related parties | **2,518** | 10,860 |
| Tax incentives *(Note (b))* | **47,421** | 27,221 |
| Government grants *(Note (a))* | **43,795** | 63,805 |
| Rental income | **5,465** | – |
| Late payment charges | **4,085** | 3,611 |
| Miscellaneous | **1,872** | 3,003 |
| | **178,059** | 198,515 |

(a) Government grants consisted mainly of financial subsidies granted by the local governments. There are no unfulfilled conditions or other conditions attached to the government grant recognised during the year ended 31 December 2021.

(b) Tax incentives mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

## 5 OTHER GAINS – NET

| | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Gains/(losses) from disposal of investments accounted for using the equity method | **58,748** | (10,719) |
| Net fair value gains on financial assets at FVPL | **31,549** | 34,177 |
| Gains from disposal of subsidiaries | **22,039** | 5,829 |
| Fair value gains/(losses) on put options | **2,330** | (8,214) |
| Fair value gains on investment properties | **595** | – |
| Net foreign exchange (losses)/gains | **(2,110)** | 1,037 |
| Losses on disposal of PPE and investment properties | **(6,300)** | (4,974) |
| Miscellaneous | **(4,781)** | – |
| | **102,070** | 17,136 |

## 6 FINANCE COSTS

| | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Unwinding of discount on financial liabilities for put options | **14,913** | 16,125 |
| Interest expense of borrowings | **4,686** | 17,258 |
| Interest and finance charges paid/payable for lease liabilities | **3,507** | 1,981 |
| Interest expense of long-term payables | **1,782** | 4,994 |
| | **24,888** | 40,358 |

## 7 INCOME TAX EXPENSES

| | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Current income tax | | |
| – PRC corporate income tax | **615,407** | 573,403 |
| Deferred income tax | | |
| – PRC corporate income tax | **(105,402)** | (58,388) |
| | **510,005** | 515,015 |

The effective income tax rate was 17% for the year ended 31 December 2021 (2020: 21%). In April 2021, the Company obtained the Certificate of High and New Technology Enterprise before annual tax filing of 2020 with three-year valid period from 2020 to 2022. Accordingly, the income tax rate applicable to the Company for 2020 to 2022 is 15%. The impact of the change in the applicable tax rate was credited to the income tax expenses in the year ended 31 December 2021.

**PRC corporate income tax**

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% (2020: 25%) according to the Corporate Income Tax Law of the PRC.

In 2020, Guangzhou Yatian Network Technology Co., Ltd. ("**Guangzhou Yatian**") obtained the Certificate of High and New Technology Enterprise with valid period from 2020 to 2022. In April 2021, the Company obtained the Certificate of High and New Technology Enterprise before annual tax filing of 2020 with valid period from 2020 to 2022. According to the Corporate Income Tax Law of the PRC, corporations which obtain the Certificate of High and New Technology Enterprise are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to Guangzhou Yatian during the year ended 31 December 2021 was 15% (2020: 15%). The tax rate applicable to the Company during the year ended 31 December 2021 was 15% (2020: 25%).

Certain subsidiary of the Group in the PRC is in Zhuhai Hengqin (Free Trade Area) and subject to a preferential income tax rate of 15% during the year ended 31 December 2021 (2020: 15%). Certain subsidiaries of the Group in the PRC are located in western cities and subject to a preferential income tax rate of 15% for certain years. Certain of the Group's subsidiaries enjoy the preferential income tax treatment for Small and Micro Enterprise with the income tax rate of 20% and are eligible to have their tax calculated based on 25% or 50% of their taxable income. Certain subsidiaries of the Group in the PRC are located in Hainan Free Trade Port and subject to a preferential income tax rate of 15% during the year ended 31 December 2021 (2020: 15%).

**Hong Kong income tax**

No Hong Kong profits tax was applicable to the Group for the year ended 31 December 2021. There were two subsidiaries incorporated in Hong Kong. No Hong Kong profits tax was provided for those two Hong Kong subsidiaries as there was no estimated taxable profits that was subject to Hong Kong profits tax during the year ended 31 December 2021 (2020: nil).

## 8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020.

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2021 and 2020. Diluted earnings per share was equal to basic earnings per share.

| | **Year ended 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| Profit attributable to shareholders of the Company *(RMB'000)* | **2,308,458** | 1,754,411 |
| Weighted average number of ordinary shares in issue (in thousands) | **1,383,435** | 1,333,334 |
| Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share) | **1.67** | 1.32 |

## 9 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

| | **Buildings** | **Transportation equipment** | **Office equipment** | **Machinery** | **Subtotal** | **Right-of-use assets** | **Total** |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2020** | | | | | | | |
| Cost | 124,868 | 23,914 | 21,625 | 62,368 | 232,775 | 46,471 | 279,246 |
| Accumulated depreciation and amortisation | (22,944) | (13,018) | (11,324) | (26,183) | (73,469) | (21,851) | (95,320) |
| **Net book amount** | 101,924 | 10,896 | 10,301 | 36,185 | 159,306 | 24,620 | 183,926 |
| **Year ended 31 December 2020** | | | | | | | |
| Opening net book amount | 101,924 | 10,896 | 10,301 | 36,185 | 159,306 | 24,620 | 183,926 |
| Additions | 248 | 31,682 | 5,402 | 16,846 | 54,178 | 19,738 | 73,916 |
| Acquisition of subsidiaries | 26,003 | 46,309 | 8,719 | 11,478 | 92,509 | 13,622 | 106,131 |
| Disposals | (65) | (4,532) | (928) | (2,101) | (7,626) | – | (7,626) |
| Depreciation and amortisation charge | (7,839) | (15,444) | (4,967) | (15,146) | (43,396) | (22,861) | (66,257) |
| **Closing net book amount** | 120,271 | 68,911 | 18,527 | 47,262 | 254,971 | 35,119 | 290,090 |
| **As at 31 December 2020** | | | | | | | |
| Cost | 151,711 | 84,039 | 32,216 | 88,103 | 356,069 | 79,831 | 435,900 |
| Accumulated depreciation and amortisation | (31,440) | (15,128) | (13,689) | (40,841) | (101,098) | (44,712) | (145,810) |
| **Net book amount** | 120,271 | 68,911 | 18,527 | 47,262 | 254,971 | 35,119 | 290,090 |

| | Buildings | Transportation equipment | Office equipment | Machinery | Subtotal | Right-of-use assets | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2021** | | | | | | | |
| Opening net book amount | 120,271 | 68,911 | 18,527 | 47,262 | 254,971 | 35,119 | 290,090 |
| Additions | 220 | 27,884 | 7,402 | 47,915 | 83,421 | 43,969 | 127,390 |
| Acquisition of subsidiaries | 80,465 | 26,953 | 6,501 | 207,613 | 321,532 | 34,636 | 356,168 |
| Other disposals | (632) | (3,111) | (682) | (2,213) | (6,638) | (70) | (6,708) |
| Disposal of subsidiaries | (57,591) | (3,528) | (314) | (16,183) | (77,616) | (25) | (77,641) |
| Depreciation and amortisation charge | (9,491) | (22,464) | (6,684) | (30,200) | (68,839) | (39,761) | (108,600) |
| **Closing net book amount** | 133,242 | 94,645 | 24,750 | 254,194 | 506,831 | 73,868 | 580,699 |
| **As at 31 December 2021** | | | | | | | |
| Cost | 163,887 | 121,582 | 42,353 | 303,724 | 631,546 | 157,479 | 789,025 |
| Accumulated depreciation and amortisation | (30,645) | (26,937) | (17,603) | (49,530) | (124,715) | (83,611) | (208,326) |
| **Net book amount** | 133,242 | 94,645 | 24,750 | 254,194 | 506,831 | 73,868 | 580,699 |

Depreciation and amortisation expenses were charged to the following categories in the consolidated income statement:

| | **Year ended 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Cost of sales | **64,421** | 41,600 |
| Selling and marketing expenses | **958** | 1,039 |
| Administrative expenses | **43,221** | 23,618 |
| | **108,600** | 66,257 |

As at 31 December 2021, certain self-used PPE with net book value of RMB55,039,000 (31 December 2020: RMB78,407,000) were pledged as collateral for the Group's borrowings.

## 10 INTANGIBLE ASSETS

| | Computer software *RMB'000* | Trademarks *RMB'000* | Customer relationship and backlogs *RMB'000* | Subtotal *RMB'000* | Goodwill *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **As at 1 January 2020** | | | | | | |
| Cost | 33,370 | 28,400 | 404,850 | 466,620 | 1,370,928 | 1,837,548 |
| Accumulated amortisation | (9,304) | (10,734) | (62,126) | (82,164) | – | (82,164) |
| **Net book amount** | 24,066 | 17,666 | 342,724 | 384,456 | 1,370,928 | 1,755,384 |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount | 24,066 | 17,666 | 342,724 | 384,456 | 1,370,928 | 1,755,384 |
| Additions | 8,811 | – | – | 8,811 | – | 8,811 |
| Acquisition of subsidiaries | 1,815 | – | 701,819 | 703,634 | 816,010 | 1,519,644 |
| Disposals of subsidiaries | (178) | – | (20,394) | (20,572) | (4,971) | (25,543) |
| Amortisation | (4,731) | (4,640) | (105,717) | (115,088) | – | (115,088) |
| **Closing net book amount** | 29,783 | 13,026 | 918,432 | 961,241 | 2,181,967 | 3,143,208 |
| **As at 31 December 2020** | | | | | | |
| Cost | 44,751 | 28,400 | 1,079,719 | 1,152,870 | 2,181,967 | 3,334,837 |
| Accumulated amortisation | (14,968) | (15,374) | (161,287) | (191,629) | – | (191,629) |
| **Net book amount** | 29,783 | 13,026 | 918,432 | 961,241 | 2,181,967 | 3,143,208 |
| **Year ended 31 December 2021** | | | | | | |
| Opening net book amount | 29,783 | 13,026 | 918,432 | 961,241 | 2,181,967 | 3,143,208 |
| Additions | 3,968 | – | – | 3,968 | – | 3,968 |
| Acquisition of subsidiaries *(Note (a))* | 3,556 | 34,942 | 577,518 | 616,016 | 1,027,350 | 1,643,366 |
| Other disposals | (128) | – | – | (128) | – | (128) |
| Disposals of subsidiaries | (127) | – | (56,784) | (56,911) | (86,086) | (142,997) |
| Amortisation | (5,015) | (5,610) | (162,900) | (173,525) | – | (173,525) |
| **Closing net book amount** | 32,037 | 42,358 | 1,276,266 | 1,350,661 | 3,123,231 | 4,473,892 |
| **As at 31 December 2021** | | | | | | |
| Cost | 49,694 | 63,342 | 1,592,110 | 1,705,146 | 3,123,231 | 4,828,377 |
| Accumulated amortisation | (17,657) | (20,984) | (315,844) | (354,485) | – | (354,485) |
| **Net book amount** | 32,037 | 42,358 | 1,276,266 | 1,350,661 | 3,123,231 | 4,473,892 |

Amortisation of intangible assets has been charged to the consolidated income statement as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Cost of sales | **169,850** | 108,933 |
| Selling and marketing expenses | **38** | 2,471 |
| Administrative expenses | **3,637** | 3,684 |
| | **173,525** | 115,088 |

(a) During the year ended 31 December 2021, the Group acquired several companies. Total identifiable net assets of these entities acquired as at their respective acquisition dates were amounting to RMB1,036,136,000, including identified customer relationships, backlogs and trademarks of RMB612,460,000 recognised by the Group.

