世茂服務
SHIMAO SERVICE

# SHIMAO SERVICES HOLDINGS LIMITED
# 世茂服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號：873

2021 年報
ANNUAL REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Tang Fei

### Independent Non-executive Directors

Kan Lai Kuen, Alice
Gu Yunchang
Zhou Xinyi

## AUDIT COMMITTEE

Kan Lai Kuen, Alice *(Committee Chairman)*
Gu Yunchang
Zhou Xinyi

## REMUNERATION COMMITTEE

Zhou Xinyi *(Committee Chairman)*
Kan Lai Kuen, Alice
Gu Yunchang

## NOMINATION COMMITTEE

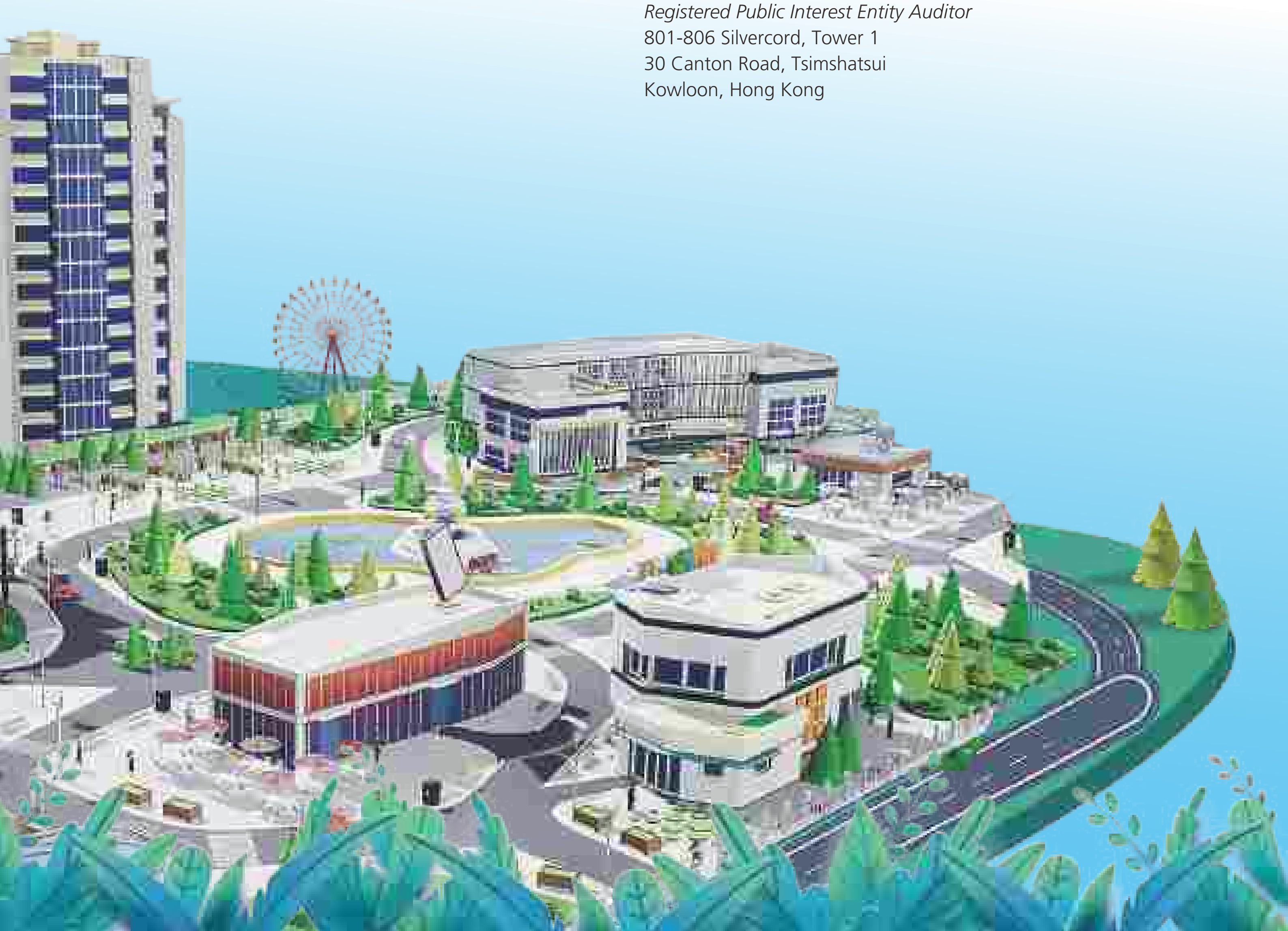
Gu Yunchang *(Committee Chairman)*
Kan Lai Kuen, Alice
Zhou Xinyi

## COMPANY SECRETARY

Chan Ka Yan

## AUDITOR

Moore Stephens CPA Limited
*Registered Public Interest Entity Auditor*
801-806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong



## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3820, 38th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

26th Floor
Shanghai Shimao Tower
No.55, West Weifang Road
Shanghai
PRC
Website: www.shimaofuwu.com

## REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 873

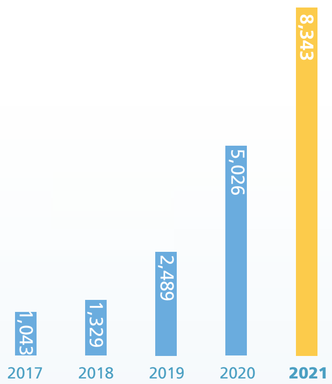
## INVESTOR AND MEDIA RELATIONS

Investor Relations Department
Email: ir@shimaowy.com
Telephone: (86) 21 3861 1216

# FIVE YEARS FINANCIAL SUMMARY

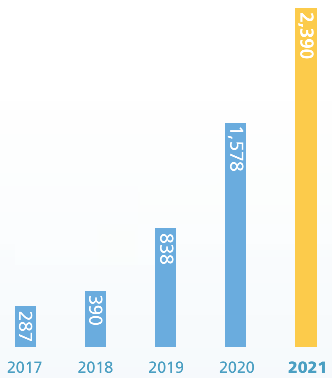
## REVENUE

(RMB million)



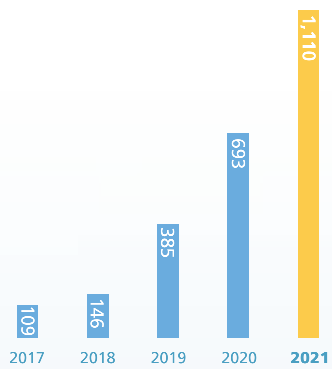

## GROSS PROFIT

(RMB million)




## PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB million)




## FIVE YEARS FINANCIAL SUMMARY

| | 2021<br>RMB'000 | 2020<br>RMB'000 | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 |
|---|---|---|---|---|---|
| **Revenue** | 8,343,432 | 5,025,688 | 2,489,086 | 1,329,323 | 1,042,528 |
| Cost of sales and services | (5,953,343) | (3,447,939) | (1,651,005) | (939,033) | (755,627) |
| **Gross profit** | 2,390,089 | 1,577,749 | 838,081 | 390,290 | 286,901 |
| Selling and marketing expenses | (184,342) | (52,444) | (17,823) | (6,416) | (3,189) |
| Administrative expenses | (688,990) | (562,336) | (303,907) | (192,601) | (125,978) |
| Provision of impairment losses on financial assets – net | (251,148) | (70,527) | (3,372) | (8,611) | (19,541) |
| Other income | 75,301 | 40,873 | 17,478 | 4,008 | 2,412 |
| Fair value changes in derivative embedded in convertible bonds | 144,746 | – | – | – | – |
| Other gains/(losses) – net | 26,492 | (24,662) | (2,606) | 132 | 97 |
| Other operating expenses | (6,855) | (11,601) | (6,694) | (784) | (470) |
| **Operating profit** | 1,505,293 | 897,052 | 521,157 | 186,018 | 140,232 |
| Finance income | 30,775 | 11,407 | 37,935 | 76,070 | 97,744 |
| Finance costs | (53,761) | (14,587) | (51,833) | (66,901) | (92,098) |
| Finance (costs)/income – net | (22,986) | (3,180) | (13,898) | 9,169 | 5,646 |
| Share of results of associates accounted for using the equity method | 13,396 | 10,915 | (1,208) | – | – |
| **Profit before income tax** | 1,495,703 | 904,787 | 506,051 | 195,187 | 145,878 |
| Income tax expense | (278,857) | (180,469) | (121,520) | (48,991) | (37,097) |
| **Profit for the year** | (1,216,846) | 724,318 | 384,531 | 146,196 | 108,781 |
| **Profit attributable to:** | | | | | |
| Equity holders of the Company | 1,110,447 | 692,952 | 384,531 | 146,196 | 108,781 |
| Non-controlling interests | 106,399 | 31,366 | – | – | – |
| Non-current assets | 4,226,524 | 2,488,113 | 444,495 | 56,171 | 48,188 |
| Current assets | 13,933,933 | 8,416,910 | 3,130,436 | 3,138,749 | 2,073,378 |
| Current liabilities | 7,831,183 | 4,026,423 | 3,315,162 | 1,724,463 | 1,214,928 |
| Net current assets | 6,102,750 | 4,390,487 | (184,726) | 1,414,286 | 858,450 |
| **Total assets less current liabilities** | 10,329,274 | 6,878,600 | 259,769 | 1,470,457 | 906,638 |
| **Non-current liabilities** | 1,102,151 | 137,755 | 25,974 | 222,946 | 505,323 |
| Equity attributable to equity holders of the Company | 8,527,037 | 6,447,987 | 233,795 | 1,247,511 | 401,315 |
| Non-controlling interests in equity | 700,086 | 292,858 | – | – | – |
| **Total equity** | 9,227,123 | 6,740,845 | 233,795 | 1,247,511 | 401,315 |

# CHAIRMAN'S STATEMENT

## Dear shareholders,

I am pleased to present the annual results of Shimao Services Holdings Limited ("Shimao Services" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2021.

## Market and Industry Outlook

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

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

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

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

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

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

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

## Annual Results

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

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

## "Swift and Quality Growth"

### Business Scale

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

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

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

### Independent Development

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

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

## Management Operation

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

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

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

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

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

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

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

***Strengthened the regional comprehensive capabilities through "centralization" strategies***

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

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

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

## Promoting "High-quality Growth"

### The Company's Vision

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

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

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

### Future Outlook

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

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

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

## Social Responsibility

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

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

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

## Acknowledgement

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

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

**Hui Sai Tan, Jason**
*Chairman*

Hong Kong, 22 June 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### Business Overview

The Group is positioned as a leading comprehensive property management and full-scenario provider of city life services in the PRC. We have created three business portfolios, namely comprehensive property management services, diversified value-added services and city services, and cultivated digital service capabilities. Currently, the Group has four major business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services.

As of 31 December 2021, Shimao Services provided a wide variety of services for 830 projects, covering various types of clients, including residential projects, universities and colleges, industrial parks and hospitals.

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

➢ **Property Management Services**

- ***Representing 50.0% of total revenue and 48.1% of total gross profit***
  During the year, the Group's revenue from property management services reached RMB4,169.6 million, representing an increase of 54.2% as compared to RMB2,703.6 million for the same period of 2020, mainly due to the rapid growth in GFA under management.

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

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

- ***Sustained swift growth in GFA***

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

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

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

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

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

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

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

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

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **GFA under management (sq.m. in million)** | **Percentage (%)** | GFA under management (sq.m. in million) | Percentage (%) |
| Residential properties | **138.8** | **57.7%** | 86.9 | 59.5% |
| Non-residential properties | **101.7** | **42.3%** | 59.2 | 40.5% |
| Total | **240.5** | **100%** | 146.1 | 100% |

| | **Contracted GFA (sq.m. in million)** | **Percentage (%)** | Contracted GFA (sq.m. in million) | Percentage (%) |
|---|---|---|---|---|
| Residential properties | **184.8** | **60.0%** | 129.3 | 64.3% |
| Non-residential properties | **123.2** | **40.0%** | 71.8 | 35.7% |
| Total | **308.0** | **100%** | 201.1 | 100% |

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

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

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

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

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

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

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

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

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

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

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

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

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

## Community Value-added Services

- ***Representing 29.3% of total revenue and 37.3% of total gross profit***
During the year, revenue amounted to RMB2,448.2 million, representing a rapid increase of 53.0% as compared to RMB1,600.6 million for the same period of 2020.

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

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

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

- ***For community asset management services, revenue was RMB299.0 million, representing a year-on-year increase of 37.3% as compared to RMB217.8 million for the same period of last year***
In 2021, the Group recorded rapid growth in the number of projects under management and GFA under management, laying the groundwork for the development of its community value-added services business. The Group will further tap into the available resources of its managed projects. It will sort out resources for new projects, utilize its existing mature management experience and operational capabilities, and actively explore available site resources in communities to develop new business categories while maintaining low operating costs.

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

- ***For smart scenario solutions, revenue was RMB610.2 million, representing a year-on-year increase of 35.2% as compared to RMB451.3 million for the same period of last year***
  In 2021, the Group actively upgraded its business capabilities and further diversified its businesses:

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

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

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

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

- ***For carpark asset operation services, the revenue was RMB428.1 million, representing a year-on-year decrease of 5.7% as compared to RMB454.1 million for the same period of last year***
  In 2021, the Group focused on the growth in non-cyclical business. 31.8% of the revenue from carpark asset operation services was generated from non-cyclical carpark operation and management services, which represents recurring revenue. The revenue from cyclical carpark sales business accounted for 5.1% of the total revenue, indicating a further optimized business structure.

- ***For home decoration services, the revenue was RMB190.5 million, representing a year-on-year increase of 29.1% as compared to RMB147.6 million for the same period of last year***
  Shimao Services provided its property owners with such services as refined decoration, home improvement, turnkey furnishing, and promotion of home furnishing products. It also provided its third-party home furnishing service providers with marketing and promotional services.