## 11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables *(Note (a))* | | |
| – Related parties | **1,524,003** | 844,924 |
| – Third parties | **2,423,908** | 1,561,635 |
| | **3,947,911** | 2,406,559 |
| Less: allowance for impairment of trade receivables | **(329,312)** | (155,095) |
| | **3,618,599** | 2,251,464 |
| Other receivables | | |
| – Related parties | **278,178** | 90,329 |
| – Third parties | **1,059,295** | 914,021 |
| | **1,337,473** | 1,004,350 |
| Less: allowance for impairment of other receivables | **(24,024)** | (23,683) |
| | **1,313,449** | 980,667 |
| Prepayments | | |
| – Related parties | **288,788** | 8,739 |
| – Third parties | **235,461** | 418,418 |
| | **524,249** | 427,157 |
| Subtotal | **5,456,297** | 3,659,288 |
| Less: non-current portion of prepayments | **(350,952)** | (253,722) |
| Current portion of trade and other receivables and prepayments | **5,105,345** | 3,405,566 |

(a) Trade receivables mainly represented the receivables of outstanding property management service fee and the receivables of value-added service income and city sanitation and cleaning service income.

Property management services income, value-added service income and city sanitation and cleaning service income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of demand note.

As at 31 December 2021 and 2020, the aging analysis of the trade receivables based on recognition date were as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| 0-180 days | **2,504,546** | 1,246,625 |
| 181-365 days | **657,041** | 605,658 |
| 1 to 2 years | **429,257** | 339,526 |
| 2 to 3 years | **188,457** | 104,485 |
| Over 3 years | **168,610** | 110,265 |
| | **3,947,911** | 2,406,559 |

As at 31 December 2021, trade and other receivables were denominated in RMB and US$ and the fair values of trade and other receivables approximated their carrying amounts.

## 12 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a)

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Cash at bank and in hand: | | |
| – Denominated in RMB | **4,359,709** | 5,052,159 |
| – Denominated in HK$ | **30,166** | 4,817 |
| – Denominated in US$ | **670** | – |
| | **4,390,545** | 5,056,976 |

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

(b) Restricted cash as at 31 December 2021 mainly comprised 1-year fixed deposits with banks in the PRC. Deposits totalling RMB3,300,200,000 were pledged as collateral for bank borrowings or facilities extended to certain business development partners of the Company. Up to the date of this announcement, pledged deposits with total amount of RMB3,300,200,000 have been released. No financial exposure is expected to be arisen from these pledge arrangements.

## 13 SHARE CAPITAL

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **31 December 2021** | 31 December 2020 | **31 December 2021** | 31 December 2020 |
| | | | ***RMB'000*** | *RMB'000* |
| Issued and fully paid *(Note (a))* | **1,420,000,800** | 1,333,334,000 | **1,420,001** | 1,333,334 |

### (a) Movements in share capital

| | *Note* | Number of shares | Share capital |
|---|---|---|---|
| | | | *RMB'000* |
| **Details** | | | |
| As at 1 January 2021 | | 1,333,334,000 | 1,333,334 |
| Placing of new H Shares | *(i)* | 86,666,800 | 86,667 |
| As at 31 December 2021 | | 1,420,000,800 | 1,420,001 |

(i) On 28 May 2021, the Company entered into a placing agreement to procure placees for an aggregate of 86,666,800 new H Shares at the HK$37.60 per H Share (the "Placing"). On 4 June 2021, the Company received net proceeds amounted to HK$3,242,127,000 (equivalent to RMB2,677,511,000) from the Placing after deducting related fees and expenses, among of which, RMB86,667,000 was recorded as share capital and RMB2,590,844,000 was recorded as share premium.

## 14 OTHER RESERVES

| | Share premium | Statutory reserve | Others | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2020** | 3,138,053 | 127,642 | 5,715 | 3,271,410 |
| Revaluation – gross | – | – | 745 | 745 |
| Deferred tax | – | – | (186) | (186) |
| Other comprehensive income | – | – | 559 | 559 |
| Appropriation of statutory reserves *(Note (a))* | – | 121,554 | – | 121,554 |
| Other transaction with non-controlling interests ("**NCI**") | – | – | 8,988 | 8,988 |
| **As at 31 December 2020** | 3,138,053 | 249,196 | 15,262 | 3,402,511 |

| | Share premium *RMB'000* | Statutory reserve *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| Revaluation – gross | – | – | 3,012 | 3,012 |
| Deferred tax | – | – | (753) | (753) |
| Other comprehensive income | – | – | 2,259 | 2,259 |
| Transfer to retained earnings | – | – | (178) | (178) |
| Deferred tax | – | – | 44 | 44 |
| Net amount transferred | – | – | (134) | (134) |
| Appropriation of statutory reserves *(Note (a))* | – | 77,956 | – | 77,956 |
| Placing of new H Shares | 2,590,844 | – | – | 2,590,844 |
| Other transaction with NCI *(Note (b))* | (458,677) | – | – | (458,677) |
| **As at 31 December 2021** | 5,720,220 | 327,152 | 17,387 | 5,614,759 |

**(a) PRC statutory reserve**

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

**(b)** During the year ended 31 December 2021, the Group further acquired some equity interests of certain subsidiaries from NCI at an aggregate consideration of RMB534,998,000. The difference of RMB458,677,000 between the carrying value of the NCI acquired and the consideration paid was recorded as other reserve.

## 15 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables *(Note (a))* | | |
| – Related parties | **66,818** | 69,119 |
| – Third parties | **1,691,101** | 1,094,867 |
| | **1,757,919** | 1,163,986 |
| Other payables | | |
| – Related parties | **107,235** | 82,140 |
| – Third parties | **1,676,774** | 1,126,377 |
| | **1,784,009** | 1,208,517 |
| Dividends payables | **127,309** | 91,224 |
| Accrued payroll | **1,039,706** | 781,800 |
| Other taxes payables | **134,249** | 176,375 |
| | **4,843,192** | 3,421,902 |
| Less: non-current portion of other payables | **(35,190)** | (51,046) |
| Current portion of trade and other payables | **4,808,002** | 3,370,856 |

(a) As at 31 December 2021 and 2020, the aging analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date were as follows:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Up to 1 year | **1,656,020** | 1,116,044 |
| 1 to 2 years | **79,110** | 17,853 |
| 2 to 3 years | **10,711** | 14,742 |
| Over 3 years | **12,078** | 15,347 |
| | **1,757,919** | 1,163,986 |

As at 31 December 2021, trade and other payables were all denominated in RMB and the fair values of trade and other payables approximated their carrying amounts (31 December 2020: same).

## 16 DIVIDENDS

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Dividends | **693,334** | 600,000 |

(a) A final dividend of RMB0.33 per share and a special dividend of RMB0.19 per share for the year ended 31 December 2020, totalling RMB693,334,000 were declared at the annual general meeting held on 25 May 2021. These dividends have been distributed out of the Company's retained earnings and paid in cash.

(b) A final dividend of RMB0.41 per share for the year ended 31 December 2021, totalling RMB582,200,000 have been proposed by the Board of the Company and are subject to the approval of the forthcoming annual general meeting to be held on 17 June 2022. These dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected the proposed dividend payable.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

We are pleased to present the audited consolidated results of the Group for the year ended 31 December 2021.

In 2021, the property management industry was better regulated with higher-quality development and more diversified businesses. The government of the People's Republic of China (the "**PRC**") enacted plans and policies to guide and support the industry's well-regulated and sustainable development. Ten government departments of PRC, including the Ministry of Housing and Urban-Rural Development, jointly 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》) (the "**Notice**") in the Year. Both the Notice and China's 14th Five-Year Plan affirmed property management enterprises' role as the backbone of urban governance and living services. In the future, the PRC government will support property management enterprises to provide residents with more convenient and diverse living services, practically improve the service quality and increase the degree of intelligentization and standardization of property management. Throughout the Year, to cope with the recurring COVID-19 pandemic and various natural catastrophes, property management enterprises resolutely shouldered their social responsibilities and did their best to safeguard property owners' lives and properties, which won them high praises widely from the society.

In the second half of 2021, the PRC government further tightened regulatory policies relating to the real estate industry, heightening the liquidity risks of some property developers. This also impacted and posed challenges to the property management industry, leading to a valuation adjustment of the sector. Property management enterprises are developing in a way that makes themselves more independent of real estate developers. Property management enterprises continued to expand their management scale and speed up development through a market-oriented approach and by building strong brands. They also further expanded their management portfolios, enhanced their professional service capabilities and developed differentiating features. However, the large property management enterprises' advantages of immense management scale and strong brands are increasingly manifested, resulting in intensified market differentiation. Leading enterprises are further solidifying their dominating position in terms of market shares and brand influence. Meanwhile, bolstered by policy tailwinds and growing demands, property management enterprises kept seeking new opportunities in the value-added services along the value chain of the industry, so as to provide property owners with personalized and convenient services and address their real needs.