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

- ***For new retail services, the revenue was RMB433.9 million, representing a year-on-year increase of 337.8% as compared to RMB99.1 million for the same period of last year***
  In an effort to build the "SUNIT" brand, Shimao Services positions itself as a local lifestyle service platform and customers as "Joy-savoring Youths" (樂享青年), "Well Educated Parents" (高知爹媽) and "Wise Grandparents" (慧享祖輩), providing differentiated and targeted products for property owners, as well as building a sales capability of high quality and good experience.

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

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

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

- ***For campus value-added services, the revenue was RMB462.2 million, representing a year-on-year increase of 100.3% as compared to RMB230.7 million for the same period of last year***
  Leveraging on Zhejiang Zheda Sinew Property Services Group Co., Ltd.* (浙江浙大新宇物業集團有限公司) and based in universities and colleges, we provided teachers and students with various value-added services on campus study and life, including catering, accommodation and business trading services.

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

- ***For elderly care services, the revenue for the year was RMB24.3 million***
  In August 2021, the Group successfully acquired Healthtop to establish its presence in the elderly care services. With its asset-light model, Healthtop focuses on community-based long-term elderly care services at home, providing customers with care services regarding safety, health and daily life. Healthtop worked with communities to provide community-based elderly care services, commencing centralized care, health regimen and recreation services business. As a complementary business, our institutional elderly care services provided specialist care services for disability, dementia and rehabilitation.

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

* *For identification purposes only*

## ➢ Value-added Services to Non-property Owners

- ***Representing 10.4% of total revenue and 10.0% of total gross profit***
During the year, the revenue amounted to RMB870.5 million, representing an increase of 22.1% from RMB712.7 million for the same period of 2020. Its percentage in total revenue decreased to 10.4% in 2021 from 14.2% in 2020, representing an optimized revenue structure.

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

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

## ➢ City Services

- ***Representing 10.3% of total revenue and 4.6% of total gross profit***
In 2021, the revenue reached RMB855.1 million, providing a good start for such business operation.

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

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

## Impacts of the COVID-19 Pandemic

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

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

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

## Financial Review

During the year, the Group realized:

### Revenue

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

### Cost of Sales and Services

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

### Gross Profit and Gross Profit Margin

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

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

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

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

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

### Selling and Marketing Expenses

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

### Administrative Expenses

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

### Operating Profit

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

### Finance Costs – Net

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

### Profit before Income Tax

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

### Income Tax Expense

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

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

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

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

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

### Profit for the Year

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

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

### Investment Properties, Property, Plant and Equipment

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

### Intangible Assets

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

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

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

### Trade Receivables

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

### Trade Payables

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

### Liquidity, Reserves and Capital Structure

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

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

### Capital Expenditure Commitments

As at 31 December 2021, the capital commitments that the Group contracted but not provided for amounted to approximately RMB451.5 million, which were mainly for the payment of consideration for M&A transactions.

### Share Award Scheme

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

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

## Proceeds from the Listing

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

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

## Equity Fund Raising Activities and Use of Proceeds

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

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

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

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

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

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

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

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

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

## Significant Acquisition

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

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

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

## Future Outlook

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

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

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

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

* *For identification purposes only*

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

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

## Foreign Exchange Risk

The Group principally operates business in the PRC, with the majority of its business conducted in RMB, and has limited exposure to the foreign exchange risk. However, due to the successful listing on the Stock Exchange in 2020, any depreciation or appreciation in HKD and adjustment in the interest rates will affect the performance of the Group. Therefore, the Group will closely monitor the exchange rate risk and interest rate risk concerned, actively explore foreign exchange hedging options with major banks and use financial instruments to hedge against such risks when necessary.

## Employees and Compensation Policy

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

As at 31 December 2021, the Group had 41,643 employees, representing a growth of 71.1% as compared with the same period of 2020; total staff costs amounted to RMB2,821.7 million, representing an increase of 69.6% from RMB1,664.0 million in the same period of 2020.

## Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities.

## Financial Policy

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

# REPORT OF THE DIRECTORS

The directors (the "Directors") of Shimao Services Holdings Limited (the "Company") have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2021.

## Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services. The principal activities of its principal subsidiaries are set out in note 15 to the consolidated financial statements.

## Results and Dividends

The results of the Group for the year ended 31 December 2021 are set out on pages 68 to 172 of this annual report.

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK11 cents per ordinary share).

## Closure of Register of Members

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

## Business Review

A business review of the Group for the year ended 31 December 2021 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 6 to 11 and the Management Discussion and Analysis on pages 12 to 29 of this annual report. The financial risk management objectives and policies of the Group are shown in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using key financial performance indicators is set out in the Five Years Financial Summary on pages 4 to 5 of this annual report. Particulars of important events affecting the Group that have occurred after the reporting period are set out in note 44 to the consolidated financial statements on page 172. The above discussions form part of the Report of the Directors.

The Group considers environmental protection as its corporate responsibility and recognizes the sustainable development of the environment is important to the sustainable operation of the Group's business in its daily operation. As a property management services provider in China, the Group is required to comply with various national and local laws and regulations on environmental protection and is committed to carry out various measures to reduce its adverse impact on the environment.

The Group believes that its employees, customers and business partners are important to its sustainable development. The Group strives to maintaining close relationship with its employees, providing quality services to its customers and strengthening the cooperation with its business partners. In addition, the Group is of the view that the expertise, experience and professional development of its employees contribute to its growth. The Group provides systematic and extensive training programs to its employees in order to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards.

Further information of the Group's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders are set out in the separate Sustainability Report of the Group, which was available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 27 and 43 to the consolidated financial statements.

## Major Customers and Suppliers

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total revenue and 30% of the Group's total purchases respectively during the year.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in the major customers or suppliers noted above.

## Bank and Other Borrowings

Details of bank and other borrowings of the Company and the Group as at 31 December 2021 are set out in note 29 to the consolidated financial statements.

## Donations

Charitable and other donations made by the Group during the year amounted to RMB416,948.00 (2020: RMB766,529.43).

## Property, Plant and Equipment

Details of property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

## Share Capital

The Company completed a share placing on 22 October 2021 and 115,000,000 new shares were allotted and issued on 2 November 2021 in respect of the placing of existing shares and top-up subscription of the new shares of the Company. For further details, please refer to the announcements of the Company dated 20 October 2021 and 2 November 2021, as well as the section headed "Management Discussion and Analysis".

Details of movements in the share capital of the Company for the year ended 31 December 2021 are set out in note 26 to the consolidated financial statements.

## Issuance of Convertible Bonds

On 2 November 2021, Crystal Idea Group Limited, a wholly-owned subsidiary of the Company, issued an aggregate principal amount of HK$3,110 million 2.25% senior unsecured guaranteed convertible bonds due 2022 (the "Bonds") which is unconditionally and irrevocably guaranteed by the Company. For further details, please refer to the announcements of the Company dated 20 October 2021, 2 November 2021 and 3 November 2021, as well as the section headed "Management Discussion and Analysis".

During the year ended 31 December 2021, no Bonds had been converted, nor were there any shares of the Company issued under the Bonds.

## Financial Highlights

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

## Pre-Emptive Rights

There are no provisions for pre-emptive rights over shares of the Company under the Company's amended and restated articles of association (the "Articles of Association") or the laws of the Cayman Islands where the Company is incorporated.

## Directors

The Directors during the year and up to the date of this report are as follows:

### Executive Directors

Mr. Hui Sai Tan, Jason *(Chairman)*
Mr. Ye Mingjie *(President)*
Mr. Cao Shiyang
Mr. Cai Wenwei
Mr. Liu Yu *(appointed on 13 December 2021)*

### Non-executive Directors

Ms. Tang Fei
Mr. Sun Yan *(resigned on 13 December 2021)*

### Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice
Mr. Gu Yunchang
Ms. Zhou Xinyi

In accordance with Article 113 of the Articles of Association, Mr. Liu Yu who was appointed as Director after the last AGM, will hold office until the forthcoming AGM and, being eligible, has offered himself for re-election as Director at the forthcoming AGM.

In accordance with Article 109 of the Articles of Association, three directors, namely, Mr. Ye Mingjie, Mr. Cai Wenwei and Ms. Tang Fei shall retire from office by rotation respectively at the forthcoming AGM and, all being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

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

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

## Directors' Interests in Transactions, Arrangements and Contracts

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

## Management Contracts

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

## Share Award Scheme

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

During the year ended 31 December 2021, no shares were granted to any employees of the Group under the Share Award Scheme.

## Equity-Linked Agreements

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

## Disclosure of Interests in Securities

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

As at 31 December 2021, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Appendix 10 of the Listing Rules were as follows:

*(i) Long position in the shares of the Company*

| Name of Directors | Capacity/ Nature of interests | Number of ordinary shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Hui Sai Tan, Jason | Beneficial owner | 57,129 (Note 1) | 0.002% |
| Ye Mingjie | Beneficial owner | 1,904,728 (Note 2) | 0.077% |
| Cao Shiyang | Beneficial owner/ Interest of spouse | 227,981 (Note 3) | 0.009% |
| Cai Wenwei | Beneficial owner | 143,062 (Note 1) | 0.006% |
| Tang Fei | Beneficial owner | 53,418 (Note 1) | 0.002% |

Notes:

1. These interests disclosed represent deemed interests in shares granted which had not vested pursuant to a share award scheme adopted by the board of directors of Shimao Group Holdings Limited ("Shimao Group Holdings") on 3 May 2021 (the "2021 Shimao Group Share Award Scheme").

2. These interests disclosed include deemed interests in 1,104,728 shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme.

3. These interests disclosed include deemed interests in 185,981 shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme, and 22,000 shares held by the spouse of Mr. Cao Shiyang.

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

| Name of Directors | Capacity/ Nature of interests | Number of ordinary shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Hui Sai Tan, Jason | Beneficial owner | 3,682,198 (Note 1) | 0.100% |
| Ye Mingjie | Beneficial owner | 265,086 (Note 2) | 0.007% |
| Cao Shiyang | Beneficial owner | 93,202 (Note 3) | 0.003% |
| Tang Fei | Beneficial owner | 1,241,103 (Note 4) | 0.033% |

Notes:

1. These interests disclosed include deemed interests in 119,493 shares granted which had not vested pursuant to a share award scheme adopted by the board of directors of Shimao Group Holdings on 30 December 2011 (the "2011 Shimao Group Share Award Scheme").

2. These interests disclosed include deemed interests in 41,518 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

3. These interests disclosed include deemed interests in 7,984 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

4. These interests disclosed include deemed interests in 124,003 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

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

## Directors' Right to Acquire Shares or Debentures

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

## Interests of Substantial Shareholders

As at 31 December 2021, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

| Name | Nature of interests | Number of shares or underlying shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| **Long position** | | | |
| Best Cosmos Limited ("Best Cosmos") | Note 1 | 1,557,352,000 | 62.822% |
| Shimao Group Holdings | Note 1 | 1,557,352,000 | 62.822% |
| Overseas Investment Group International Limited ("Overseas Investment") | Note 2 | 1,557,352,000 | 62.822% |
| Gemfair Investments Limited ("Gemfair") | Note 3 | 1,589,286,159 | 64.111% |
| Mr. Hui Wing Mau | Note 4 | 1,600,142,501 | 64.549% |

Notes:

1. These interests disclosed comprise (i) 1,550,486,179 shares held by Best Cosmos (a company which is directly wholly-owned by Shimao Group Holdings, which is owned as to approximately 53.87% by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau); and (ii) 6,865,821 shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under the 2021 Shimao Group Share Award Scheme.

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

3. These interests comprise (i) 31,934,159 shares held directly by Gemfair; (ii) 1,550,486,179 shares held by Gemfair's controlled corporations; and (iii) 6,865,821 shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.

4. These interests comprise (i) 10,856,342 shares held directly by Shiying Finance Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau; (ii) 31,934,159 shares held by Gemfair; (iii) 1,550,486,179 shares held by Gemfair's controlled corporations; and (iv) 6,865,821 shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.

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

## Deed of Non-Competition

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

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

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

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

Each of the Undertaking Controlling Shareholders has confirmed that during the year ended 31 December 2021, his/its close associates have fully complied with the Deed of Non-Competition and the 2007 Non-Competition Agreement.

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

## Directors' Interests in Competing Business

Save as disclosed above, none of the Directors or their associates have any interest in the business which competed or were likely to compete, either directly or indirectly, with the businesses of the Group during the year ended 31 December 2021 pursuant to Rule 8.10 of the Listing Rules.

The Directors will, as and when required under the Articles of Association, abstain from voting on any board resolution of the Company in respect of any contract, arrangement or proposal in which he/she or any of his/her associates has a material interest.

## Permitted Indemnity Provisions

The Articles of Association provides that the Directors, secretary or other officers of the Company shall be entitled to be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain or about the execution of their duties in their respective offices. In addition, the Company has taken out and maintained appropriate directors and officers liability insurance in respect of the relevant legal actions against the Directors.

## Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2021,

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

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

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

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

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

## Continuing Connected Transactions and Connected Transaction

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connection transaction during the year ended 31 December 2021 are as follows:

### (i) Continuing Connected Transactions

***(1) Trademark Licensing Agreement***

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

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

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

***(2) Master Promotion Services Agreement***

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

Shimao Group Holdings is one of the controlling shareholders of the Company and therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Promotion Services Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, there is no service fee payable by the Group in relation to the Promotion Services, therefore did not exceed the annual cap of RMB66.6 million.

***(3) Master Property Management and Related Services Agreement***

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

Shimao Group Holdings is one of the controlling shareholders of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management and Related Services Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, the total amount of service fee payable to the Group in relation to the Property Management and Related Services amounted to RMB894.8 million which did not exceed the annual cap of RMB1,237.0 million.

***(4) Master Carpark Sales Agency Services Agreement***

On 16 October 2020, the Company entered into a master carpark sales agency services agreement (the "Master Carpark Sales Agency Services Agreement") with Shimao Group Holdings, pursuant to which the Group agreed to provide carpark space sales agency services, including but not limited to providing marketing and sales services for carpark space developed by the Shimao Group and its associates (the "Carpark Sales Agency Services"). The Master Carpark Sales Agency Services Agreement has a term commencing from the Listing Date until 31 December 2022. The proposed annual caps of the transactions contemplated under the Master Carpark Sales Agency Services Agreement for the three years ending 31 December 2022 are RMB210.0 million, RMB395.0 million and RMB592.0 million, respectively.