The Group continues to serve property owners with high-quality services, contribute to community management and help promote urban development. Adhering to a market-oriented development strategy and focusing on the development of core businesses, the Group continuously extended the scenarios to which its services can be applied, actively developed businesses along the whole value chain of the industry, and innovatively explored the value-added service ecosystem. The Group scaled new heights in terms of management scale and brand strength and continuously ranked the 4th of the "2021 Top 100 Property Management Companies in China", demonstrating the wide recognition of its status as an industry leader.

## BUSINESS REVIEW

2021 marked the beginning of the 14th Five-Year Plan of the Group. Facing the cyclical fluctuations in the property industry, the Group actively coped with the market changes. By leveraging its leading market expansion capabilities and rich experience in integrating the businesses along the value chain of the industry to diversify its growth drivers, the Group achieved stable growth in both management scale and results. During the Year, the Group's property management business topped the industry in terms of expansion into the third-party markets, winning over 50 project contracts each with annualized contract amount of more than RMB10 million. The Group stood out in open market bidding and won a number of major benchmark projects such as a venue management project for Beijing Winter Olympics, demonstrating its good reputation for and strength in the non-residential sector. The Group further consolidated the fundamentals of its property management services, accelerated the development of its city services and innovatively explored the value-added services to property owners. The Group's revenue and profit structures have been optimized and the proportion of non-cyclical business segments has increased significantly, laying a foundation for high-quality and sustainable development in the future.

During the Year, the revenue of the Group was RMB14,080.1 million, representing an increase of 40.4% as compared with the corresponding period of last year. Gross profit was RMB3,868.7 million, representing a year-on-year increase of 30.1%, and gross profit margin was 27.5%. Net profit was RMB2,565.6 million, representing a year-on-year increase of 30.1%, and net profit margin was 18.2%. Profit attributable to the shareholders of the Company amounted to RMB2,308.5 million, representing a year-on-year increase of 31.6%. The basic earnings per share amounted to RMB1.67. Excluding the impact from extended value-added service businesses, total profit attributable to Shareholders in respect of the Group's property management services, value-added services to property owners and city services recorded a significant year-on-year growth of 50.6% in the Year.

As at 31 December 2021, the GFA under management and contracted GFA of the Group were 488.9 million sq.m. and 663.1 million sq.m., respectively. Among which, the accumulated contracted GFA from Agile Group Holdings Limited (雅居樂集團控股有限公司) ("**Agile Holdings**", and together with its subsidiaries, "**Agile Group**") and Greenland Holdings Group Company Limited (綠地控股集團股份有限公司) ("**Greenland Holdings**") was 87.1 million sq.m. and 60.8 million sq.m., respectively. Thanks to the rapid market expansion and consolidation of the industry, the contracted GFA (including those contributed by the acquired companies) from third-party projects reached 515.2 million sq.m., representing a significant increase of 33.0% compared with that as at 31 December 2020, and accounting for 77.7% of the total contracted GFA. The third-party projects have become a major growth driver of the Group's management scale.

The Group further implemented the "Prosperous City Plan". Through the flexible multi-channel expansion approach, which was tailor-made for each city, the Group deepened its penetration in regional markets and diversified its business portfolio to actively take on the challenges of market competition. During the Year, the Group achieved remarkable results in market expansion, with newly increased contracted GFA of approximately 70.0 million sq.m. from third-party expansion (excluding M&A), maintained its top position in authoritative rankings such as "2021 TOP 50 Property Services Enterprises in China in terms of Third-party Market Expansion" and topped the list of "Listed Property Services Company in China for Market Expansion Capability". In terms of public buildings, the Group further strengthened its leading strengths in managing government office buildings, public venues, transportation hubs and tourist attractions and other niche markets, and obtained an array of benchmark projects such as Shanghai Planetarium, Credit Reference Center of the People's Bank of China, Shenzhen East Lake Park, and a number of rail transportation projects in Shanghai and Nanjing. Leveraging its rich experience in managing public venues and serving large-scale international conferences and the combined capabilities of its flagship public building service brands and regional operation forces, the Group won the bid for providing service to Taizicheng Snow Town in Chongli, a supporting venue for the Beijing 2022 Winter Olympic Games, thus providing high-quality services that contributed to the success of the Winter Olympics while demonstrating the strength of a Chinese property management company. In residential segment, the Group leveraged its brand advantages to broaden the source of growth and accelerated the expansion in existing market of residential projects. It obtained a number of large, existing residential projects in Guangzhou and Zhengzhou and other cities, each with an annualized contract value of over RMB10 million. In commercial and office buildings as well as corporate services, the Group further enhanced its standardized service capability and market competitiveness, and obtained projects such as the four logistics parks from RRS of Haier Group in different regions across the country. During the Year, the Group extended its strategic cooperation with Greenland Holdings to 2025, for which the Group, as a strategic priority partner, will continue to provide high-quality services and actively explore the opportunities for diversified cooperation. During the Year, the Group also obtained the contracts to manage "Greenland Heart" project in Xi'an High-speed Railway New Town (西安高鐵新城綠地之心), and other urban landmark projects.

The Group has improved its geographical coverage and business portfolio through mergers and acquisitions by seizing the opportunities of industry consolidation, and retained high-quality resources and long-term strategic customers through joint venture cooperation, active participation in the mixed ownership reform of state-owned enterprises and strategic cooperation. During the Year, the Group completed the acquisition of the equity interest in Minrui Property Management (Shanghai) Co., Ltd. ("**New CMIG PM**"), and increased its shareholding in Shandong Hongtai Property Development Company Limited* (山東宏泰物業發展有限公司) ("**Shandong Hongtai**"), a quality member company of the Group, so as to deepen its presence in providing campus services and further shore up the weakness in its businesses. The Group has a well-established post-investment mechanism for integration and empowerment. During the Year, the Group focused on establishing its business and operation platforms, cultivated flagship brands in various regions and business portfolios, and deeply integrated its service capabilities. By further integrating the experience and advantages in niche markets, the Group formed a strong synergy in market expansion. During the Year, the Group cooperated with its regional operations and its member companies, and jointly won the bids for dozens of projects. The newly obtained projects through joint forces had a total annualized contract value of more than RMB50 million. Through the joint effort of the Group and its regional operations and its member companies, the Group will be able to provide consistent, high-standard services to a property owner who has a nationwide presence.

The Group actively implemented the "property services + living services" model, further rationalized its business lines and operational structure, gave full play to the advantages of its resource, as well as analyzed and estimated trends in the demand, so as to provide the most caring and convenient services to property owners and maximize the value on top of its property management business. In terms of operation management, the management model has been optimized to improve professionalism and standardization. The Group has set up business divisions to directly manage various value-added services to property owners in different regions. Specialized companies were also set up to coordinate the resources and undertake business development. Bolstered by its high-quality services, the Group took advantages of the resources it has accumulated in the projects under management and impeccably matched the demand of property owners to allow them to experience the one-stop, closed-loop system for value-added services and products and bring brand-new service experience to property owners. During the Year, the Group retained high-quality and market-oriented partners through joint venture and M&A, and focused on developing the childcare business and the housekeeping business, including the cooperation with the high-end housekeeping service provider "51 Home Service" and the establishment of nearly 50 "Happy Whale" childcare centres. With advantage in management, the Group has achieved rapid business development and a nationwide presence.

The Group has been comprehensively upgraded to a comprehensive smart city service platform. During the Year, the Group successfully integrated a number of national and regional leading city service enterprises, and thus forming a preliminary nationwide presence, rapidly establishing its market expansion capability, and leading the industry in terms of the annualized contract value of newly obtained projects. By giving full play to its experience and advantages in public services and broad customer base and leveraging the brand and service capabilities acquired through the business development, the Group has rapidly built up its operation platform and independent capability for market expansion. Therefore, the Group was able to obtain the integrated sanitation projects in Yingzhou Town, Lingshui, Hainan and the road sanitation projects in Qujiang district, Xi'an, Shaanxi, thus further consolidating its advantages in regional markets. In the niche markets of city services, the Group made breakthroughs in marine sanitation, water body conservation and integrated urban improvement, and horizontally extended the scope of business from basic sanitation service to the personalized services to meet the clients' needs. The Group also set the standards and benchmarks for these projects and accumulated rich experience in operating the integrated service platform.

The Group firmly believes that quality and reputation are the foundation of any business development. In the light of rapid urban development and property owners' ever higher requirements for the services, the Group has been improving the standardization, intelligence and personalization of its services and strove for excellence in service quality to become a preeminent quality service provider in China. Facing the sporadic recurring COVID-19 pandemic across the country and the challenges brought by natural catastrophes, including rainstorms, typhoons and snowstorms at the locations of the projects under its management, the Group remained committed to the mission of "lifelong caring", and preserved in providing property services at the front line to guard the life and properties of property owners, winning wide acclaim from the society and property owners. During the Year, the Group stepped up efforts in quality control and strove to thoroughly resolve the remaining quality issues through quality inspections and online supervision, etc., and revamped its service image by launching a "5-star Campaign" to keep polishing and improving the quality of its service. During the Year, various business portfolios of the Group set respective service models and established 16 benchmark projects to promote their service standards and share their experience nationwide. This, in turn, contributed to the Group's market expansion and penetration and helped improve its service standards. Thanks to excellent service quality and word of mouth of the property owners, the Group was awarded the titles of "2021 Top 100 Leading Property Management Companies in terms of Service Quality in China", "2021 Top 100 Leading Property Management Companies in terms of Customer Satisfaction in China", "Contract-abiding and Trustworthy Enterprises in Guangdong Province", etc.

During the Year, the Group further adjusted and optimized its structure under the principle of flat organization and efficient management to match its market-oriented strategy and the rapid diversification and development of the industry. The Group vertically simplified and consolidated the management levels, and horizontally integrated the operation, post-investment and value-added service platforms. It also set up the operation and management center and centralized marketing center of the Group to combine its management and expansion capabilities as one so as to fully serve and support business operations and match strategic development needs. In terms of market team building, the Group cultivated a "wolf culture" and focused on improving per capita efficiency. During 2021, the year of brand building in China's property management industry, the Group revamped its brand image, integrated the brand advantages of its member companies, kept up with the times and the country's development, and came up with a new brand mission, vision and values.