Shimao Group Holdings is one of the controlling shareholders of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Carpark Sales Agency Services Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, the total amount of service fee received by the Group in relation to the Carpark Space Sales Agency Services amounted to RMB335.7 million which did not exceed the annual cap of RMB395.0 million.

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

Pursuant to Rule 14A.55 of the Listing Rules, all Independent Non-executive Directors of the Company have reviewed the abovementioned continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing each of the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's external auditor, Moore Stephens CPA Limited ("Moore Stephens"), has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

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

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

(iv) have exceeded the annual caps.

**(ii) Connected Transaction**

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

Shanghai Shimao is a subsidiary of Shimao Group Holdings, the controlling shareholder of the Company, and is hence a connected person of the Company. Accordingly, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the acquisition are more than 5% and less than 25%, the acquisition thereunder constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Details of the above transaction was set out in the announcements of the Company dated 13 December 2021, 5 January 2022 and 31 March 2022. Further announcement will be made by the Company on any update of the transaction as and when appropriate.

## Related Party Transactions

The significant related party transactions entered by the Group for the year ended 31 December 2021 are set out in note 40 to the consolidated financial statements. Save as disclosed in this annual report, none of these related party transactions constituted a connected transaction or continuing connected transaction for the Company which is in compliance with the relevant disclosure requirements under Chapter 14A of the Listing Rules.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2021 and up to the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

## Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance which it believes is crucial to the development of the Group and safeguard the interests of the shareholders of the Company. Information on the Company's corporate governance principles and practices is set out in the Corporate Governance Report on pages 42 to 55 of this annual report.

## Auditors

On 28 April 2022, PricewaterhouseCoopers ("PwC") resigned as the auditor of the Company and the Board, with the recommendation from the Audit Committee, has resolved to appoint Moore Stephens as the new auditor of the Company to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next AGM of the Company. For the details, please refer to the announcement of the Company dated 29 April 2022 published on the websites of the HKEx and the Company.

The financial statements have been audited by Moore Stephens who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming AGM of the Company. A resolution for the re-appointment of Moore Stephens as the auditor of the Company will be proposed for shareholders' approval at the forthcoming AGM of the Company.

On behalf of the Board
**Hui Sai Tan, Jason**
*Chairman*

Hong Kong, 22 June 2022

# CORPORATE GOVERNANCE REPORT

## A. Corporate Governance Practices

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

The Company complied with all the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "HKEx") throughout the financial year ended 31 December 2021.

## B. Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the financial year ended 31 December 2021.

## C. Directors

### C.1 The Board

As at the date of this report, the board of directors of the Company (the "Board") consisted of nine Directors, comprising five Executive Directors, one Non-executive Director and three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

The Board holds at least four regular meetings a year at approximately quarterly interval and additional meetings would be arranged as and when required. During the financial year ended 31 December 2021, four Board meetings were held and Directors attended the Board meetings in person or through electronic means of communication. Details of the attendance records of the Directors are set out in the table on page 47. Apart from formal meetings, matters requiring the Board approval will be dealt with by way of written resolutions.

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board is committed to the Company's objective of consistent growth and development and increase in shareholder value. The Board sets strategies for the Company and monitors the performance and activities of the management.

### C.2 Chairman and President

To ensure a balance of power and authority and preserve a balanced judgement of views, the roles of the Chairman and the Chief Executive are segregated with clear division of responsibilities between them. Mr. Hui Sai Tan, Jason served as Chairman of the Company provides leadership and is responsible for the overall strategic planning and business management of the Group. Mr. Ye Mingjie served as President of the Company and is responsible for the overall strategic planning and operations of the Group.

The other Executive Directors are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies formulated by the Board.

## C.3 Board Composition

The Board has a balance of skills and experience appropriate for the Company's business. Given below are names of Directors during the financial year ended 31 December 2021 and up to the date of this report:

***Executive Directors***
Mr. Hui Sai Tan, Jason *(Chairman)*
Mr. Ye Mingjie *(President)*
Mr. Cao Shiyang
Mr. Cai Wenwei
Mr. Liu Yu *(appointed on 13 December 2021)*

***Non-executive Directors***
Ms. Tang Fei
Mr. Sun Yan *(resigned on 13 December 2021)*

***Independent Non-executive Directors***
Ms. Kan Lai Kuen, Alice
Mr. Gu Yunchang
Ms. Zhou Xinyi

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

The Board currently comprises five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Independent Non-executive Directors, who represent one-third of the Board, bring independent advice, judgment and scrutiny of executives and review of performance and risks. The audit committee of the Company (the "Audit Committee") comprises only Independent Non-executive Directors.

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

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

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

| | **Number of Directors** |
|---|---|
| **Designation** | |
| Executive Directors | 5 |
| Non-executive Director | 1 |
| Independent Non-executive Directors | 3 |
| **Gender** | |
| Male | 6 |
| Female | 3 |
| **Age** | |
| 31–40 years old | 1 |
| 41–50 years old | 4 |
| 51–60 years old | 2 |
| 61–70 years old | 1 |
| Above 70 years old | 1 |

| | Directors' skills, expertise and experience | | | | |
|---|---|---|---|---|---|
| | Executive leadership & strategy/ directorship experience with other listed company(ies) | Property Management | Mainland China Exposure | Accounting professionals/ financial management expertise | Regulatory & compliance |
| **Executive Directors** | | | | | |
| Mr. Hui Sai Tan, Jason *(Chairman)* | ✓ | ✓ | ✓ | | |
| Mr. Ye Mingjie *(President)* | ✓ | ✓ | ✓ | | |
| Mr. Cao Shiyang | ✓ | ✓ | ✓ | | |
| Mr. Cai Wenwei | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Liu Yu *(appointed on 13 December 2021)* | ✓ | ✓ | ✓ | | |
| **Non-executive Director** | | | | | |
| Ms. Tang Fei | ✓ | ✓ | ✓ | ✓ | |
| **Independent Non-executive Directors** | | | | | |
| Ms. Kan Lai Kuen, Alice | ✓ | | ✓ | ✓ | ✓ |
| Mr. Gu Yunchang | ✓ | ✓ | ✓ | | |
| Ms. Zhou Xinyi | ✓ | ✓ | ✓ | | |
| Coverage (Approximate % of entire Board) | 100% | 89% | 100% | 33% | 22% |

## C.4 Appointments, Re-election and Removal

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

## C.5 Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") on 13 October 2020 with all the three members are Independent Non-executive Directors, namely, Mr. Gu Yunchang (as the chairman of the Nomination Committee), Ms. Kan Lai Kuen, Alice and Ms. Zhou Xinyi.

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

The terms of reference of the Nomination Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaofuwu.com.

There was one Nomination Committee meeting held during the financial year ended 31 December 2021. Details of the attendance records of the Nomination Committee members are set out in the table on page 47.

The work performed by the Nomination Committee for the financial year ended 31 December 2021 is summarized below:

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

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

(c) make recommendation to the Board for the re-election of the retiring Directors at 2021 annual general meeting (the "2021 AGM") of the Company; and

(d) make recommendation to the Board for approval the appointment of Mr. Liu Yu as an Executive Director of the Company.

***Nomination Policy***

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

(a) character and integrity;

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

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

(d) independence of the candidate;

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

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

The nomination procedure and process for appointment of new Director, re-appointment of Directors and nomination by shareholders of the Company have been adopted and included in the Nomination Policy. The Nomination Committee will review and monitor from time to time the implementation of the Nomination Policy to ensure its effectiveness. In December 2021, the Nomination Committee reviewed the qualification, experience, expertise and other factors of a candidate for appointment as Executive Director. At the recommendation of the Nomination Committee, the Board appointed Mr. Liu Yu as an Executive Director with effect from 13 December 2021.

***Board Diversity Policy***

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

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

The Nomination Committee considered that the Board consists of a diverse mix of members and has provided a good balance of skills and experience appropriate to the business needs of the Group. Currently, the Company has three female Directors and the Board will review the proportion of female members over time as when required for ensuring gender parity on the Board. The Nomination Committee will review and monitor from time to time the implementation of the Board Diversity Policy, as appropriate, to ensure its effectiveness.

### C.6 Responsibilities of Directors

Every newly appointed Director receives briefings and orientation containing their legal and other responsibilities as a Director and the role of the Board together with materials on the Company's business and operations from the Company Secretary. The Company provides appropriate and sufficient information to Directors in a timely manner to keep them appraised of the latest development of the Group and to enable them to make an informed decision as well as to discharge their duties and responsibilities as Directors of the Company. Each Director has independent access to senior executives on operating issues.

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Each Director discloses to the Company at the time of his/her appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments with indication of relevant time commitment.

The Directors are continually updated with legal and regulatory developments, business and market changes and strategic development of the Group to facilitate the discharge of their responsibilities. All Directors have been required to provide training records to the Company and the training records have been maintained by the Company Secretary.

According to the records maintained by the Company Secretary, all Directors pursued continuous professional development during the year and relevant details are set out below:

| Directors | Reading materials |
|---|---|
| Mr. Hui Sai Tan, Jason | ✓ |
| Mr. Ye Mingjie | ✓ |
| Mr. Cao Shiyang | ✓ |
| Mr. Cai Wenwei | ✓ |
| Mr. Liu Yu *(appointed on 13 December 2021)* | ✓ |
| Ms. Tang Fei | ✓ |
| Mr. Sun Yan *(resigned on 13 December 2021)* | ✓ |
| Ms. Kan Lai Kuen, Alice | ✓ |
| Mr. Gu Yunchang | ✓ |
| Ms. Zhou Xinyi | ✓ |

Individual attendance records of the Directors at board meetings, board committees' meeting and 2021 AGM during the financial year ended 31 December 2021, are set out below:

| | Attendance/Number of Meeting(s) | | | | |
|---|---|---|---|---|---|
| Directors | Board meeting | Audit Committee meeting | Nomination Committee meeting | Remuneration Committee meeting | 2021 AGM |
| Mr. Hui Sai Tan, Jason | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Ye Mingjie | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Cao Shiyang | 4/4 | N/A | N/A | N/A | 0/1 |
| Mr. Cai Wenwei | 4/4 | N/A | N/A | N/A | 1/1 |
| Mr. Liu Yu *(appointed on 13 December 2021)* | 2/2 | N/A | N/A | N/A | N/A |
| Ms. Tang Fei | 3/4 | N/A | N/A | N/A | 0/1 |
| Mr. Sun Yan *(resigned on 13 December 2021)* | 2/2 | N/A | N/A | N/A | 0/1 |
| Ms. Kan Lai Kuen, Alice | 4/4 | 2/2 | 1/1 | 1/1 | 1/1 |
| Mr. Gu Yunchang | 4/4 | 2/2 | 1/1 | 1/1 | 0/1 |
| Ms. Zhou Xinyi | 4/4 | 2/2 | 1/1 | 1/1 | 0/1 |

## C.7 Supply of and Access to Information

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

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

## D. Remuneration of Directors and Senior Management and Board Evaluation

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

The Company has established a remuneration committee (the "Remuneration Committee") on 13 October 2020 with all the three members are Independent Non-executive Directors, namely, Ms. Zhou Xinyi (as the chairman of the Remuneration Committee), Ms. Kan Lai Kuen, Alice and Mr. Gu Yunchang.

The primary functions of the Remuneration Committee include, but not limited to evaluate the performance and make recommendations to the Board on the remuneration package of the Directors and senior management and to evaluate as well as make recommendations on the Company's share award scheme, retirement scheme and the performance assessment system and bonus and commission policies.

The terms of reference of the Remuneration Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaofuwu.com.

There was one Remuneration Committee meeting held during the financial year ended 31 December 2021. Details of the attendance records of the Remuneration Committee members are set out in the table on page 47.

The work performed by the Remuneration Committee for the financial year ended 31 December 2021 is summarized below:

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

(b) review and make recommendation to the Board on the adoption of share award scheme of the Company.

Details of the Directors' remunerations (including the Executive Directors who are also the senior management of the Company) are set out in note 9 to the consolidated financial statements of this annual report.

## E. Accountability and Audit

### E.1 Financial Reporting

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

In preparing the financial statements for the financial year ended 31 December 2021:

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

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

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

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

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

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

## E.2 Risk Management and Internal Control

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

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

The Board acknowledges its responsibility for maintaining adequate risk management and internal control systems and reviewing their effectiveness through the Audit Committee. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

***Senior Management***

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

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

***Audit Committee and Board***

The Audit Committee assists the Board in discharging the duties in respect of finance, operation, compliance, risk management and internal control, as well as the supervision and corporate governance of financial and internal audit resources of the Company. The internal audit results shall be reported to the Board periodically, and corresponding actions will be taken by the Board based on the recommendations of the Audit Committee.

***Risk Management***

The Company continues to monitor and enhance the comprehensive risk management system to ensure that the Company's strategies and operation will not have materially adverse effects on the economy, environment and social in pursuit of sustainable business success.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021. The Board has conducted an annual review on the effectiveness of the risk management and internal control systems of the Company through the Audit Committee, and considers that the existing systems are adequate and effective. Such review has covered all important aspects, including financial controls, operational controls and compliance controls. The Board is not aware of any material matters which may affect the shareholders that should be brought to their attention, and believes that the risk management and internal control systems fully comply with the code provisions set out in the Code in relation to risk management and internal controls, including requirement of laws and regulations which have significant effects on the Company.

The Company confirms that it has complied with the code provisions of the Code in relation to risk management and internal controls for the year ended 31 December 2021. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as the ESG performance and reporting during the annual review of the risk management and internal control systems.

***Internal Audit Department***

The Group's Internal Audit Department plays a major role in monitoring the internal governance of the Company. The major responsibilities of the Internal Audit Department are performing independent review of the adequacy and effectiveness of the risk management and internal control systems, conducting comprehensive audits of the Group on a regular basis and examining key issues in relation to the accounting practices and all material controls, and provided its findings and recommendations for improvement to the Audit Committee.

***Disclosure on Inside Information***

The Company has formulated an inside information policy. Directors and employees are regularly reminded for the compliance of all policies related to inside information. Executive Directors and the Company Secretary of the Company are liable for assessing the impact of any unexpected material events on the stock price and trading volume, and determining whether such information should be regarded as inside information which shall be disclosed as soon as practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the provision of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

***Whistle-blowing Program***

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

***Codes of Integrity and Ethics***

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

## E.3 Audit Committee

The Company has established the Audit Committee on 13 October 2020 with all the three members are Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice (as the chairman of the Audit Committee), Mr. Gu Yunchang and Ms. Zhou Xinyi.

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

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

The terms of reference of the Audit Committee have been reviewed with reference to the Code and are available on the Company's website at www.shimaofuwu.com.

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

There were two Audit Committee meetings held during the financial year ended 31 December 2021. Details of the attendance records of the Audit Committee members are set out in the table on page 47.

The work performed by the Audit Committee during the financial year ended 31 December 2021 is summarized below:

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

(b) approval of the remuneration and terms of engagement of external auditor;

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

(d) review of the interim and annual consolidated financial results of the Group before submission to the Board;

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

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

(g) review the continuing connected transactions of the Company during the year ended 31 December 2021; and

(h) review the compliance status of the Deed of Non-Competition during the year ended 31 December 2021.

The Audit Committee is provided with sufficient resources, including the advice of external auditor to discharge its duties.

The consolidated annual results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

The external auditor of the Company is Moore Stephens CPA Limited. The Audit Committee meets the external auditor at least twice a year. A statement by the auditor about their reporting responsibilities is included in the Independent Auditor's Report set out on pages 61 to 67 of this annual report.

In arriving at its opinion, the auditor conducted a full scope audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

The remuneration to the Company's auditor in respect of the services rendered for the year ended 31 December 2021 is set out as follows:

| **Services rendered** | RMB'000 |
|---|---|
| Audit services | |
| – Annual and other audit services | 7,500 |
| Non-audit services | 2,264 |
| Total | 9,764 |

***Compliance with the Deed of Non-Competition***

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

Each of the Undertaking Controlling Shareholders has confirmed that during the financial year ended 31 December 2021, his/its close associates have fully complied with the Deed of Non-Competition and the 2007 Non-Competition Agreement as referred to the "Report of the Directors" under this annual report. Details of the Deed of Non-Competition and 2007 Non-Competition Agreement are set out under "Relationship with Controlling Shareholders" in the prospectus of the Company dated 20 October 2020.

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

## F. Delegation by the Board

### F.1 Management Functions

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

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

### F.2 Board Committees

The Company has established three Board Committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, with specific terms of reference which clearly define their authorities and responsibilities.

All three Board Committees are required by their terms of reference to report to the Board with respect to their decisions, findings or recommendations.

### F.3 Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in the code provision A.2.1 of the Code. During the year, the Board has performed, inter alia, the following:

(a) developed and reviewed the Company's policies and practices on corporate governance;

(b) reviewed and monitored the Company's policies on compliance with legal and regulatory requirements, as well as the training and continuous professional development of Directors; and

(c) reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

## G. Shareholders Engagement

### G.1 Shareholders Communication Policy

A Shareholders Communication Policy has been adopted by the Company to ensure that the Company's shareholders, both individual and institutional (collectively, the "Shareholders"), and, in appropriate circumstances, the investment community at large, are provided with complete, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company.

### G.2 Effective Communication

The management of the Company believes that an on-going dialogue and effective communication with the Shareholders and the investment community are essential. During the year, the Executive Directors and senior management held briefings, attended investor forums and participated in roadshows with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Group's business and development. In addition, the Company makes full use of the internet to make information broadly available to the Shareholders. Electronic copies of annual and interim reports, slides presentation given at investor conferences, latest news, announcements and general information about the Group's businesses are made available on the Company's website at www.shimaofuwu.com. The Company's website also provides email address (ir@shimaowy.com) for enquiry purpose only, by which the Shareholders may at any time address their enquiries to the Board.

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

### G.3 Shareholders' Meetings

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

The 2021 AGM of the Company was held on 26 May 2021. Details of attendance of the Directors in the 2021 AGM are set out in the table on page 47. The Company's external auditor is also invited to attend the 2021 AGM, during which its representative was available to answer questions raised by the Shareholders.

### G.4 Dividend Policy

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

## H. Company Secretary

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

## I. Shareholders' Rights

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

Pursuant to Article 64 of the Articles, any one or more shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "EGM Requisitionists") shall at all times have the right, by depositing written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

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

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

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

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

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

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

Pursuant to Article 114 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, unless notice in writing of intention to propose that person for election as a Director signed by a shareholder of the Company and notice in writing signed by that person of his willingness to be elected shall be lodged at the Company's Principal Office or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The period for lodgement of the notices will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notice to the Company may be given will be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as Director is posted on the Company's website.

### I.4 Procedures for sending enquiries to the Board

The Company welcomes the Shareholders' views and concerns relating to the Group's management and corporate governance. The Company's website (www.shimaofuwu.com) provides email address (for enquiry purpose only) by which the Shareholders may at any time send their enquiries to the Board.

## J. Constitutional Documents

During the financial year ended 31 December 2021, there was no significant change in the amended and restated Memorandum and Articles of Association of the Company.

# DIRECTORS AND SENIOR MANAGEMENT PROFILES

## Executive Directors

### Hui Sai Tan, Jason (Chairman)

Mr. Hui Sai Tan, Jason, aged 45, has been the Chairman and an Executive Director of Shimao Services Holdings Limited (the "Company", together with its subsidiaries, the "Group") since 1 June 2020 and is primarily responsible for the overall strategic planning and business management of the Group. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He has more than 23 years of experience in property development and management. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference and the president of New Home Association, Hong Kong. Mr. Jason Hui is currently an executive director, the vice chairman and president of Shimao Group Holdings Limited ("Shimao Group Holdings", together with its subsidiaries, the "Shimao Group"), the ultimate holding company of the Company listed on The Stock Exchange of Hong Kong Limited (the "HKEx"). Mr. Jason Hui is also a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and Shanghai Shimao Co., Ltd. ("Shanghai Shimao", a subsidiary of Shimao Group Holdings listed on the Shanghai Stock Exchange). Mr. Jason Hui is the son of Mr. Hui Wing Mau, the ultimate controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the HKEx) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

### Ye Mingjie (President)

Mr. Ye Mingjie, aged 44, was appointed as an Executive Director of the Company on 1 June 2020 and is primarily responsible for the overall strategic planning and operations of the Group. Mr. Ye joined the Group in July 2009 and was appointed as the President of the Company in April 2020. Mr. Ye is currently a non-executive director of Shimao Group Holdings. Mr. Ye joined the Shimao Group in February 2004 and successively served as an assistant president of the Shimao Group as well as the head of the engineering management center of the Shimao Group and was promoted to the position of vice president of the Shimao Group in January 2018, where he was responsible for overseeing the engineering management of the Shimao Group and the business operations of the Group. Mr. Ye graduated from Tongji University (同濟大學) in the PRC and specialized in engineering management. Mr. Ye has over 16 years of experience in the property management and related industry. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產業協會) for the years from June 2019 to June 2023 and was elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on 30 March 2021.

### Cao Shiyang

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 47, was appointed as an Executive Director of the Company on 1 June 2020 and has been the vice president of the Group since January 2020. Mr. Cao is primarily responsible for the overall operations and management of the Group in the Yangtze River Delta Region. Mr. Cao joined the Group in July 2009 and served as an assistant president and the general manager for Shanghai and Jiangsu regions of the Group from January 2018 to December 2019. Mr. Cao has over 15 years of experience in the property management industry. Mr. Cao successively served various positions in the Group from July 2009 to December 2019, including project leader, the head of business management department and regional leader in Suzhou, Jiangsu Province. Prior to joining the Group, Mr. Cao had worked at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司) from October 1995 to May 2003 and at Nanjing Vanke Property Management Co., Ltd. (南京萬科物業管理有限公司) from May 2003 to July 2009 respectively, both of which are wholly-owned subsidiaries of China Vanke Co., Ltd. (萬科企業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange and the HKEx respectively, where he served in various positions including the head of business management department and project leader. Mr. Cao obtained a Diploma in Industrial and Civil Architecture from Beijing Jingqiao University (北京京橋大學) through correspondence learning program in the PRC in July 2008 and a Bachelor's Degree in Engineering Management (economic management) from People's Liberation Army Army Officer Academy (中國人民解放軍陸軍軍官學院) in the PRC in June 2013. Mr. Cao is pursuing an EMBA selected courses program in Nanjing University (南京大學) in the PRC.

### Cai Wenwei

Mr. Cai Wenwei, aged 47, was appointed as an Executive Director of the Company on 18 September 2020. Mr. Cai has been serving as an assistant president and the chief financial officer of the Group since February 2020 and is responsible for accounting management, tax planning and internal control management of the Group. Mr. Cai has over 23 years of experience in accounting and financial management. Mr. Cai joined the Group in February 2020, prior to that, he had served as an auditor at Ernst & Young and a senior manager at KPMG. Mr. Cai worked in Weldtech Technology (Shanghai) Co., Ltd (濠信節能科技（上海）有限公司) from July 2011 to October 2015, with his last position as the chief financial officer. Mr. Cai was an executive director of The Hong Kong Building and Loan Agency Limited (香港建屋貸款有限公司) from September 2014 to October 2015 and served as the chief financial officer of S-Enjoy Service Group Co., Ltd. (新城悅服務集團有限公司) (formerly known as Xinchengyue Holdings Limited (新城悅控股有限公司)) from July 2016 to April 2019, both companies of which are listed on the main board of the HKEx. From October 2015 to June 2016 and from April 2019 to January 2020, he worked at Seazen Group Limited (新城發展控股有限公司) (formerly known as Future Land Development Holdings Limited (新城發展控股有限公司)), a company listed on the main board of the HKEx, in its Shanghai branch. Mr. Cai obtained a Bachelor's Degree in International Finance from International Business School of Shanghai University (上海大學國際商學院) in the PRC in July 1997 and a Master's Degree in Economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2020. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2000 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

### Liu Yu

Mr. Liu Yu, aged 35, was appointed as an Executive Director of the Company on 13 December 2021. Mr. Liu joined the Group in March 2021 and is currently an Assistant President, the Head of Investment, Market Development and Innovation Management Center of the Group, responsible for the expansion of investment market business and development of innovation market business of the Group. Mr. Liu obtained a Bachelor's Degree in Microelectromechanical Systems (MEMS) and a Master's Degree in Mechanical Engineering from Tsinghua University (清華大學) in the PRC and has over 11 years' experience in management consultant.

## Non-executive Director

### Tang Fei

Ms. Tang Fei, aged 51, was appointed as a Non-executive Director of the Company on 1 June 2020 and is primarily responsible for providing guidance for the overall development of the Group. Ms. Tang is currently an executive director of Shimao Group Holdings, vice president of the Shimao Group and a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 28 years' experience in financial management and internal audit. Prior to joining the Group and the Shimao Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager of the International Financial Management Association and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 International Accountants of AIA in China in 2018.

## Independent Non-executive Directors

### Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 67, has been an Independent Non-executive Director of the Company since 13 October 2020 and has more than 30 years' experience in corporate finance. Ms. Kan is a director and a shareholder of BLS Capital Limited and its responsible officer for asset management under the SFO. Ms. Kan is also a licensed responsible officer under the SFO. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the HKEx: Shimao Group Holdings Limited, Regal Hotels International Holdings Limited, Cosmopolitan International Holdings Limited and Jolimark Holdings Limited. Ms. Kan was formerly an independent non-executive director of Mason Group Holdings Limited from 2017 to 2019 and China Energine International (Holdings) Limited from 2008 to 2020, both of which are listed on the HKEx. She was also an independent director of AVIC International Maritime Holdings Limited which was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited and was privatised and delisted on 4 March 2020, from 2011 to 2020. Ms. Kan is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

### Gu Yunchang

Mr. Gu Yunchang, formerly known as Gu Yongchuang, aged 78, was appointed as an Independent Non-executive Director of the Company on 13 October 2020 and is responsible for providing independent advice on the operations and management of the Group. Mr. Gu acted as the general secretary of China Real Estate Associate (中國房地產業協會) in 1998, the vice chairman of China Real Estate and Housing Association (中國房地產及住宅研究會) in 2005 and the vice chairman of the Fifth Council Committee of China Real Estate Research Association (中國房地產研究會) in 2009. He formerly held various positions of the Ministry of Urban and Rural Construction and Environmental Protection of the PRC (中華人民共和國城鄉建設環境保護部), including the deputy division head of the General Office of Urban Housing Bureau (城市住宅局綜合處) in 1982 and division head of the General Office of Housing Bureau (住宅局綜合處) in 1985 respectively, and the deputy director of the Policy Research Centre of Ministry of Construction of the PRC (中華人民共和國建設部政策研究中心) from 1988 to 1998. Mr. Gu is currently an independent non-executive director of Sunshine 100 China Holdings Ltd and Jiayuan International Group Limited, both of which are listed on the main board of the HKEx. Mr. Gu was formerly an independent director of Grandjoy Holdings Group Co., Ltd. (大悦城控股集團股份有限公司) (formerly known as COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司)) from April 2012 to June 2018 and an independent director of Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司) from May 2013 to May 2019, both companies of which are listed on the Shenzhen Stock Exchange. He was also an independent non-executive director of CIFI Holdings (Group) Co., Ltd., a company listed on the main board of the HKEx, from October 2012 to December 2021. Mr. Gu graduated from Tongji University (同濟大學) in the PRC and specialized in Urban Planning in July 1966. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

### Zhou Xinyi

Ms. Zhou Xinyi, formerly known as Zhou Xiaorong, aged 59, was appointed as an Independent Non-executive Director of the Company on 13 October 2020 and is responsible for providing independent advice on the operations and management of the Group. Ms. Zhou is the chairman and president of The Qianhai Chamberlain Institute (Shenzhen) Co., Ltd. (前海勤博教育科技(深圳)有限公司). Ms. Zhou served as the dean of Shenzhen Property Management and Advanced Training College Co., Ltd. (深圳房地產和物業管理進修學院有限公司) from August 1996 to October 2017 and a deputy general manager of Shenzhen Shentou Education Co., Ltd. (深圳市深投教育有限公司), an educational institution engaged in providing educational and vocational training services, from March 2017 to January 2018. Ms. Zhou is an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會). Ms. Zhou obtained a Bachelor's Degree in English Languages and Literature from Nanjing University (南京大學) in the PRC in July 1984 and a Master's Degree in Educational Psychology from Stanford University in the United States in June 1989.