In terms of intelligent services and technology upgrades, the Group accelerated the building of smart community and smart city service platform during the Year. Together with its partners in building the technology ecosystem, the Group upgraded more than 400 service scenarios in terms of hardware, software, technology and services. The moves were aim at effectively improving operational efficiency, management standards and service quality. During the Year, the Group reached strategic cooperation with Alibaba Cloud to build a technical base for digital upgrading and a standard system for digitalization of the property management industry for full informatization of business operation by combining the technical advantages of Alibaba Cloud and the Group's experience in professional service. During the Year, the Group also had strategic or in-depth cooperation with Alipay, DingTalk, LongShine Technology and Gemeite, achieving comprehensive improvement in information management system, operational quality control, contract and capital management, resource management and client service etc.

The Group maintained its industry leadership in terms of overall strength and ranked 4th continuously in the "2021 Top 100 Property Management Companies in China" and 4th in the "2021 Top 500 Property Management Companies in terms of Comprehensive Strength in China", respectively. The brand value of A-Living rose again and amounted to RMB14.8 billion, according to third-party assessment. The accolades won by the Group such as the "2021 Leading Brand of High-end Property Services in China", the "2021 Excellent Brand of Public Building Property Services in China", the "2021 Outstanding Brand of Education Property Services in China" and the "2021 Leading Enterprise of Smart City Services in China" testified to the Group's brand leadership in various niche markets.

## PROSPECTS AND STRATEGY

In the past three decades, the property management industry has gone through stages of rapid growth in scale, market-oriented development and business diversification. Under the guidance of national policies and regulations, the property management industry has returned to the essence of service, promising healthier and more robust development in the future. There is a growing trend for the strong players to become stronger and for the property management market to become more concentrated at a faster pace. Only property management companies with high-quality and reputable brands, differentiating features and comprehensive service capabilities can keep ahead in the benign competition. Considering the changing competitive environment, the cyclical fluctuations in the real estate market, with continuously increasing GFA under management of the Group, the keys to long-term development lie in the ability to provide consistent services to property owners and to seek opportunities for sustainable growth along the value chain of the industry.

The year 2022 marks A-Living's 30th year of providing services to property owners. The Group will live up to the expectations of society and the times to show its gratitude for the trust and support of three million property owners, and undertake the mission of "lifelong caring for you, heartwarming service to city". The Group will adhere to long-termism and preserve with its efforts to enhance integration of its core businesses. It will also focus on high-quality development of its core businesses with quality as its lifeline, bring market-oriented level to a higher extend, increase its brand influence, strengthen its capability to expand and develop business independently, fully unleash its potentials, create values, and combine its capabilities of managing different portfolios and running various businesses with the aim of shaping A-Living's model for developing high-quality, intelligent service.

After nearly 30 years' development, the Group has gradually evolved from a residential property management arm of a property developer in the past into a market-oriented integrated property service provider with capability to expand independently. In the future, the Group will adhere to the market-oriented approach to ensure its market leadership in respect of its talents, standards, technologies and innovation. The Group will further build up its strong team for business development and combine it with a flexible mechanism for business expansion so that the Group's level of market orientation can sustain its long-term and sustainable growth in management scale. The Group will hone its industry-leading expertise and rich experience in managing various types of properties, set a benchmark for property services in the industry, cultivate and maintain key and long-term customers, and strive to improve service standards and experience. At the same time, in respect of the existing projects in the market, the Group will step up its market expansion, allocate more resources to support such move and adopt a word-of-mouth marketing strategy to increase number of projects in each city where it has presence. Leveraging its experience and advantage in industry consolidation and the development of the ecosystem of its businesses, the Group will actively seek opportunities for growth in value in various service scenarios under its asset-light strategy. This will enable the Group to maintain its status as a leading player in terms of management scale and comprehensive strength.

Along with its expanding management scale, the Group will actively explore the business opportunities along the value chain of value-added services to property owners that have a strong synergistic relationship with its service scenarios. It will also incubate innovative businesses in its own ecosystem with a light-asset approach so as to create the second curve for long-term growth in the future. While further expanding the range of its value-added services and increasing their penetration in the projects under management, the Group will expand the coverage of its value-added services and provide more products, seek growth not only restricted within the GFA under management and cultivate its capability to develop independently. For the existing well-developed and convenient value-added services, the Group will focus on enhancing its professional capabilities to create the best experience of "property services + living services" for the property owners. In terms of innovative value-added service businesses, the Group will make efforts to build strategically significant businesses that serve as benchmarks in new sectors based on its platform operation and the scale of its operation. This will enable the Group to further develop housekeeping, nursery and other businesses and expand market for them, thus increasing both the user traffic and revenue scale.

The Group's city services business is still in its preliminary stage of development. In the future, the Group will fully leverage its experience and resources in managing public buildings, position itself as a mid- to high-end provider of integrated urban services in the value chain of the industry, further improve its service offerings and develop efficient solutions for assistance in urban administration and governance. Moreover, exploiting technologies to constantly improve the quality of its services, the Group will build a smart city operation and service management platform and build benchmark projects to enhance its brand awareness and influence. In the meantime, the Group will leverage the advantages of its platform management and pool together resources from governments, professional service providers and technology solution providers to create a platform-based, organized operation mechanism to address the pain points of city services. Besides, it will develop synergy among its regional operations by combining the strengths of its member companies so as to solidify the foundation for its platform-based development.

Service quality is, in every sense, a core competency and the cornerstone of development of the Group. Quality service has been and will always be the original aspiration across the Group. It will develop a regular and professional mechanism for quality management with the help of information technology, and will strive to set up industry-leading standards of property management in various segments of its business portfolio. The Group will further deepen the integration of its member companies and business segments, and maintain a relatively flat organization and a flexible mechanism to delegate authority. The Group will develop the support and sharing of resources and enhance the management efficiency by means of organizational integration and the synergy in management and give full play to its brand strengths. This will enable the Group to achieve synergy in management in the short term, form a combined force for business development in the medium term, and ultimately realize development for mutual benefit in the long term. Also, the Group will adopt the most market-oriented talent recruitment mechanism to meet the need of its development strategy. It will continue to attract talents, nurture the backbone of the personnel and build up teams so as to remain competitive in terms of its talents and recruitment mechanism.

To keep pace with the trend of intelligent upgrading of the industry, the Group will harness such core technologies as mobile internet, Internet of Things, big data and artificial intelligence to develop a standardization system of smart services across the whole business portfolio, the whole value chain of the industry and the nationwide operations, while stepping up efforts in the interconnection among organizations and cross-platform customers, as well as facilities and equipment. Such move is consistent with the strategic development of the Company, serves as an all-out support to the rapid development of the Group's business and optimizes operational efficiency constantly. In the future, the Group will join hands with intelligent technology partners to realize 100% cloud management of the Group's business, and create three platforms, namely, organizational workflow sharing platform, technological operation platform and smart city platform. The Group will foster four core capabilities, namely, contract management, personnel management, fee collection and payment management and quality management, throughout the entire life cycle of the projects. The development of such capabilities can comprehensively enhance the Group's efficiency in coordinating and managing the cross-organization communication, digitalized-operation capability and business innovation capability.

The property management industry is developing by leaps and bounds. Therefore, the Group has to adhere to its strategy unswervingly, pursue long-termism in its development, innovate and get ready to change proactively in order to stay ahead of other industry players in the fierce competition. The Group will continue to enhance its five core capabilities, namely service capability, market expansion, technology operation, integration and consolidation, and organizational efficiency. It will strive to be the most preferred service provider of property owners, enterprises and cities, promote urban development with refined management, and achieve a better life for property owners with quality services. Under its 14th Five-Year Plan, the Group will focus on enhancing its capability, accelerating its business integration, and make faster progress towards the goal of becoming an outstanding quality service provider valued over "a hundred billion yuan" in China.

## ACKNOWLEDGEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, we would like to extend our heartfelt gratitude to the enormous support from our Shareholders and customers, as well as the dedicated efforts of all our staff members, which contributed to the growth of the Group.

**Chan Cheuk Hung/Huang Fengchao**
*Co-Chairman of the Board*

Hong Kong, 29 April 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In 2021, the property management industry was faced with both opportunities and challenges. The PRC government issued policies such as 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》)" and "Opinions on Promoting the Construction of Quarter of an Hour Convenient Living Circle in the Cities (《關於推進城市一刻鐘便民生活圈建設的意見》)" to promote the standardization and market-oriented development of the industry and encourage the development of living services and construction of intelligent infrastructure. Meanwhile, against the external backdrop of a fluctuant real estate market and recurrent epidemic outbreaks, the property management companies, including the Group, insisted on prioritizing service quality, actively explored diversified businesses such as value-added services and city services, thereby driving the industry towards high-quality, diversified and intelligent development.

During the Year, the Group geared itself up by optimizing the market-oriented development system, strengthening its industrial chain coverage, accelerating the implementation of innovative value-added services and developing city services. It also speeded up the market expansion by integrating resources across all regional offices and subsidiaries. Thus, the Group has managed to sustain the steady growth of its profitability and business scale. In 2021, the Group recorded a revenue of RMB14,080.1 million, representing a year-on-year increase of 40.4%. Profit attributable to the Shareholders amounted to RMB2,308.5 million, representing a year-on-year increase of 31.6%. The basic earnings per share amounted to RMB1.67. As at 31 December 2021, the GFA under management and contracted GFA of the Group reached 488.9 million sq.m. and 663.1 million sq.m., respectively.

The Group continues to maintain high service quality and management efficiency. The Group took measures such as building a digital operation system, strengthening post-acquisition management, empowering the acquired companies, and putting effort into talent system and brand building to solidify the foundation of corporate development and achieve long-term development. During the Year, the Group continued to hold the 4th spot in "2021 Top 100 Property Management Companies in China" with its leading overall strength and received numerous recognitions from the society and the industry.

## FINANCIAL REVIEW

### Revenue

The Group's revenue was derived from four major business lines: (i) property management services; (ii) property owners value-added services; (iii) city services; and (iv) extended value-added services.

For the year ended 31 December 2021, the revenue of the Group amounted to RMB14,080.1 million (2020: RMB10,026.1 million), representing an increase of 40.4% as compared with the corresponding period of last year.

Among which, for the year ended 31 December 2021, revenue from property management services, property owners value-added services and city services businesses of the Group totaled RMB11,223.1 million, representing a year-on-year increase of 49.0%, with an increase in the respective proportion of revenue to 79.7% from 75.2% in 2020.