## Senior Management

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

## Change in Information of Directors

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 June 2021 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

| Name of Directors | Details of Changes |
|---|---|
| Mr. Liu Yu | Appointed as an Executive Director of the Company on 13 December 2021 |
| Mr. Sun Yan | Resigned as a Non-executive Director of the Company on 13 December 2021 |
| Ms. Kan Lai Kuen, Alice | Ceased to be a responsible officer of Asia Investment Management Limited with effect from 8 October 2021 |
| | Accredited as a responsible offer of BLS Capital Limited with effect from 24 February 2022 |
| Mr. Gu Yunchang | Resigned as an independent non-executive director of CIFI Holdings (Group) Co., Ltd., (a company listed on the main board of the HKEx) on 14 December 2021 |

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Senior Management Profiles".

# INFORMATION FOR SHAREHOLDERS

## ANNUAL REPORT

This annual report is now available in printed form and on the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If shareholders who have received or chosen (or are deemed to have chosen) to receive this annual report by electronic means but (i) wish to receive a printed copy; or (ii) for any reason have difficulty in receiving or gaining access to this report on the Company's website, they may obtain a printed copy free of charge by sending a request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited ("Tricor Investor") by email at 873-ecom@hk.tricorglobal.com or by post to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications, free of charge, they could at any time notify Tricor Investor by email or by post.

## ANNUAL GENERAL MEETING ("AGM")

The 2022 AGM will be held on Thursday, 18 August 2022. The notice of the 2022 AGM, which constitutes part of the circular to shareholders, will be sent to shareholders separately with this annual report. The notice of the 2022 AGM and the proxy form will be available on the Company's website in due course.

## CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2022 AGM:

| | |
|---|---|
| Latest time to lodge transfer documents for registration | 4:30 p.m. on Thursday, 11 August 2022 |
| Closure of ROM | from Friday, 12 August 2022 to Thursday, 18 August 2022 (both days inclusive) |

# INDEPENDENT AUDITOR'S REPORT

MOORE

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大華馬施雲
會計師事務所有限公司

**To the Shareholders of Shimao Services Holdings Limited**
*(Incorporated in Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of Shimao Services Holdings Limited (the "Company") and its subsidiaries ("the Group") set out on pages 68 to 172, which comprise the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment assessment of trade receivables**
*(Refer to Notes 2.3(i), 4(b)(c) and 22 to the consolidated financial statements)*

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| As at 31 December 2021, the net carrying amount of trade receivables of the Group is approximately RMB3,154,942,000, representing approximately 17.37% of the total assets of the Group. The Group's aggregate impairment loss as at 31 December 2021 amounting to approximately RMB313,396,000.<br><br>The management of the Company performed periodic assessment on the recoverability of the trade receivables and the adequacy of the impairment loss made.<br><br>To measure the impairment loss in respect of independent third parties, trade receivables have been grouped based on shared credit risk characteristics and aging periods. The Group estimated the impairment loss based on estimation about risk of default and expected credit loss rates. Management calculated the historical default rate based on the payment profile of debtors, including sales and the related bad debts in the observed period. The impairment loss is estimated based on internal historical data with adjustment to reflect current conditions and forward looking factors such as the gross domestic product ("GDP"). Independent valuers is engaged for measuring the impairment loss in respect of receivables from related parties based on the financial positions of the related parties as well as the prevailing economic and industry conditions. | We have performed the following procedures to address this key audit matter:<br><br>(i) Evaluated the design and tested the operating effectiveness of key controls over managing, monitoring the billing and collection process and assessing the recoverability of trade receivables;<br><br>(ii) Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;<br><br>(iii) Evaluated the outcome of prior period assessment of the impairment of trade receivables to assess the effectiveness of management's estimation process;<br><br>(iv) Obtained the ageing analysis of trade receivables and discussed with the management about their evaluation of the background, financial capability of the customers, evaluation of the impact of any unforeseen delay of the projects and their credit assessment that the amounts were recoverable;<br><br>(v) Tested the integrity of information used to develop the provision matrix, including ageing analysis of trade receivables, on a sampling basis, to the underlying financial records and post year end settlements;<br><br>(vi) Inquired the management for the status of each of the material trade receivables past due as at the year end, and corroborated explanations from the management with supporting evidence; |

## Key Audit Matters *(CONTINUED)*

**Impairment assessment of trade receivables (Continued)**
*(Refer to Notes 2.3(i), 4(b)(c) and 22 to the consolidated financial statements)*

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| We identified the impairment on trade receivables as key audit matter due to the magnitude of the balance of trade receivables and the assessment of the recoverability of the customers involved significant judgement and estimates made by the management. | We have performed the following procedures to address this key audit matter (Continued):<br><br>(vii) Assessed the appropriateness of the provisioning methodology and challenged the management's basis and judgement in determining impairment loss on trade receivables as at 31 December 2021, including the reasonableness of grouping in the provision matrix, the basis of estimation of historical default rates and expected credit loss rates for customers and forward-looking information, including the GDP and the growth rate of the debtor's industry, based on our understanding of the client's industry and with reference to external data sources, with the involvement of our internal valuation specialists;<br><br>(viii) Assessed the independence, competence, capabilities and relevant experiences of the independent valuer in measuring the ECL;<br><br>(ix) Tested the accuracy and completeness of key data used by the management to determine the ECL, on a sampling basis;<br><br>(x) Checked the mathematical accuracy of the calculation of the credit loss allowance; and<br><br>(xi) Evaluated the adequacy and appropriateness of disclosures regarding the impairment assessment of trade receivables in the consolidated financial statements. |

## Key Audit Matters *(CONTINUED)*

**Purchase price allocation for business combinations and subsequent measurement of contingent consideration**
*(Refer to Notes 2.3(b), 4(e), 32 and 39(a) to the consolidated financial statements)*

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| During the year ended 31 December 2021, the Group completed acquisitions of several property management services and city services companies for an aggregate consideration of approximately RMB1,586,709,000, and performed purchase price allocation for each acquisition.<br><br>Goodwill and intangible assets of approximately RMB915,704,000 and RMB531,243,000 arising from the business combinations are recognised.<br><br>In performing purchase price allocation, the management of the Company has:<br><br>(a) Assessed the identification of the assets acquired and the liabilities assumed, as well as recognised any additional assets and liabilities that are identified on the respective dates of acquisition;<br><br>(b) Engaged an independent valuer to estimate the fair value of the identifiable assets acquired and liabilities assumed; and<br><br>(c) Performed the purchase price allocation of the total cost against the Group's share of the net fair value of the acquired assets and liabilities.<br><br>During the year ended 31 December 2021, the Group has recognised the purchase consideration payables amounting to approximately RMB391,590,000. The fair value measurement of the contingent consideration payable involves the estimates of future profits of the acquires and other assumptions and key inputs. | We have performed the following procedures to address this key audit matter:<br><br>(i) Evaluated the design and tested the operating effectiveness of key controls over the purchase price allocation for business combinations, including the review and approval of assumptions and data input, based on approved budget, used in the valuation;<br><br>(ii) Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;<br><br>(iii) Discussed with the management of the Company and checked the related acquisition agreements to understand the background and other related important information related to the acquisitions;<br><br>(iv) Obtained the valuation reports as prepared by the independent valuer for the assets acquired and liabilities assumed, consideration at the respective acquisition dates and contingent consideration at the reporting date;<br><br>(v) Assessed the independence, competence, capabilities and relevant experiences of the independent valuer in conducting valuation of business value of companies with similar industry; and |

## Key Audit Matters *(CONTINUED)*

**Purchase price allocation for business combinations and subsequent measurement of contingent consideration (Continued)**
*(Refer to Notes 2.3(b), 4(e), 32 and 39(a) to the consolidated financial statements)*

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| We identified the purchase price allocation and subsequent measurement of contingent payables as key audit matter due to the assessment of fair value of identifiable net assets of the acquired subsidiaries as well as the contingent consideration payables involved significant management judgement and high level of estimation uncertainty. | We have performed the following procedures to address this key audit matter (Continued):<br><br>(vi) Performed the following procedures with our internal valuation specialists:<br><br>(a) Discussed the rationale and process of identification of any additional assets and liabilities with the management of the Company and the independent valuer;<br><br>(b) Assessed the appropriateness of the valuation methodologies and assumptions used in determining the fair value of the identifiable assets acquired and liabilities assumed and compared source and market data used in the underlying assumptions for valuation of the assets acquired with reference to comparable companies or transactions;<br><br>(c) In respect of the assumptions used in the valuation of contingent consideration, discussed with the management of the Company and the independent valuer about the assumptions such as growth rate used in profit projection based on our knowledge of the business and industry, and to challenge the reasonableness of the key inputs including assessing the reasonableness of the discount rate based on relevant market data of comparable companies where appropriate; and<br><br>(d) Checked the accuracy and relevance of the input data and mathematical accuracy of the valuation calculation and the underlying data used in the calculation. |

## Key Audit Matters *(CONTINUED)*

**Impairment assessment of goodwill**
*(Refer to Notes 2.3(d), 4(f) and 20 to the consolidated financial statements)*

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| As at 31 December 2021, the Group had goodwill of approximately RMB2,129,483,000 which arose from the Group's business combinations.<br><br>Goodwill impairment assessment is performed annually, or when there are events or changes in circumstances indicate that it might be impaired. Each of the acquired subsidiary is regarded as a cash-generated-units ("CGU"). The management of the Company assessed the impairment of goodwill, with the assistance of independent valuer, by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculations. The value-in-use calculations used the discounted cash flow forecast based on approved financial budgets and certain key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin, etc.<br><br>We identified the impairment assessment of goodwill as key audit matter due to the use of assumptions and data inputs involved significant management judgement and high level of estimation uncertainty. | We have performed the following procedures to address this key audit matter:<br><br>(i) Evaluated the design and tested the operating effectiveness of key controls over impairment assessment of goodwill, including the review and approval of assumptions and data input, based on approved budget, used in the assessment;<br><br>(ii) Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;<br><br>(iii) Assessed the independence, competence, capabilities and relevant experiences of the independent valuer in goodwill impairment assessment;<br><br>(iv) Assessed the appropriateness of the methodologies used, and assessed the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business;<br><br>(v) Discussed with the management of the Company about the assumptions such as future market condition, growth rate used in the cash flow forecast based on our knowledge of the business and industry, and to challenge the reasonableness of the key inputs including assessing the reasonableness of the discount rate based on the relevant market data of comparable companies where appropriate;<br><br>(vi) Checked the accuracy and relevance of the input data and mathematical accuracy of the calculation;<br><br>(vii) Compared the current year's actual performance with the prior year's budget and management plan to assess the reliability and historical accuracy of management's assessment; and<br><br>(viii) Evaluated the sensitivity analysis performed by management of the Company on the key assumptions as stated above and assessed the potential impacts of a range of possible outcomes. |

## Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2021.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The directors of the Company are assisted by the audit committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**Moore Stephens CPA Limited**
*Certified Public Accountants*

**Hung, Wan Fong Joanne**
Practising Certificate Number: P05419

Hong Kong, 22 June 2022

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | | Year ended 31 December | |
|---|---|---|---|
| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
| **Revenue** | 6 | 8,343,432 | 5,025,688 |
| Cost of sales and services | 6 | (5,953,343) | (3,447,939) |
| **Gross profit** | | 2,390,089 | 1,577,749 |
| Selling and marketing expenses | | (184,342) | (52,444) |
| Administrative expenses | | (688,990) | (562,336) |
| Provision of impairment losses on financial assets – net | 7 | (251,148) | (70,527) |
| Other income | 10 | 75,301 | 40,873 |
| Fair value changes in derivative embedded in convertible bonds | 30 | 144,746 | – |
| Other gains/(losses) – net | 11 | 26,492 | (24,662) |
| Other operating expenses | | (6,855) | (11,601) |
| **Operating profit** | | 1,505,293 | 897,052 |
| Finance income | | 30,775 | 11,407 |
| Finance costs | | (53,761) | (14,587) |
| Finance costs – net | 12 | (22,986) | (3,180) |
| Share of results of associates accounted for using the equity method | 16 | 13,396 | 10,915 |
| **Profit before income tax** | 7 | 1,495,703 | 904,787 |
| Income tax expense | 13 | (278,857) | (180,469) |
| **Profit for the year** | | 1,216,846 | 724,318 |
| **Profit attributable to:** | | | |
| – Equity holders of the Company | | 1,110,447 | 692,952 |
| – Non-controlling interests | | 106,399 | 31,366 |
| | | 1,216,846 | 724,318 |
| **Other comprehensive loss for the year** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| – Exchange differences on translation of foreign operations | | (80,841) | (166,508) |
| **Total other comprehensive loss for the year, net of tax** | | (80,841) | (166,508) |
| **Total comprehensive income for the year** | | 1,136,005 | 557,810 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2021

| | Note | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Total comprehensive income attributable to:** | | | |
| – Equity holders of the Company | | **1,029,606** | 526,444 |
| – Non-controlling interests | | **106,399** | 31,366 |
| | | **1,136,005** | 557,810 |
| **Earnings per share for profit attributable to the equity holders of the Company** | 14 | | |
| – Basic (RMB) | | **0.46** | 0.34 |
| – Diluted (RMB) | | **0.46** | 0.34 |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

31 December 2021

| | | As at 31 December | |
|---|---|---|---|
| | Notes | **2021 RMB'000** | 2020 RMB'000 |
| **Assets and liabilities** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **511,745** | 206,143 |
| Right-of-use assets | 18 | **43,942** | 27,212 |
| Investment properties | 19 | **20,177** | 19,931 |
| Intangible assets | 20 | **3,276,926** | 1,873,297 |
| Deferred tax assets | 34 | **95,236** | 67,533 |
| Investment in associates accounted for using the equity method | 16 | **42,184** | 34,074 |
| Financial assets at fair value through other comprehensive income | | **–** | 356 |
| Contract assets | 23 | **173,926** | – |
| Prepayments | 24 | **62,388** | 259,567 |
| **Total non-current assets** | | **4,226,524** | 2,488,113 |
| **Current assets** | | | |
| Inventories | 21 | **218,469** | 267,233 |
| Trade receivables | 22 | **3,154,942** | 1,863,164 |
| Prepayments, deposits and other receivables | 24 | **688,971** | 454,422 |
| Restricted cash | 25 | **29,452** | 2,045 |
| Cash and cash equivalents | 25 | **9,842,099** | 5,830,046 |
| **Total current assets** | | **13,933,933** | 8,416,910 |
| **Current liabilities** | | | |
| Trade payables | 31 | **1,143,127** | 679,403 |
| Deposits received, accruals and other payables | 32 | **2,065,830** | 2,307,548 |
| Contract liabilities | 6(a) | **1,550,393** | 815,334 |
| Income tax liabilities | | **390,864** | 185,729 |
| Convertible bonds | 30 | **2,389,029** | – |
| Derivative embedded in convertible bonds | 30 | **57** | – |
| Borrowings | 29 | **270,812** | 25,600 |
| Lease liabilities | 33 | **21,071** | 12,809 |
| **Total current liabilities** | | **7,831,183** | 4,026,423 |
| **Net current assets** | | **6,102,750** | 4,390,487 |
| **Total assets less current liabilities** | | **10,329,274** | 6,878,600 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2021

| | Notes | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 29 | **546,529** | 4,400 |
| Lease liabilities | 33 | **10,302** | 7,896 |
| Deferred tax liabilities | 34 | **207,389** | 122,162 |
| Provisions for other liabilities and charges | 28 | **4,796** | 3,297 |
| Other payables | 32 | **333,135** | – |
| **Total non-current liabilities** | | **1,102,151** | 137,755 |
| **Net assets** | | **9,227,123** | 6,740,845 |
| **Equity** | | | |
| Share capital | 26 | **21,445** | 20,499 |
| Reserves | 27 | **8,505,592** | 6,427,488 |
| **Total equity attributable to equity holders of the Company** | | **8,527,037** | 6,447,987 |
| **Non-controlling interests** | | **700,086** | 292,858 |
| **Total equity** | | **9,227,123** | 6,740,845 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 68 to 172 were approved by the Board of Directors on 22 June 2022 and were signed on its behalf.

**Ye Mingjie**
*Director*

**Cai Wenwei**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 26) | Share premium* RMB'000 (Note 27) | Statutory reserves* RMB'000 (Note 27) | Other reserves* RMB'000 (Note 27) | Convertible redeemable preferred shares* RMB'000 (Note 26(ii)) | Retained earnings* RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2020** | – | – | 73,131 | (28,500) | – | 189,164 | 233,795 | – | 233,795 |
| **Comprehensive income** | | | | | | | | | |
| Profit for the year | – | – | – | – | – | 692,952 | 692,952 | 31,366 | 724,318 |
| **Other comprehensive income/(loss)** | | | | | | | | | |
| *Items that may be reclassified to profit or loss* | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | (166,508) | – | – | (166,508) | – | (166,508) |
| **Total comprehensive income for the year** | – | – | – | (166,508) | – | 692,952 | 526,444 | 31,366 | 557,810 |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| Deemed distribution arising from reorganisation (Note 27) | – | – | – | (11,510) | – | – | (11,510) | – | (11,510) |
| Reorganisation (Note 27) | – | 212,275 | – | (212,275) | – | – | – | – | |
| Waive of payable to related Party | – | – | – | 1,358 | – | – | 1,358 | – | 1,358 |
| Issuance of ordinary shares | 1 | – | – | – | – | – | 1 | – | 1 |
| Issuance of and re-designation into convertible redeemable preferred shares (Note 26(ii)) | – | – | – | (864,500) | 1,729,000 | – | 864,500 | – | 864,500 |
| Conversion of convertible redeemable preferred shares to ordinary shares (Note 26(ii)) | – | 1,729,000 | – | – | (1,729,000) | – | – | – | – |
| Capitalisation Issue (Note 26(i)(b)) | 17,344 | – | – | (17,344) | – | – | – | – | – |
| Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option (Note 26(i)(c)(d)) | 3,154 | 5,122,715 | – | – | – | – | 5,125,869 | – | 5,125,869 |
| Dividends declared by Mudanjiang Maoju Household Products Co., Ltd. | – | – | – | – | – | (720) | (720) | – | (720) |
| Dividends declared by Super Rocket Limited | – | – | – | – | – | (9,745) | (9,745) | – | (9,745) |
| Acquisition of subsidiaries (Note 39(d)) | – | – | – | (282,005) | – | – | (282,005) | 251,443 | (30,562) |
| Capital injection from non-controlling interests | – | – | – | – | – | – | – | 10,049 | 10,049 |
| **Total transactions with owners** | 20,499 | 7,063,990 | – | (1,386,276) | – | (10,465) | 5,687,748 | 261,492 | 5,949,240 |
| Appropriation to statutory reserves | – | – | 39,942 | – | – | (39,942) | – | – | – |
| **Balance at 31 December 2020** | 20,499 | 7,063,990 | 113,073 | (1,581,284) | – | 831,709 | 6,447,987 | 292,858 | 6,740,845 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2021

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 26) | Share premium* RMB'000 (Note 27) | Statutory reserves* RMB'000 (Note 27) | Other reserves* RMB'000 (Note 27) | Treasury reserve* RMB'000 (Note 27) | Retained earnings* RMB'000 (Note 27) | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2021** | 20,499 | 7,063,990 | 113,073 | (1,581,284) | – | 831,709 | 6,447,987 | 292,858 | 6,740,845 |
| **Comprehensive income** | | | | | | | | | |
| Profit for the year | – | – | – | – | – | 1,110,447 | 1,110,447 | 106,399 | 1,216,846 |
| **Other comprehensive income** | | | | | | | | | |
| *Items that may be reclassified to profit or loss* | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | (80,841) | – | – | (80,841) | – | (80,841) |
| **Total comprehensive income for the year** | – | – | – | (80,841) | – | 1,110,447 | 1,029,606 | 106,399 | 1,136,005 |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| Placing of new shares (Note 26(i)(e)) | 946 | 1,426,772 | – | – | – | – | 1,427,718 | – | 1,427,718 |
| Equity-settled share-based payment-Share Award Scheme (Note 35) | – | – | – | 33,867 | – | – | 33,867 | – | 33,867 |
| Dividends and distributions (Note 36) | – | – | – | – | – | (213,336) | (213,336) | – | (213,336) |
| Dispose of a subsidiary (Note 39(b)) | – | – | – | – | – | – | – | (12,091) | (12,091) |
| Acquisition of non-controlling interests (Note 39(c)) | – | – | – | (132,391) | – | – | (132,391) | (102,374) | (234,765) |
| Acquisition of subsidiaries (Note 39(a)) | – | – | – | – | – | – | – | 382,339 | 382,339 |
| Capital injection from ultimate holding company (Note 35) | – | – | – | 79,571 | (79,571) | – | – | – | – |
| Capital contribution from non-controlling interests | – | – | – | – | – | – | – | 32,955 | 32,955 |
| Repurchase of shares (Note 26(i)(g)) | – | – | – | – | (66,414) | – | (66,414) | – | (66,414) |
| **Total transactions with owners** | 946 | 1,426,772 | – | (18,953) | (145,985) | (213,336) | 1,049,444 | 300,829 | 1,350,273 |
| Appropriation to statutory reserves | – | – | 71,417 | – | – | (71,417) | – | – | – |
| **Balance at 31 December 2021** | 21,445 | 8,490,762 | 184,490 | (1,681,078) | (145,985) | 1,657,403 | 8,527,037 | 700,086 | 9,227,123 |

* These reserve accounts comprise the consolidated reserves of approximately RMB8,505,592,000 (2020: RMB6,427,488,000) in the consolidated balance sheet.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Notes | Year ended 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 37(a) | **1,291,094** | 1,139,800 |
| Interest received on bank deposits | | **30,775** | 11,407 |
| Income tax paid | | **(117,166)** | (187,078) |
| **Net cash generated from operating activities** | | **1,204,703** | 964,129 |
| **Cash flows from investing activities** | | | |
| Payment for acquisition of subsidiaries, net of cash acquired | 39(a) | **(1,147,717)** | (980,932) |
| Proceeds from disposal of a subsidiary, net of cash disposed | 39(b) | **91,383** | 14,381 |
| Payments for property, plant and equipment | 17 | **(119,647)** | (94,587) |
| Proceeds from disposal of property, plant and equipment | | **8,532** | 4,177 |
| Payments for investment properties | | **(789)** | – |
| Proceeds from disposal of investment properties | | **–** | 130,610 |
| Purchase of financial assets at fair value through profit or loss | | **–** | (68,789) |
| Proceed from disposal of financial assets at fair value through profit or loss | | **–** | 121,334 |
| Payments of software development costs | | **(73,526)** | (56,360) |
| Loans to related parties | 40(b) | **–** | (366,819) |
| Repayment of advance to related parties | 40(b) | **–** | 1,472,917 |
| Dividend from associates | 16 | **5,336** | – |
| **Net cash (used in)/generated from investing activities** | | **(1,236,428)** | 175,932 |
| **Cash flows from financing activities** | | | |
| Capital injection from owners before initial public offering | | **–** | 1 |
| Capital injection from non-controlling interests of subsidiaries | | **32,955** | 3,185 |
| Proceeds from placing of new shares | | **1,427,718** | – |
| Proceeds from issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option – net | 26(i) | **–** | 5,125,869 |
| Proceeds from issuance of convertible redeemable preferred shares | 26(ii) | **–** | 864,500 |
| Proceeds from issuance of convertible bonds | 30 | **2,536,858** | – |
| Payment for repurchase of shares | 26(i)(g) | **(66,414)** | – |
| Prepayment for consideration of acquisition of Zhejiang Sinew from non-controlling interests | 24(b) | **–** | (185,492) |
| Payment for acquisition of non-controlling interests | 39(c) | **(117,274)** | – |
| Dividends paid to the then shareholders of Shimao Tiancheng | | **–** | (569,712) |
| Proceeds from borrowings | | **682,487** | – |
| Repayments of borrowings | | **(51,175)** | (248,489) |
| Payment for consideration of reorganisation | 27 | **–** | (851,510) |
| Repayment of cash advance from related parties | 40(b) | **(38,549)** | (97,172) |
| Interest paid on borrowings | | **(14,143)** | (16,289) |
| Interest paid on leased liabilities | 33(b) | **(4,860)** | (1,348) |
| Payments for leased liabilities | 33(c) | **(21,074)** | (13,954) |
| Dividend paid | 36 | **(213,336)** | – |
| **Net cash generated from financing activities** | | **4,153,193** | 4,009,589 |
| **Net increase in cash and cash equivalents** | | **4,121,468** | 5,149,650 |
| Cash and cash equivalents at beginning of year | | **5,830,046** | 849,591 |
| Effects of exchange rate changes on cash and cash equivalents | | **(109,415)** | (169,195) |
| **Cash and cash equivalents at end of year** | | **9,842,099** | 5,830,046 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. General information

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

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

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

## 2.1 Basis of preparation

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

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

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

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

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

## 2.2 Changes in accounting policy and disclosures

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

### Application of amendments to HKFRSs

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

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

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

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

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

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

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

### Issued but not yet effective HKFRSs

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

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

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

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

## 2.3 Summary of significant accounting policies

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

### (a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021.

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

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

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

(ii) rights arising from other contractual arrangements; and

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

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

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

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

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (a) Basis of consolidation (continued)

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

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

### (b) Business combinations and goodwill

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

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

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

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

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

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interests, the Group records a financial liability in respect of the fair value of the redemption amount. Changes to the value of the financial liability are recognised as other gains/(losses) in the consolidated profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (b) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

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

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

### (c) Investments in associates

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

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

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

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

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

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

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

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### (e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, is stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress are stated at cost less impairment losses. Cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

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

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

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (e) Property, plant and equipment (continued)

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

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

### (f) Investment properties

Investment properties, representing commercial properties held for leases, are held for rental yields and are not occupied by the Group.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 to 40 years and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

### (g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

**(i) Computer software**

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years). The Group's computer software mainly includes the acquired software license for financial systems. Based on the current functionalities equipped by the software and the Group's daily operation needs, the Group considers useful lives of 5 to 10 years are the best estimation under the current financial reporting needs.

**(ii) Research and development**

Costs associated with research and development software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (g) Intangible assets (continued)

**(ii) Research and development (continued)**

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria in above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**(iii) Customer relationships**

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 96 to 120 months for the customer relationship. The useful life of 96 to 120 months for customer relationship is determined with reference to the directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

**(iv) Brand name**

Brand acquired in the business combination is recognised at fair value at the acquisition date. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful lives of 9 years.

**(v) Concession intangible assets**

Where the Group has entered into contractual service concession arrangements with local government authorities for its participation in the municipal sanitation public infrastructure construction business, the Group carries out the construction or upgrade work of municipal sanitation public infrastructures for the granting authorities and receives in exchange of a right to operate the public infrastructures concerned. Concession intangible assets correspond to the right granted by the respective concession grantors to the Group to charge users of the sanitation services and the fact that the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. Amortisation of concession intangible assets is calculated using the straight-line method over the concession period of 5 to 26 years.