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | **Percentage of revenue** | 2020 | Percentage of revenue | **Growth rate** |
| | ***(RMB million)*** | ***%*** | *(RMB million)* | *%* | *%* |
| Property management | **8,658.4** | **61.5%** | 6,482.1 | 64.7% | 33.6% |
| – Residential property projects | **3,667.6** | **26.1%** | 2,792.8 | 27.9% | 31.3% |
| – Non-residential property projects | **4,990.8** | **35.4%** | 3,689.3 | 36.8% | 35.3% |
| Property owners value-added services | **1,866.6** | **13.2%** | 1,052.7 | 10.5% | 77.3% |
| City services | **698.1** | **5.0%** | – | – | – |
| Subtotal | **11,223.1** | **79.7%** | 7,534.8 | 75.2% | 49.0% |
| Extended value-added services | **2,857.0** | **20.3%** | 2,491.3 | 24.8% | 14.7% |
| – Sales centre property management services | **1,232.6** | **8.8%** | 990.9 | 9.9% | 24.4% |
| – Other extended value-added services | **1,624.4** | **11.5%** | 1,500.4 | 14.9% | 8.3% |
| Total | **14,080.1** | **100.0%** | 10,026.1 | 100.0% | 40.4% |

#### *Property management services*

Property management services, which include security, cleaning, greening, gardening, repair and maintenance, etc., constitute the main source of revenue of the Group.

During the Year, revenue from property management services amounted to RMB8,658.4 million (2020: RMB6,482.1 million), representing an increase of 33.6% as compared with the corresponding period of last year. Among which, revenue from residential property projects amounted to RMB3,667.6 million (2020: RMB2,792.8 million), representing an increase of 31.3% as compared to the corresponding period of last year; revenue from non-residential property projects amounted to RMB4,990.8 million (2020: RMB3,689.3 million), representing an increase of 35.3% as compared to the corresponding period of last year.

Property management services are among the core business segments of the Group, the excellent quality of which is the foundation of the Group. With the corporate vision of becoming "the preeminent quality service provider in China", the Group constantly improves its service quality and operational efficiency. During the Year, the Group focused on customer experience, operational efficiency and synergy of resources with "quality, products and operations" as its three cores. In terms of quality, the Group selected a slew of benchmark projects across its management portfolio, reinforced quality inspection, promoted the centralized operation of 400 Hotline Centre and carried out special rectification in response to the detected problems or feedback from property owners. Besides, the Group has strengthened the professional training for practitioners and enhanced its digitalized management capabilities to improve service quality. In terms of products, the Group further implemented standardization, created and continuously upgraded its product systems for different business portfolios while actively participated in the formulation of industrial standards such as the Guidelines on Green Property Management to amplify its influence in the industry. Meanwhile, the Group focused on the needs of property owners, carried out diversified community activities and created community culture to realize the enhancement of customer experience and brand building. In terms of operation, the Group has been improving the mechanism of post-acquisition collaboration management, continuously optimized the information system to satisfy the actual needs in business operation, strengthened the synergy in operation, expansion and resources, improved operational analysis and risk control, and promoted technological innovations such as energy conservation and emission reduction, as well as management of facilities and equipment, thereby enhancing the Group's management efficiency.

In 2021, the overall management fee collection rate of the Group's residential property projects reached 93.3% (2020: 94.1%) and the overall satisfaction rate of the Group's property management services was 91.7%.

***The following table sets forth a breakdown of the Group's GFA under management***

| **Project sources** | **As at 31 December 2021** ***('000 sq.m.)*** | **Percentage of areas** ***%*** | As at 31 December 2020 *('000 sq.m.)* | Percentage of areas *%* | **Growth** *('000 sq.m.)* | **Growth rate** *%* |
|---|---|---|---|---|---|---|
| Agile Group | **66,358** | **13.5%** | 59,797 | 16.0% | 6,561 | 11.0% |
| Greenland Holdings | **19,805** | **4.1%** | 13,922 | 3.7% | 5,883 | 42.3% |
| Third-Party Projects[1] | **402,717** | **82.4%** | 301,070 | 80.3% | 101,647 | 33.8% |
| Total | **488,880** | **100.0%** | 374,789 | 100.0% | 114,091 | 30.4% |

*Note 1:* Including the GFA under management acquired by the Group through third-party expansion and the GFA under management contributed by the acquired companies.

As at 31 December 2021, the Group's GFA under management was 488.9 million sq.m., representing an increase of 114.1 million sq.m. from 374.8 million sq.m. as at 31 December 2020, with a growth rate of 30.4%. The increase was mainly attributable to: (i) the Group's continuous effort to take over the projects developed by Agile Group, with a newly increased GFA under management of 6.6 million sq.m. during the Year; (ii) the newly increased GFA of 5.9 million sq.m. from the projects of Greenland Holdings during the Year; (iii) the newly increased GFA under management of 101.6 million sq.m. from third-party projects, including 44.0 million sq.m. of newly increased GFA under management converted from third-party projects during the Year, 42.6 million sq.m. of GFA incorporated from the acquisition of New CMIG PM, 39.4 million sq.m. of GFA under management incorporated from the acquisition of Shandong Hongtai, and excluding 24.4 million sq.m. of GFA under management due to the disposal of Lanzhou Chengguan Property Management Co., Ltd. ("**Lanzhou Chengguan**").

***The project portfolio for GFA under management***

The Group has established first-mover advantage in managing residential property, public buildings and commercial and office buildings, etc., forming a balanced and diversified business portfolio. As at 31 December 2021, for the GFA under management of the Group, the proportion of residential projects accounted for 42.5% (as at 31 December 2020, 40.4%) and the proportion of non-residential projects accounted for 57.5% (as at 31 December 2020, 59.6%) (public buildings accounting for 44.9%, commercial buildings and others accounting for 12.6%).

***The geographic coverage for GFA under management***

During the Year, the Group's projects under management reached 4,143, covering 31 provinces, municipalities and autonomous regions nationwide, in 217 cities.

As at 31 December 2021, by regions, 34.5% of the Group's GFA of projects under management were located in the Yangtze River Delta Region, 20.7% were located in the Guangdong-Hong Kong-Macao Greater Bay Area, 9.2% were located in the Shandong peninsula city cluster, 7.9% were located in the Chengdu-Chongqing city cluster, while the remaining spread across other regions in the PRC.

***The charging mode***

The revenue from property management services of the Group was mainly based on a lump sum contract basis, which accounted for 99.7% (2020: 99.4%) of revenue from property management services. The lump sum contract basis the Group primarily adopted is conducive to improving service quality and operational efficiency.

***The following table sets forth a breakdown of the Group's total contracted GFA***

| **Project Sources** | **As at 31 December 2021** *('000 sq.m.)* | **Percentage of areas** *%* | As at 31 December 2020 *('000 sq.m.)* | Percentage of areas *%* | **Growth** *('000 sq.m.)* | **Growth rate** *%* |
|---|---|---|---|---|---|---|
| Agile Group | **87,082** | **13.1%** | 82,085 | 15.7% | 4,997 | 6.1% |
| Greenland Holdings | **60,751** | **9.2%** | 53,089 | 10.2% | 7,662 | 14.4% |
| Third-party property developers | **515,239** | **77.7%** | 387,421 | 74.1% | 127,818 | 33.0% |
| Total | **663,072** | **100.0%** | 522,595 | 100.0% | 140,477 | 26.9% |

The contracted GFA, which is defined by the Group as areas agreed in the contracts signed with property developers or property owners for providing property management services, includes delivered and to-be-delivered GFA, and the to-be-delivered (reserved) contracted GFA will become the Group's GFA under management and enlarge the source of the Group's revenue in the future.

As at 31 December 2021, the contracted GFA reached 663.1 million sq.m., representing an increase of 140.5 million sq.m. or a growth rate of 26.9% as compared with 522.6 million sq.m. as at 31 December 2020, which was mainly due to (i) the Group's newly increased contracted GFA of approximately 5.0 million sq.m. from Agile Group; (ii) newly increased contracted GFA of approximately 7.7 million sq.m. from Greenland Holdings, (iii) newly increased contracted GFA of 127.8 million sq.m. from third-party projects, in which newly increased contracted GFA of 69.3 million sq.m. was obtained from third-party expansion, 42.7 million sq.m. was incorporated from the acquisition of New CMIG PM, contracted GFA of 40.4 million sq.m. was incorporated from the acquisition of Shandong Hongtai, while Lanzhou Chengguan's contracted GFA of 24.6 million sq.m. was excluded due to its disposal.

### ***Property owners value-added services***

Property owners value-added services mainly include living and comprehensive services, home improvement services, community space operation and other services, as well as the value-added services to institutions and enterprises, which focus on improving the community living experience of property owners and residents and realizing the value preservation and appreciation of their properties.

During the Year, revenue from property owners value-added services amounted to RMB1,866.6 million, representing an increase of 77.3% as compared with RMB1,052.7 million in 2020, and accounting for approximately 13.2% of the total revenue (2020: 10.5%).

(1) Living and comprehensive services include property maintenance, housekeeping, courtyard gardening, community group buying, express delivery, community second-hand leasing and sales service and comprehensive consulting services, etc. During the Year, the Group focused on making efforts to foster market-oriented service capabilities for living services, deepened the penetration of professional household product line, and strategically developed innovative businesses such as housekeeping service and nursery service.

    On the housekeeping services front, the Group strategically invested in "51 Home Service (51 家庭管家)", a leading brand in mid-to-high-end housekeeping services in the country, thereby establishing a business collaboration mechanism. By optimizing the operation and management model, 51 Home Service was empowered to start business expansion nationwide. As a result, the whole year's top-up amount exceeded RMB120 million, representing a year-on-year increase of 50%. Meanwhile, the Group has been enhancing the brand power and business coverage of housekeeping services by formulating nationwide IP-themed events, deepened the penetration of professional product lines in cleaning, maintenance and gardening, and piloting the businesses such as laundry, car maintenance and homestay services.

    In response to the residents' increasing demand for childcare and the call of national policies, the Group has incubated the leading childcare service brand in the Greater Bay Area – "Happy Whale". By cultivating the market-oriented service capabilities in three scenarios of "community, family and enterprise", Happy Whale has optimized its business model and achieved rapid expansion with nearly 50 childcare centres opened nationwide.

    On the community new retail front, the Group focused on in-depth user operation and supply chain integration, introduced more than 100 high-quality suppliers and continuously enriched product categories. With Lexianghui platform and offline community activities as the two major marketing avenues, we forged ahead with the "hot-selling products" + "carnival " model, resulting in a significant increase in sales.