### (h) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**(i) The Group as a lessee**

**Allocation of consideration to components of a contract**

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (h) Leases (continued)

#### (i) The Group as a lessee (continued)

**Right-of-use assets**

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

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group presents right-of-use assets as a separate line item on the consolidated balance sheet.

**Refundable rental deposits**

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

**Lease liabilities**

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated balance sheet.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (h) Leases (continued)

#### (i) The Group as a lessee (continued)

**Short-term leases and leases of low-value assets**

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

**Variable lease payments**

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in the consolidated statement of comprehensive income when the event or conditions that triggers those payments occurs.

**Extension and termination options**

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

**Lease modifications**

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**Covid-19-related rent concessions**

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way as if the changes are not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (h) Leases (continued)

**(ii) The Group as a lessor**

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Subleases for which the Group is an intermediate lessor are classified as finance or operating leases. Whenever the terms of the sublease transfer substantially all the risks and rewards incidental to ownership of head lease to the lessee, the contract is classified as a finance lease. All other head leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as finance lease receivables at commencement date at amounts equal to net investments in the leases, measured using the incremental borrowing rate in the respective leases and recognised the difference between the right-of-use assets and the net investment in the subleases in consolidated profit or loss. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. The lease receivable under lease arrangements are recognised as "other receivable" in the consolidated balance sheets.

Rental income from operating leases is recognised in consolidated profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the head lease, and such costs are recognised as an expense on a straight-line basis over the lease term consistent with investment properties from leased properties under sub-leases.

Rental income and finance income which are derived from the Group's ordinary course of business are presented as revenue.

### (i) Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

**Classification and subsequent measurement of financial assets**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit of loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at FVPL, transaction costs. Transaction costs directly attributable to the acquisition of financial assets at FVPL are recognised immediately in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (i) Financial assets (continued)

**Classification and subsequent measurement of financial assets (continued)**

All other financial assets are subsequently measured at FVPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch.

**Financial assets at amortised cost**

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss ("ECL") assessment.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating and recognising interest income and interest expense in consolidated profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but not considering the expected credit losses.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting period, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Accounting policy of impairment of financial assets measured at amortised cost is stated below.

Interest income which are derived from the Group's ordinary course of business are presented as other income.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (i) Financial assets (continued)

**Financial assets at FVOCI**

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated profit or loss as "Other income" when the Group's right to receive payments is established.

For the investment in debt instruments, they are subsequently measured at fair value. Interest income calculated using effective interest method. Impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

**Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

**Impairment of financial assets**

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

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (i) Financial assets (continued)

**Impairment of financial assets (continued)**

**Significant increase in credit risk**

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3(c) details how the Group determines whether there has been a significant increase in credit risk. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**Default**

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (i) Financial assets (continued)

**Impairment of financial assets (continued)**

**Write-off policy**

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

**Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

- Past-due status; and

- Nature, size and industry of debtors.

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

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

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

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-m ECL at the current reporting date.

ECL is measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (j) Financial liabilities

**Classification and subsequent measurement**

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

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

**Financial liabilities subsequently measured at amortised cost**

After initial recognition, the financial liabilities including trade payable, accruals and other payables, lease liabilities, dividend payables, bank borrowings and debt component of convertible bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**Financial liabilities measured at FVPL**

Financial liabilities at FVPL include (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVPL. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequently to initial recognition, the changes in fair value of the financial liabilities measured at fair value is recognised in profit or loss in the period in which they arise.

**Derecognition of financial liabilities**

A financial liability is derecognised when, and only when, the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to profit or loss.

### (k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. the Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

### (l) Convertible bond contains debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bond carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the debt and derivative components in proportion to their relative fair values. Transactions costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bond using the effective interest method.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (l) Convertible bond contains debt and derivative components (continued)

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**Embedded derivatives**

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposure and are readily separate and independent of each other.

### (m) Inventories

**(i) Car parking spaces**

Costs of purchased car parking spaces are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(ii) Other inventories**

Other inventories are stated at the lower of cost and net realisable value. Costs of other inventories is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (n) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### (o) Provisions

Provisions for legal claims are recognised when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### (p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (q) Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or when agreed by majority of the holders.

The Group recognised the convertible redeemable preferred shares as an equity instrument as the redemption obligation does not rest with the Company. They are initially recognised at proceeds received. Any directly attributable transaction costs are recognised as deduction from the equity.

### (r) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax asset and current tax liabilities and the deferred tax assets and deferred tax liabilities relating to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (s) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

### (t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred.

### (u) Employee benefits

**(i) Pension obligations**

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

**(ii) Housing funds, medical insurances and other social insurances**

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

**(iii) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**(iv) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (v) Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer that is not yet conditional. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment in accordance with HKFRS 9, details of which are included in the accounting policies for impairment of financial assets. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

**Contract costs**

Other than the costs which are capitalised as property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (v) Revenue recognition (continued)

**Contract costs (continued)**

**Contracts with multiple performance obligations (including allocation of transaction price)**

If contracts involve the sale of multiple services, the transaction prices will be allocated to each performance obligation based on their relative stand-alone selling prices.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, which is estimated based on expected cost plus a margin or an adjusted market assessment approach, depending on the availability of observable information.

**Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

**Principal versus agent**

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group provides property management services, value-added services and pre-delivery and consulting services. Revenue from contracts with customers is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Depending on the terms of the contracts and the laws that apply to the contract, services may be recognised over time or at a point in time.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (v) Revenue recognition (continued)

**Property management services**

Property management services mainly includes security, cleaning, greening and gardening, repair and maintenance as a subcontractor to construction companies, gardening companies and other property management companies, and file management services to owners or tenants of properties.

The Group recognises certain property management service under lump sum basis and under commission basis.

For revenue from the property management services is recognised in the accounting period in which the services are rendered as the customers simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

For property management services income from properties managed under a lump sum basis, where the Group acts as principal and is primarily responsible for providing the general property management services to the property owners by on-site staff which the labour costs are borne by the Group. Other expenses associated with general management services are borne by the Group. If the amount of general property management fees received is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the Group the shortfall. The Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under a commission basis, the general property management services are delivered by on-site staff which the labour costs are borne by the property owners, the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by labours and other suppliers to the property owners. Expenses associated with general management services are covered by the balance of the gross general property management fees paid by the property owners after deducting the commissions payable to the Group. The Group is not responsible for any shortfall if the amount of general property management fees received is not sufficient to cover all the associated expenses incurred. All shortfall or surplus are assumed or entitled by the property owners. The Group recognises the commission, which is calculated by a certain percentage of the total property management fee received or receivable from the property owners.

**Community value-added services**

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

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (v) Revenue recognition (continued)

**Community value-added services (continued)**

The Group provides carpark asset operation services, mainly including carpark sales agency service carpark sales business and public parking areas rental service. For carpark sales agency service provided to property owners and property developers, the Group acts as an agent in the carpark sales agency service as the Group is not the primary obligor to provide the carpark to property owners and the Group has no inventories risk and pricing discretion in sales of carparks. The Group recognises the commission on a net basis, which is calculated by a percentage of the sales price when the control of carpark has been transferred to property owners. For carpark sales business, the Group acts as a principal in carpark sales business as the Group obtains control of the carparks before the control of carparks transferred to property owners. Revenues are recognised when or as the control of the carparks is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the carpark is transferred at a point in time. For public parking areas rental service, the Group leases public parking areas owned by property owners to third parties, The Group provides agency services for property owners and recognises the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage at the point in time when the rental agreement is signed.

The Group provides smart community solutions and sells intelligent hardware devices and software to property owners, property developers, technology companies, and other property management companies, and provides software maintenance services to other property management companies. The Group develops its own software solutions by modifying and integrating software modules purchased or obtained from contracted research and development parties with enhanced features, functionalities and better user interface. These software solutions are then sold to customers as part of an integrated solution. The Group usually acts as a principal when it is primarily responsible for fulfilling the obligation to provide the software application integrated with hardware and controls the specified goods or services (i.e. software modules which are registered as the Group's own intellectual property rights), the revenue is recognised on a gross basis at the point in time when the goods are delivered to the customers.

For software maintenance services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period.

The Group also provides the technical solutions services and carry out data analytics and mobile APP mini-program development for big data marketing and demand generation for its property and community users. The Group acts as an agent in the provision of Technical Solution business as the Group links up the advertising customers and media partners or online marketing solutions providers and provides some value-added services to help the advertising customers to achieve the better marketing effectiveness by studying their marketing needs and closely monitor campaign performance on their behalf. The Group is not primarily responsible for fulfilling the obligation to provide technical solution services (which covering entertainment content services and user traffic acquisition services, etc.) and bears minimal risk in the project, the revenue is recognised on a net basis when the services are delivered to customers.

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (v) Revenue recognition (continued)

**Value-added services to non-property owners**

Value-added services to non-property owners mainly include display units and property sales venue management services and preliminary planning and design consultancy services to property developers at the pre-delivery stage, repair and maintenance management services to property developers during the warrant period of the residential units. The Group agrees the price for each service with the property developers upfront and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group recognises its presentation of these services revenue on a gross basis when the services are rendered.

The Group also provides the engineering services, representing a full cycle management over the construction and engineering jobs, covering formulating and controlling the work plan based on the customers' specification as well as liaising between the customers and subcontractors and carrying out the quality management throughout the project period. As the Group is not primarily responsible for fulfilling the obligation to provide construction and engineering services and bears minimal risk in the project, the revenue is recognised on a net basis when the services are delivered to customers.

**City services**

The Group provides city services, representing the integrated environmental sanitation services covering cleaning services, garbage collection services and waste treatment services for rural and urban areas, the revenue is recognised on gross basis when the services are rendered. The Group acts as principal and is primarily responsible for providing such services to the under-maintained and underserved communities by on-site staff which the labour costs are borne by the Group. The city services also covered the manufacturing and trading of sanitation equipment, the Group recognises revenues from the sale of equipment on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods when the goods are delivered to customers.

The Group also provides construction services under service concession arrangements. Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced.

**Revenue from other sources**

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

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

### (w) Segment reporting

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

### (x) Foreign currency translation

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (x) Foreign currency translation (continued)

**(iii) Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

### (y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### (z) Share-based payments

The Company operates a restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the Company's equity at the date at which they are granted. The grant by Shimao Group of the shares of the Company is treated as a capital contribution in equity (recorded in "Other reserves").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of share-based payments scheme is reflected as additional share dilution in the computation of earnings per share.

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (aa) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2.3 Summary of significant accounting policies *(CONTINUED)*

### (ab) Fair value measurement

The Group measures its financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## 3. Financial risk management objectives and policies

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

### (a) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The Group is exposed to foreign exchange risk primarily through cash and bank balances and convertible bonds that are denominated in a currency other than the functional currency of the operations in which they relate. The currencies giving rise to this risk are primarily HK$.

The carrying amounts of the Group's major financial assets and financial liabilities denominated in a currency other than the functional currencies of the group entities in net position as at the end of reporting period are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 | **2021 RMB'000** | 2020 RMB'000 |
| HK$ | **2,791,034** | – | **(2,389,029)** | – |
| US$ | **56,212** | – | **–** | – |

**Sensitivity analysis**

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Increase/ (decrease) on profit after income tax and retained earnings** RMB'000 | Increase/ (decrease) in foreign exchange rates | Increase/ (decrease) on profit after income tax and retained earnings RMB'000 |
| HK$ | **5%** | **20,100** | 5% | – |
| | **(5%)** | **(20,100)** | (5%) | – |
| US$ | **5%** | **2,811** | 5% | – |
| | **(5%)** | **(2,811)** | (5%) | – |

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020.

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

### (b) Interest rate risk

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

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

As at 31 December 2021, the Group has no floating-interests-rate interest bearing liabilities.

### (c) Credit risk

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

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

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

– Trade receivables; and

– Other financial assets at amortised cost.

**(i) Trade receivables**

As part of the Group's credit risk management, the Group monitors procedures to ensure that follow-up action is taken to recover overdue debts and applies internal credit rating for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Group applies simplified approach to measure the ECL which uses a lifetime expected loss allowance for all trade receivables. The Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix.

Except for related parties and customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables, representing larger number of small customers are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over past three (2020: three) years and the corresponding historical credit losses experienced within the period. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had considered that the PRC's gross domestic growth is the most relevant factor, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

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

### (c) Credit risk (continued)

#### (i) Trade receivables (continued)

Related parties and individual customers with significant balances are assessed individually for the credit risk and risk of default. The Group has used the past due information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

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

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

| | Third parties | | | | | | Related parties | |
|---|---|---|---|---|---|---|---|---|
| **Past due:** | **Less than 1 year** | **1 to 2 years** | **2 to 3 years** | **3 to 4 years** | **4 to 5 years** | **Over 5 years** | **Less than 1 year** | **Total** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 31 December 2021** | | | | | | | | |
| Expected credit loss rate | **6%** | **24%** | **44%** | **73%** | **100%** | **100%** | **10.0%** | **9%** |
| Gross carrying amount | **2,402,412** | **340,563** | **33,261** | **3,612** | **2,698** | **13,354** | **672,438** | **3,468,338** |
| Expected credit losses | **132,133** | **81,007** | **14,635** | **2,637** | **2,698** | **13,354** | **66,932** | **313,396** |
| At 31 December 2020 | | | | | | | | |
| Expected credit loss rate | 5% | 19% | 32% | 52% | 80% | 100% | 0.5% | 6% |
| Gross carrying amount | 1,490,571 | 70,380 | 17,604 | 10,071 | 7,156 | 12,465 | 371,089 | 1,979,336 |
| Expected credit losses | 71,719 | 13,575 | 5,639 | 5,221 | 5,698 | 12,465 | 1,855 | 116,172 |

During the year ended 31 December 2021, no impairment losses on contract assets were recognised (2020: Nil).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously impaired are credited against the same line item.

The movement of allowance for impairment of trade receivables is disclosed in Note 22 to these consolidated financial statements.