    As for leasing and sales services, the Group promoted professional operation, upgraded the operation model, optimized the business structure of leasing and sales services to realize efficient management through "coordination in group level + collaboration in regional and project level", and created a partnership mechanism to drive the simultaneous growth of business scale and professionalism.

During the Year, revenue from living and comprehensive services amounted to approximately RMB850.6 million, representing an increase of 115.4% as compared with RMB394.9 million in 2020. It accounted for approximately 45.6% of revenue from property owners value-added services.

(2) Home improvement services primarily include decoration, turnkey furnishing and community renewal services, etc. In 2021, the Group focused on professional and refined management and operation of home decoration business, vigorously promoted pre-marketing of home improvement business, paid close attention to supplier sourcing, carried out pre-sale activities and drew potential customers through showroom visit activities. It also enhanced resource integration and cooperated with well-known brands in the home decoration industry to enrich the core product categories. Such moves effectively improved property owners' recognition and increased the conversion rate of home improvement business. During the Year, revenue from home improvement services amounted to approximately RMB242.7 million, representing an increase of 105.2% as compared with RMB118.3 million in 2020, and accounting for approximately 13.0% of revenue from property owners value-added service.

(3) Community space operation and other services primarily include club house operation services, property operation services, community-based advertising operation, parking lot management services and community asset operation, etc. During the Year, the Group established a resource management system to strengthen the inventory and data analysis of community space resource. The Group also carried out special operation to utilize the idle core resources and effectively improved resources utilization ratio, so as to promote community marketing planning services and continuously enrich its service variety. During the Year, revenue from community space operation and other services amounted to approximately RMB455.6 million, representing an increase of 50.4% as compared with RMB303.0 million in 2020, and accounting for approximately 24.4% of revenue from property owners value-added service.

(4) Value-added services to institutions and enterprises include featured value-added services for public buildings such as catering, commuting services and material procurement services, as well as featured value-added services for commercial and office buildings such as customised services for enterprises, conferencing services, as well as centralised procurement and retailing for enterprises, etc. Revenue from value-added service to institutions and enterprises amounted to approximately RMB317.7 million, representing an increase of 34.3% as compared with RMB236.5 million in 2020, and accounting for approximately 17.0% of revenue from property owners value-added services.

During the Year, the substantial growth in property owners value-added services was mainly due to the implementation of new strategic business, the improvement of refined management capability, enrichment of the product and service portfolio, increase in business coverage and penetration rate, as well as value-added services revenue from acquired companies.

### *City services*

City services mainly include street cleaning and maintenance, domestic refuse collection and transportation, refuse classification, landscaping and gardening maintenance, municipal facility maintenance, urban resource operation, community coordination and governance, smart city management solutions, etc. Currently, the Group's city service projects are mainly divided into single project contracting model and integrated sanitation services, etc.

The Group has established the city services business segment that focuses on the exploration of comprehensive services including urban space management, urban resource operation, community coordination and governance, and construction of smart city service system, aiming to build a comprehensive city service system covering developed cities, emerging urban and townships, thus establishing a leading all-scenario smart city service platform.

During the Year, the Group focused on market expansion and operation management. In terms of market expansion, the Group obtained more than a dozen urban sanitation projects each with an annualized contract value of over RMB10 million, including the market-oriented urban sanitation project in Huinan County, the road service and sanitation project in Qujiang district, Xi'an and other large-scale benchmark projects. According to the 2021 Development Report on the Marketization of Sanitation (《2021年度環衛市場化發展報告》) issued by the third-party institution, Huanjing Sinan, A-Living ranked the fourteenth in the industry in terms of contract amount obtained through expansion in 2021.

On the operation management front, the Group established and improved the post-acquisition management system, built the centralized procurement management system and the business development technology system, optimized the quality operation system, and enhanced talent training and management. During the Year, the Group completed the acquisitions of 51% equity interest in Beijing Huifeng Qingxuan Environmental Technology Group Co., Ltd.* (北京慧豐清軒環境科技集團有限公司) ("**Beijing Huifeng**"), 60% equity interest in Shaanxi Mingtang Sanitation Co., Ltd.* (陝西明堂環衛有限公司) ("**Shaanxi Mingtang**") and 51% equity interest in the urban environmental sanitation business of A-Living Mingri Environmental Development Co., Ltd.* (雅生活明日環境發展有限公司) (formerly known as Dalian Mingri Environmental Development Co., Ltd.* (大連明日環境發展有限公司)) . The Group established a comprehensive post-acquisition management system to promote the brand integration of the Group and its member companies, empower the member companies' information systems for asset management and finance, and provide them with business support in market expansion technology and management support in governance, talent management, business analysis and risk control. In addition, the Group put emphasis on its operation quality, enhanced the standardization through full cycle of a project from its initiation to operation, and improved its professional capabilities, such as support for major events, sanitation works in special climates (e.g. snow removal in winter) and marine sanitation, etc. During the Year, the Group successfully provided environmental sanitation services for "The 14th National Games of China", where its subsidiary Shaanxi Mingtang (陝西明堂) was awarded the "Outstanding Services Provider for the Event (賽事優秀保障企業)".

During the Year, revenue from city services reached RMB698.1 million, accounting for approximately 5.0% of the total revenue.

***Extended value-added services***

Extended value-added services primarily include sales centre property management services and other extended value-added services for property developers.

During the Year, the Group recorded revenue from extended value-added services of RMB2,857.0 million (2020: RMB2,491.3 million), representing an increase of 14.7% from the corresponding period of last year, and accounting for approximately 20.3% of the total revenue, including:

(1) Sales centre property management services (accounting for 43.1% of the revenue from the extended value-added services): the revenue for the Year amounted to RMB1,232.6 million, representing an increase of 24.4% as compared with RMB990.9 million in 2020. The increase of revenue from sales centre property management services was primarily due to the increment arising from providing more customized services for developers so as to accelerate sales, as well as the increase of the third-party sales centres arising from the expansion.

(2) Other extended value-added services (accounting for 56.9% of the revenue from the extended value-added services): include property agency services and housing inspection services, etc. The revenue for the Year amounted to RMB1,624.4 million, representing an increase of 8.3% as compared with RMB1,500.4 million in 2020, mainly due to the increment arising from providing the digital and intelligent service for community in order to meet the demands of property owners for the intelligent service and digital operation.

**Cost of sales**

The Group's cost of sales primarily consists of employee salaries and benefit expenses, cleaning expenses, security charges, maintenance costs, utilities, greening and gardening expenses, cost of consumables, depreciation and amortisation charges and others.

During the Year, the Group's cost of sales was RMB10,211.3 million (2020: RMB7,053.1 million), representing an increase of 44.8% year on year, which was primarily due to the increase in relevant costs in response to an increase in revenue and business diversification which was in line with the rapid development of the Group's businesses. Overall, the Group's growth of the cost of sales was higher than that of revenue, mainly due to further optimization of revenue structure, resulting in a decrease in the proportion of revenue from extended value-added services with a higher gross profit margin to 20.3% from 24.8% last year.

### Gross profit and gross profit margin

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | | 2020 | | |
| | **Gross profit** *(RMB million)* | **Gross profit margin** *%* | Gross profit *(RMB million)* | Gross profit margin *%* | **Growth rate** *%* |
| Property management services | **1,741.9** | **20.1%** | 1,414.0 | 21.8% | 23.2% |
| Property owners value-added services | **852.7** | **45.7%** | 559.8 | 53.2% | 52.3% |
| City services | **154.0** | **22.1%** | – | – | – |
| Subtotal | **2,748.6** | **24.5%** | 1,973.8 | 26.2% | 39.3% |
| Extended value-added services | **1,120.1** | **39.2%** | 999.2 | 40.1% | 12.1% |
| Total | **3,868.7** | **27.5%** | 2,973.0 | 29.7% | 30.1% |

During the Year, the Group's gross profit amounted to RMB3,868.7 million, representing an increase of 30.1% as compared with that of RMB2,973.0 million in 2020. Gross profit margin decreased by 2.2 percentage points to 27.5% from 29.7% in 2020.

Excluding the impact from extended value-added service businesses, gross profit from property management services, property owners value-added services and city services businesses of the Group totaled RMB2,748.6 million, representing a year-on-year increase of 39.3% as compared with RMB1,973.8 million in 2020. The gross profit from these businesses increased to 71.0% of total gross profit from 66.4% in 2020. The consolidated gross profit margin of these businesses was 24.5%, representing a year-on-year decrease of 1.7 percentage points.

– The gross profit margin of property management services was 20.1% (2020: 21.8%), representing a decrease of 1.7 percentage points as compared with that of 2020, which was mainly due to an increase of the proportion of third-party projects. If excluding the effect of amortisation of intangible assets due to the M&A, the gross profit was RMB1,878.5 million and gross profit margin was 21.7%.

– The gross profit margin of property owners value-added services was 45.7% (2020: 53.2%), representing a decrease of 7.5 percentage points as compared with that of 2020, which was mainly due to the implementation of new strategic businesses, and some businesses were in the growing period during the Year, which led to a relatively low gross profit margin; At the same time, the Group tapped deeper into the demand of property owners and continued to enrich the product categories, and recorded an increased proportion of the home improvement and new retail businesses with lower gross profit margins.

– The gross profit margin of city services was 22.1%.

– The gross profit margin of extended value-added services was 39.2% (2020: 40.1%), representing a decrease of 0.9 percentage point as compared with that of 2020, which was mainly due to an increased labor and other costs resulting from the improvement of the quality of sales centre management services and epidemic prevention and control.

### Selling and marketing expenses

During the Year, the Group's selling and marketing expenses amounted to RMB141.6 million (2020: RMB77.1 million), accounting for 1.0% of the revenue, an increase of 0.2 percentage point as compared with that of the last year, which was mainly attributable to the increase in marketing expenses brought by the effective third-party market expansion.

### Administrative expenses

During the Year, the Group's administrative expenses amounted to RMB778.1 million, representing an increase of 41.9% as compared with RMB548.3 million in 2020, and accounting for 5.5% of the revenue, which remained stable.

### Other income

During the Year, other income of the Group amounted to RMB178.1 million (2020: RMB198.5 million), representing a year-on-year decrease of 10.3%, which was mainly due to the decrease of government subsidies.

### Income tax

During the Year, the Group's income tax expense was RMB510.0 million (2020: RMB515.0 million). The income tax rate was 16.6% (2020: 20.7%). The income tax rate for the year represented a year-on-year decrease of 4.1 percentage points, which was mainly because the Group enjoyed various preferential tax policies issued by the PRC government in recent years and applied for a number of enterprise income tax preferences, such as the preferential income tax treatment for Small and Micro Enterprise, "Hainan Free Trade Port", "Great Western Development Strategy" and High and New Technology Enterprise, etc., which reduced the overall tax burden.

### Profit

During the Year, the Group's net profit was RMB2,565.6 million, representing an increase of 30.1% as compared with RMB1,972.7 million in 2020, which was mainly attributable to economies of scale brought by the overall business expansion of the Group. Net profit margin was 18.2%, representing a decrease of 1.5 percentage points as compared with 19.7% in 2020. Excluding the effect of the amortisation of intangible assets and depreciation of appraisal appreciation of fixed assets due to the M&A, the net profit margin was 19.1%. Profit attributable to the Shareholders of the Company was RMB2,308.5 million, representing an increase of 31.6% as compared with RMB1,754.4 million in the corresponding period of last year. Basic earnings per share were RMB1.67.

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | | 2020 | | |
| | **Net profit** *(RMB million)* | **Net profit margin** *%* | Net profit *(RMB million)* | Net profit margin *%* | **Growth rate** *%* |
| Property management services | **1,022.9** | **11.8%** | 804.4 | 12.4% | 27.2% |
| Property owners value-added services | **616.5** | **33.0%** | 394.4 | 37.5% | 56.3% |
| City services | **94.1** | **13.5%** | – | – | – |
| Subtotal: | **1,733.5** | **15.4%** | 1,198.8 | 15.9% | 44.6% |
| Extended value-added services | **832.1** | **29.1%** | 773.9 | 31.1% | 7.5% |
| Total | **2,565.6** | **18.2%** | 1,972.7 | 19.7% | 30.1% |

Excluding the impact from extended value-added service businesses, net profit from property management services, property owners value-added services and city services was RMB1,733.5 million, representing a year-on-year increase of 44.6% as compared with RMB1,198.8 million in 2020, an increase accounting for the total profit from 60.8% in 2020 to 67.6%. The profit structure was further optimized. The net profit margin of these businesses was 15.4%, representing a year-on-year decrease of 0.5 percentage point.

– The net profit margin in respect of property management services was 11.8% (2020: 12.4%), representing a slightly decrease of 0.6 percentage point as compared with that of 2020.

– The net profit margin in respect of property owners value-added services was 33.0% (2020: 37.5%), representing a decrease of 4.5 percentage points as compared with that of 2020, which was mainly attributable to the implementation of new strategic businesses, and some businesses were in the growing period during the Year, which led to a relatively low profit margin.

– The net profit margin in respect of city services was 13.5%.

– The net profit margin in respect of extended value-added services was 29.1% (2020: 31.1%), representing a decrease of 2.0 percentage points as compared with that of 2020, which was mainly attributable to an increase labor and other costs resulting from the improvement of the quality of extended value-added services.

Excluding the impact from extended value-added service businesses, profit attributable to the Shareholders from property management services, property owners value-added services and city services was RMB1,476.4 million, representing a year-on-year increase of 50.6% as compared with RMB980.5 million in 2020, an increase accounting for the total profit attributable to the Shareholders from 55.9% in 2020 to 64.0%.

**Current assets, reserve and capital structure**

During the Year, the Group maintained a sound financial position. As at 31 December 2021, current assets amounted to RMB13,411.0 million, representing an increase of 47.4% from RMB9,100.1 million as at 31 December 2020. As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB4,390.5 million (31 December 2020: RMB5,057.0 million).

As at 31 December 2021, the Group's total equity was RMB12,910.9 million, representing an increase of RMB4,253.5 million or 49.1% as compared with RMB8,657.4 million as at 31 December 2020, which was primarily due to a significant increase in the profit after tax of the Group and the placing of new H Shares conducted during the Year resulting in an increase in equity of HK$3,242 million.

**Property, plant and equipment**

The Group's property, plant and equipment mainly comprise buildings, office equipment, machinery equipment and other fixed assets. As at 31 December 2021, the net value of the Group's property, plant and equipment amounted to RMB506.8 million, representing an increase of 98.7% as compared with RMB255.0 million as at 31 December 2020, which was primarily derived from the new addition of property, plant and equipment from the acquisition of companies.

**Other intangible assets**

As at 31 December 2021, the net book value of other intangible assets of the Group was RMB1,350.7 million, representing an increase of 40.5% as compared with RMB961.2 million as at 31 December 2020. Intangible assets of the Group mainly included (i) RMB63.3 million from the trademark value of acquired companies; (ii) RMB1,592.1 million generated from customer relationship and backlogs attributable to acquired companies; (iii) the software developed and purchased by the Group; and (iv) partially offset by amortisation of trademarks, customer relationships and software. Trademarks, customer relationship and software had a specific validity period and were carried at cost less accumulated amortisation.

**Goodwill**

As at 31 December 2021, the Group recorded goodwill of RMB3,123.2 million, representing an increase of 43.1% as compared with RMB2,182.0 million as at 31 December 2020. The increase of goodwill during the Year was mainly derived from the acquisition of New CMIG PM, Shandong Hongtai and city services companies. The goodwill was primarily derived from the expected future business developments of the acquired companies, expansion of market coverage, diversification of service portfolio, integration of value-added services and improvement of management efficiency.

There was no significant goodwill impairment risk as at 31 December 2021.

### Trade and other receivables and prepayments

As at 31 December 2021, trade and other receivables and prepayments (including current and non-current portions) amounted to RMB5,456.3 million, representing an increase of 49.1% from RMB3,659.3 million as at 31 December 2020, which was mainly due to the impact of trade and other receivables and prepayments amounted to RMB1,436.6 million brought by the consolidation of newly acquired companies and the continuous expansion of the Group's business.

### Trade and other payables

As at 31 December 2021, trade and other payables (including current and non-current portions) amounted to RMB4,843.2 million, representing an increase of 41.5% as compared with RMB3,421.9 million as at 31 December 2020, which was primarily attributable to an increase in the cost of various materials procurement, labor outsourcing and energy consumption brought by the business expansion of the Group.

### Borrowings

As at 31 December 2021, the Group had short-term borrowings of RMB66.1 million with a term of less than one year and borrowings of RMB12.4 million with a term of more than one year.

### Gearing ratio

The gearing ratio is calculated as total borrowings divided by total equity, which is the sum of long-term and short-term interest-bearing bank loans and other loans as at the corresponding date divided by the total equity as at the same date. As at 31 December 2021, the gearing ratio was 0.6%.

### Current and deferred income tax liabilities

As at 31 December 2021, the current income tax liabilities of the Group amounted to RMB547.2 million, representing an increase of 28.7% as compared with RMB425.3 million as at 31 December 2020, which was mainly because of the increase in the Group's profit before income tax. Deferred income tax liabilities increased to RMB351.1 million from RMB225.3 million as at 31 December 2020, which was primarily attributable to the temporary differences arising from the increase of appraised assets value of newly acquired companies.

**Proceeds from the Listing**

The Company's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 9 February 2018 (the "**Listing**"), with a total of 333,334,000 new H Shares issued. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK$3,958.8 million (equivalent to RMB3,199.3 million).

As disclosed in the annual report of the Company for the year ended 31 December 2020, approximately RMB245.25 million of the net proceeds from the Listing, which were allocated for the working capital and general corporate purposes of the Group (representing approximately 7.67% of all net proceeds from the Listing), remained unused. During the Year, all such net proceeds have been used up in accordance with its purpose, i.e. as working capital and general corporate purposes.

**Placing of new H shares under general mandate**

On 28 May 2021, the Company and Citigroup Global Markets Limited (as a placing agent) entered into a placing agreement, pursuant to which the Company agreed to appoint the placing agent, and the placing agent agreed to act as the agent of the Company, to procure, on a fully-underwritten basis, placees for an aggregate of 86,666,800 new H Shares (the "**Placing Shares**") at a placing price of HK$37.60 per H Share (the "**Placing**"). Based on a nominal value of RMB1.00 per Placing Share, the Placing Shares have an aggregate nominal value of RMB86,666,800.

The Placing Shares have been placed by the placing agent to not less than six placees, who/which are professional, institutional and/or other investors procured by the placing agent. To the best knowledge and reasonable belief of the Company, these placees and their ultimate beneficial owners are independent of and not connected with the Company and connected persons of the Company, and none of such placees have become a substantial shareholder of the Company immediately upon completion of the Placing.

The placing price is HK$37.60 per H Share and represents: (i) a discount of approximately 6.58% to the closing price of HK$40.25 per H Share as quoted on the Hong Kong Stock Exchange on 27 May 2021, being the last trading day for the H Shares prior to the signing of the relevant placing agreement (the "**Last Trading Day**"); (ii) a discount of approximately 1.34% to the average closing price of HK$38.11 per H Share as quoted on the Hong Kong Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Day; and (iii) a premium of approximately 2.20% over the average closing price of HK$36.79 per H Share as quoted on the Hong Kong Stock Exchange for the last ten (10) consecutive trading days prior to and including the Last Trading Day.

The gross proceeds and net proceeds to be received by the Company from the Placing, after deducting related fees and expenses, were approximately HK$3,259 million and approximately HK$3,242 million respectively, representing a net issue price of approximately HK$37.40 per Placing Share. Details of the planned use and actual use of net proceeds from the Placing were as follows:

| Use of the net proceeds | Percentage of the allocation | Available amount | Used amount as at 31 December 2021 | Remaining balance as at 31 December 2021 | Expected timeline for utilising the remaining unused net proceeds (Note) |
|---|---|---|---|---|---|
| | *%* | *RMB million* | *RMB million* | *RMB million* | *Day/month/year* |
| Working capital and general corporate purposes | 100% | 3,242 | 3,214 | 28 | On or before 31 December 2024 |
| Total | 100% | 3,242 | 3,214 | 28 | |

*(Note)* The expected timeline for utilising the remaining unused proceeds is based on the best estimation of the present and future business market conditions in the PRC made by the Board. It will be subject to change based on the current and future development of the market conditions.

Backed by favorable policies, the property management industry has experienced rapid development in recent years and meets the window of transformation and upgrade. After the Placing, the Group will seize critical opportunities in industry consolidation, further expand its management scale, consolidate its leading position in industry, extend industrial chain layout in innovative areas, upgrade intelligent technology application to enhance client experience, build itself as an all-scenario smart city services provider, and realize quality and sustainable long-term growth.

The Board considered that the Placing represented an opportunity to raise capital for the Company while broadening its Shareholder and capital base. The Directors were of the view that the Placing would strengthen the financial position of the Group and provide working capital to the Group, and the terms of the placing agreement (including the placing price) were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For details, please refer to the Company's announcement dated 28 May 2021.

**Significant investments held, major acquisitions and disposals of subsidiaries, associates and joint ventures**

***Acquisition of equity interest in New CMIG PM***

On 25 September 2019, the Company entered into an equity transfer agreement in relation to, inter alia, the acquisition of the 60% equity interest in CMIG PM at a consideration of approximately RMB1.56 billion. On 12 December 2019, the Group entered into an equity transfer agreement (as supplemented on 30 November 2020 and 22 February 2021, respectively) to conditionally acquire 60% equity interest in New CMIG PM at the final consideration of RMB344,250,000 from Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership). The consideration for these acquisitions was determined after arm's length negotiations between the parties, with reference to 12.5 times of the net profit guarantee set out in the relevant agreements, and was funded in instalments by internal resources of the Group. The Company completed such acquisitions of equity interest in CMIG PM and New CMIG PM in the first half of 2020 and April 2021 respectively. CMIG PM and New CMIG PM are non-wholly owned subsidiaries of the Group.

CMIG PM and New CMIG PM have established an extensive presence in economically developed city clusters across the country, covering a wide range of business portfolios such as public buildings, commercial offices and residential properties. They have several leading brands in the niche property markets to manage numerous city landmark projects, and have leading market shares and strong brand reputation in public buildings and other niche markets in different regions nationwide. Upon completion of these acquisitions, CMIG PM and New CMIG PM can effectively complement the Group's existing businesses and geographical presence, consolidate its leading position and create synergies. In addition, these acquisitions can effectively enhance the management scale, profitability and brand competitiveness of the Group, thereby strengthening the Group's position as a leading property management service enterprise with nationwide layout, comprehensive business portfolio and reputable brands.

Save as disclosed above, the Group had no other significant investments, major acquisitions or disposals of subsidiaries, associates or joint venture during the year ended 31 December 2021.

**Contingent liabilities**

As at 31 December 2021, the Group pledged its fixed deposit of RMB3,300,200,000 as collateral to certain business development partners for bank borrowings and facilities (Note 12(b)). Should there be any default by the business partners in settlement of the bank borrowings and facilities, the corresponding pledged deposits will be executed by the respective banks as collateral. The Group cancelled the pledge agreements with the respective banks and the pledges of cash deposits have been released up to the date of this announcement without any default.

**Foreign exchange risk**

The Group's businesses were principally located in the PRC. Except for bank deposits, other receivables and financial assets at FVPL denominated in HK$ and US$, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. The management will continue to monitor the foreign exchange exposure, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

### Employees and remuneration policies

As at 31 December 2021, the Group had 87,603 employees, representing an increase of 56.7% as compared with 55,888 employees as at 31 December 2020. Total staff costs amounted to RMB5,267.4 million, representing an increase of 29.6% as compared with RMB4,064.1 million in 2020. The increase in staff costs was mainly due to (i) the increase brought by the acquired companies; (ii) the increased demand for high-quality talents in response to the requirements of the Group's business development.

The compensation plan of the Group is determined with reference to the market levels as well as employees' performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides employees with a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training programs appropriate to the employees' needs.

Apart from taking into account the advice from the remuneration and appraisal committee of the Board and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for Directors. Appropriate benefit schemes are in place for the Directors.

### Subsequent events

#### *Continuing connected transaction*

On 22 April 2022, the Company entered into a parking space leasing and sales agency services framework agreement with Agile Holdings, which sets out the principal terms for the provision of exclusive parking space sales and leasing agency services by the Group to the Agile Group.

## FINAL DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.41 per share (before tax) for the year ended 31 December 2021 ("**Final Dividend**"), the dividend payout ratio will be equivalent to 25.2%, and the amount of which will be subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 17 June 2022 ("**2021 AGM**"). Final Dividend payable to the shareholders of domestic shares of the Company will be paid in Renminbi, whereas Final Dividend payable to the shareholders of H Shares will be declared in Renminbi and paid in Hong Kong dollars (except for the holders of H Shares who became Shareholders through the Inter-connected Mechanism for Trading on the Shanghai and Hong Kong Stock Markets and the Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets, whose Final Dividend will be paid in Renminbi), the exchange rate of which will be calculated based on the average exchange rate of RMB against Hong Kong dollars published by The People's Bank of China five business days prior to the 2021 AGM. Subject to the approval of the 2021 AGM, the Final Dividend will be paid on or about Tuesday, 2 August 2022.

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008, and was amended on 24 February 2017 and 29 December 2018, the Provision for Implementation of Enterprise Income Tax Law of the People's Republic of China《(中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897 號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the Final Dividend as enterprise income tax, distribute the Final Dividend to non-resident enterprise shareholders whose names appear on the H Shares register of members of the Company, i.e. any shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or shareholders of H Shares registered in the name of other organizations and groups. After receiving dividends, the non-resident enterprise shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

In accordance with requirement of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) which was promulgated by the Ministry of Finance and the State Administration of Taxation and came into effect on 13 May 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. Therefore, as a foreign-invested enterprise, the Company will not withhold PRC individual income tax on behalf of overseas individual shareholders whose names appear on the H Shares register of members of the Company when the Company distributes the dividends.

**Final Dividend for Investors of Southbound Trading**

For investors (including enterprises and individuals) investing in the H Shares listed on the Hong Kong Stock Exchange through Shanghai Stock Exchange and Shenzhen Stock Exchange (collectively the "**Southbound Trading**"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading with China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited or the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the investors for Southbound Trading, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of Southbound Trading through its depository and clearing system. The cash dividends of the investors of Southbound Trading will be distributed in Renminbi.

According to the provisions of the Notice on the Relevant Tax Policies Concerning the Pilot Program of an Interconnected Mechanism for Trading on the Shanghai and Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81 號)) and the Notice on the Relevant Tax Policies Concerning the Pilot Program of an Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127 號)), the income tax implications on dividends and bonuses received by Mainland individual investors, Mainland securities investment funds and Mainland enterprise investors are as follows:

(i) for Mainland individual investors, H share companies shall withhold the individual income tax for these investors at the tax rate of 20% on dividends and bonuses received by them from investing in H Shares listed on the Hong Kong Stock Exchange via Southbound Trading;

(ii) for dividends and bonuses received by Mainland securities investment funds from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the individual income tax shall be levied in accordance with the above provisions; and

(iii) for dividends and bonuses received by Mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the income tax on the Mainland enterprises shall not be withheld by the H share companies. The tax payable shall be declared and paid by the enterprises.

For dividends and bonuses received by the Mainland resident enterprises after holding the H shares for 12 months continuously, the enterprise income tax will be exempted according to laws.

The record date and the date of distribution of cash dividends and other time arrangements for the investors of Southbound Trading will be the same as those for the shareholders of H Shares.

## CLOSURE OF REGISTER OF MEMBERS FOR THE 2021 AGM

The 2021 AGM will be held on Friday, 17 June 2022 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Wednesday, 18 May 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the 2021 AGM, shareholders of H Shares whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company's H Share Registrar 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 Tuesday, 17 May 2022.

## CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2021 AGM, the Final Dividend will be payable to the Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 28 June 2022. For the purpose of determining the entitlement of shareholders of H Shares to the Final Dividend, the H Share register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both days inclusive, during which period no transfer of H Shares will be registered. In order for shareholders of H Shares to qualify for the proposed Final Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's H Share Registrar 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 Wednesday, 22 June 2022.

## NOTICE OF ANNUAL GENERAL MEETING

Notice of 2021 AGM will be published on the respective websites of the Company at www.agileliving.com.cn and the Hong Kong Stock Exchange at www.hkex.com.hk and will be despatched to the Shareholders within the prescribed time and in such manner as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

## REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 and reviewed with the management of the Group the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Mr. Wan Kam To, Ms. Wong Chui Ping Cassie and Mr. Weng Guoqiang who are independent non-executive Directors.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code for securities transactions by Directors and a code for securities transactions by supervisors of the Company (the "**Supervisors**") as its own codes of conduct governing Directors' and Supervisors' dealings in the Company's securities (the "**Securities Dealing Codes**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors and they have confirmed that they had complied with the Securities Dealing Codes during the year ended 31 December 2021.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2021.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The Board reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all the then applicable code provisions set out in the CG Code for the year ended 31 December 2021.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group has no other future plans for material investments and capital assets as at 31 December 2021.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, for the year ended 31 December 2021 and as at the date of this announcement, the Company had maintained sufficient public float as required under the Listing Rules.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE HONG KONG STOCK EXCHANGE

This audited annual results announcement is published on the respective websites of the Company at www.agileliving.com.cn and the Hong Kong Stock Exchange at www.hkex.com.hk. The annual report of the Company for the year ended 31 December 2021 containing all the information required under the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

## BOARD OF DIRECTORS

*As at the date of this announcement, the Board comprises eight members, being Mr. Chan Cheuk Hung^ (Co-chairman), Mr. Huang Fengchao^ (Co-chairman), Mr. Li Dalong^ (President (General Manager) and Chief Executive Officer), Mr. Wei Xianzhong^^, Ms. Yue Yuan^^, Mr. Wan Kam To^^^, Ms. Wong Chui Ping Cassie^^^ and Mr. Weng Guoqiang^^^.*

^ *Executive Directors*
^^ *Non-executive Directors*
^^^ *Independent Non-executive Directors*

By Order of the Board
**A-Living Smart City Services Co., Ltd.**
**CHAN Cheuk Hung/HUANG Fengchao**
*Co-chairman*

Hong Kong, 29 April 2022

*Scope of work of PricewaterhouseCoopers*

*The figures in respect of the Group's consolidated income statement, 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 preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.*

*Any discrepancy between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

* *for identification purposes only*