Except for the balances with the related parties, concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

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

### (c) Credit risk (continued)

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

For the deposits and other receivables other than balances with related parties, they are closely monitored for recoverability and collectability and the Group maintains close communications with the counterparties. The Group uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition. As at the reporting date, the balances are not past due, and based on historical experience, majority of these balances were settled shortly upon maturity, hence the associated credit risk is minimal. The management considered that the identified impairment loss under expected credit loss model was immaterial.

Related parties are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and time deposits, since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. The management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group estimated expected credit losses by applying a loss rate approach with reference to the historical loss record of Group. The loss rate is adjusted to reflect to the current conditions and forecasts of future economic conditions, as appropriate. Set out below is the information about the credit risk exposure on the Group's other receivables:

| | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | | 2020 | | |
| | **Expected loss rate** | **Gross carrying amount** | **Loss allowance provision** | Expected loss rate | Gross carrying amount | Loss allowance provision |
| **Other financial assets at amortised cost:** | | | | | | |
| Other receivables | | | | | | |
| – Advance to related parties | **10%** | **303,143** | **30,314** | 0.5% | 175,639 | 878 |
| – Advance to employees | **6%** | **6,552** | **393** | 5% | 8,483 | 384 |
| – Payments on behalf of property owners | **11%** | **138,120** | **15,193** | 2% | 130,898 | 2,031 |
| – Deposits | **6%** | **129,049** | **7,743** | 1% | 34,054 | 177 |
| – Others | **12%** | **43,463** | **5,217** | 4% | 24,925 | 926 |
| | | **620,327** | **58,860** | | 373,999 | 4,396 |

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

### (c) Credit risk (continued)

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

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

| Internal credit rating | Description | Trade receivables/ contract assets | Other financial assets |
|---|---|---|---|
| Performing | The counterparty has a low to moderate risk of default and does not have any past-due amounts | Lifetime ECL – not-credit impaired | 12m ECL |
| Underperforming | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not-credit impaired | Lifetime ECL – not-credit impaired |
| Non-performing | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit impaired | Lifetime ECL – credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

| | Notes | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount 2021 RMB'000 | Gross carrying amount 2020 RMB'000 |
|---|---|---|---|---|---|
| Financial assets at amortised cost: | | | | | |
| Trade receivables | 22 | Performing | Lifetime ECL (not credit-impaired) | **3,454,984** | 1,966,871 |
| | | Non-performing | Lifetime ECL (credit-impaired) | **13,354** | 12,465 |
| Deposits and other receivables, excluding prepayments and goods and services tax receivables | 24 | Performing | 12m ECL | **620,327** | 373,999 |
| Cash and cash equivalents | 25 | N/A | 12m ECL | **9,842,099** | 5,830,046 |

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

### (d) Liquidity risk

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of its development projects, and flexibility through the use of stand-by credit facilities.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for convertible bonds, balances due within 12 months from the balance sheet date equal to their carrying amounts in consolidated balance sheet, as the impact of discount is not significant.

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| Trade payables | **1,143,127** | **–** | **–** | **–** | **1,143,127** |
| Deposits received, accruals and other payables* | **1,757,176** | **–** | **–** | **–** | **1,757,176** |
| Borrowing and interest payments | **280,083** | **9,600** | **453,841** | **83,088** | **826,612** |
| Convertible bonds and interest payments | **2,617,869** | **–** | **–** | **–** | **2,617,869** |
| Lease liabilities | **22,485** | **6,806** | **3,821** | **–** | **33,112** |
| | **5,820,740** | **16,406** | **457,662** | **83,088** | **6,377,896** |
| As at 31 December 2020 | | | | | |
| Trade payables | 679,403 | – | – | – | 679,403 |
| Deposits received, accruals and other payables* | 1,883,528 | – | – | – | 1,883,528 |
| Borrowing and interest payments | 26,588 | 4,544 | – | – | 31,132 |
| Lease liabilities | 13,452 | 6,462 | 1,531 | – | 21,445 |
| | 2,602,971 | 11,006 | 1,531 | – | 2,615,508 |

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

### (e) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for capital management during the year ended 31 December 2021.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

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

### (e) Capital management (continued)

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

| | As at 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| Borrowings (Note 29) | **(817,341)** | (30,000) |
| Lease liabilities (Note 33) | **(31,373)** | (20,705) |
| Convertible bonds (Note 30) | **(2,389,029)** | – |
| Less: Cash and cash equivalents (Note 25) | **9,842,099** | 5,830,046 |
| Net cash | **6,604,356** | 5,779,341 |
| Total equity | **9,227,123** | 6,740,845 |
| Gearing ratio | **Note** | Note |

Note: The Group is at a net cash position and there is no gearing as of 31 December 2021 (2020: Same).

### (f) Fair value estimation

**(i) Financial instruments not measured at fair value**

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

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

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

## (f) Fair value estimation (continued)

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

The following table presents the Group's financial assets and liabilities measured at fair value at the end of each reporting period.

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **As at 31 December 2021** | | | | |
| **Assets** | | | | |
| Financial assets at FVOCI | – | – | – | – |
| **Liabilities** | | | | |
| Consideration payable arising from non-controlling shareholders' put options (Note 32) | – | – | 344,532 | 344,532 |
| Purchase consideration (Note 32) | – | – | 464,888 | 464,888 |
| Derivatives embedded in convertible bonds (Note 30) | – | – | 57 | 57 |
| | – | – | 809,477 | 809,477 |
| **As at 31 December 2020** | | | | |
| **Assets** | | | | |
| Financial assets at FVOCI | – | – | 356 | 356 |
| **Liabilities** | | | | |
| Consideration payable arising from non-controlling shareholders' put options (Note 32) | – | – | 320,344 | 320,344 |
| Purchase consideration (Note 32) | – | – | 320,295 | 320,295 |
| | – | – | 640,639 | 640,639 |

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

## (f) Fair value estimation (continued)

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

The following table presents the changes in level 3 instruments for the reporting period:

| | **Financial assets at FVPL** RMB'000 | **Financial assets at FVOCI** RMB'000 | **Consideration payable arising from non-controlling shareholders' put options** RMB'000 | **Purchase consideration payable** RMB'000 | **Derivatives embedded in convertible bonds** RMB'000 |
|---|---|---|---|---|---|
| As at 1 January 2020 | – | – | 19,997 | 5,929 | – |
| Additions | 68,789 | – | 282,004 | 320,295 | – |
| Payment | – | – | – | (5,929) | |
| Additions from acquisition of a subsidiary | 50,483 | 356 | – | – | – |
| Change in fair value recognised in the profit or loss | 2,062 | – | 18,343 | – | – |
| Disposal | (121,334) | – | – | – | – |
| As at 31 December 2020 and 1 January 2021 | – | 356 | 320,344 | 320,295 | – |
| Additions | – | – | – | 391,590 | 144,803 |
| Payment | – | – | – | (246,997) | – |
| Disposal | – | (356) | – | – | – |
| Change in fair value recognised in the profit or loss | – | – | 24,188 | – | (144,746) |
| **As at 31 December 2021** | **–** | **–** | **344,532** | **464,888** | **57** |

There were no transfers between the three levels during the reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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

### (f) Fair value estimation (continued)

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

| Financial instruments | Valuation techniques and key inputs | Significant unobservable inputs | Range | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Derivative embedded in convertible bonds | Binominal tree pricing model | Risk free rate | 0.24% (2020: N/A) | Increase in risk-free rate would result in decrease in fair value |
| | | Expected volatility | 41.15% (2020: N/A) | Increase in volatility would result in increase in fair value |
| Consideration payable arising from non-controlling shareholders' put options | Discounted cash flow | Expected discount rate | 8.5% (2020: 5.5% – 6%) | Increase in discount rate would result in decrease in fair value |
| Purchase consideration payables | Discounted cash flow | Expected revenue | RMB85,928,000 – RMB1,327,690,000 (2020: RMB50,546,000 – RMB748,570,000) | Increase in expected revenue and net profit would result in increase in fair value |
| | | Expected net profit | RMB96,400,000 (2020: RMB14,300,000 – RMB16,020,000) | |

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

## 4. Critical accounting estimates and judgements

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

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

### (a) Revenue recognition

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

### (b) Provision of ECLs on balances with related parties

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

The balances with related parties will use lifetime ECL when the credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available counterparties' historical data and existing and forecast market conditions.

ECLs on balances with related parties which are not assessed to be credit impaired are estimated based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group considers factors including macroeconomic factors, industry risks and changes in debtors' conditions. Judgement is applied in identifying the most appropriate ECL model as well as for determining the assumptions used in the model, including those related to key drivers of credit risk.

The information about the ECL and the Group's balances with the related parties included in trade receivables, contract assets and other receivables are disclosed in Notes 3(c)(i), 3(c)(ii), 22 and 24, respectively.

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

The Group performs impairment assessment under ECL model on trade receivables individually or based on provision matrix.

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the Group used provision matrix to calculate the ECL for its trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

## 4. Critical accounting estimates and judgements *(CONTINUED)*

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Where the actual outcome or expectation in future is different from original estimate, such differences will impact the carrying amount of trade receivables and credit loss allowance in the period in which the estimate has been changed. The information about the ECLs on the Group's trade receivables is disclosed in Note 22.

### (d) Fair value assessment of identifiable intangible assets and recognition of goodwill arising from business combinations

Significant judgements and estimates were involved in the fair value assessment of the identifiable intangible assets and recognition of goodwill arising from business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies (discounted future cash flow method) and the use of significant assumptions in the valuation (mainly including gross profit margins, post-tax discount rates and expected useful lives of customer relationships). The information about the business combinations is disclosed in Note 39.

### (e) Fair value measurement of contingent consideration payable

The fair value measurement of the contingent consideration payable in relation to the acquisition of subsidiaries at the date of acquisition were determined using the probabilistic approach with possible scenarios under different financial forecasts of subsidiaries. The fair value of the contingent consideration payable at the end of the reporting period was also determined using the probabilistic approach which is primarily based on the financial forecast of subsidiaries. The application of financial forecast or management accounts requires the Group to estimate whether the targeted revenue and profit, are likely to be met. The information about the contingent consideration payable is disclosed in Note 32(a).

### (f) Impairment of goodwill

For the purposes of goodwill impairment assessment, management considered each of the acquired property management groups a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired subsidiaries. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include annual revenue growth rate, gross profit margin and pre-tax discount rate. The information about the goodwill is disclosed in Note 20(a).

### (g) Fair value measurement of derivative embedded in convertible bonds

The management of the Group is required to exercise judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For the derivative embedded in convertible bonds, binomial model is used for valuation which involves several key assumptions and estimates including share price volatility, dividend yield and risk-free rate. The information about the convertible bonds is disclosed in Note 30.

### (h) Provision for inventories

The Group assesses the carrying amounts of inventories according to their net realisable value. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed.

## 4. Critical accounting estimates and judgements *(CONTINUED)*

### (i) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

### (j) Research and development costs

In accordance with the accounting policy set out in Note 2.3(g)(ii), costs associated with research activities are expensed in profit or loss as they are incurred, while costs that are directly attributable to development activities are recognised as other intangible assets provided they meet all the requirements. This requires the management to make judgements to distinguish the research phase and development phase of the projects being undertaken. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research, findings or other knowledge to a plan or design for the production of new or substantially improved materials devices, products, processes, systems or services before the start of commercial production or use. Determining the amounts to be expensed in profit or loss or to be capitalised required management to make judgement, and assumptions regarding the expected progress and outcome of the research and development activities, the future expected cash generation of the assets, discount rates to be applied, and also the expected period of, probable future economic benefits.

## 5. Segment information

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

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

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

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

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

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

The CODM assesses the performance of the operating segments based on a measure of operating profits, adjusted by excluding finance income, finance costs, other gains/(losses) – net, fair value changes in derivative embedded in convertible bonds, share of results of associates accounted for using the equity method and certain unallocated expenses.

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

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

## 5. Segment information *(CONTINUED)*

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

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

The segment revenue and results are as follows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

## 5. Segment information *(CONTINUED)*

The segment assets and liabilities are as follows:

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

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

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

## 6. Revenue and cost of sales and services

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

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

For the year ended 31 December 2021, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 8.12% and 2.80% (2020: 19.12% and 0.66%) of the Group's revenue from property management services, community value-added services and value-added services to non-property owners, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2021 (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

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

### (a) Contract liabilities

The Group had recognised the following revenue-related contract liabilities:

| | As at 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| Property management services | **1,004,065** | 505,147 |
| Community value-added services | **522,990** | 289,647 |
| Value-added services to non-property owners | **18,819** | 20,540 |
| City services | **4,519** | – |
| | **1,550,393** | 815,334 |
| – Related parties (Note 40(d)) | **54,685** | 18,142 |
| – Third parties | **1,495,708** | 797,192 |
| | **1,550,393** | 815,334 |

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

### (b) Revenue recognised in relation to contract liabilities

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

| | Year ended 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| **Revenue recognised that was included in the contract liabilities balance at the beginning of the year** | | |
| Property management services | **505,147** | 393,709 |
| Community value-added services | **289,647** | 50,170 |
| Value-added services to non-property owners | **20,540** | 1,723 |
| | **815,334** | 445,602 |

Movement of contract liabilities is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| At 1 January | **815,334** | 445,602 |
| Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year | **1,550,393** | 815,334 |
| Decrease in contract liabilities as a result of recognising revenue during the year | **(815,334)** | (445,602) |
| | **1,550,393** | 815,334 |

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

### (c) Unsatisfied performance obligations

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

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

## 7. Profit before income tax

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

| | | Year ended 31 December | |
|---|---|---|---|
| | Notes | **2021 RMB'000** | 2020 RMB'000 |
| Employee benefit expenses (excluding directors' and chief executive's remuneration) | 8 | **2,821,736** | 1,664,036 |
| Equity-settled share-based payment | | | |
| – Employees other than directors | 8 | **25,456** | – |
| – Directors | 9(a) | **8,411** | – |
| | | **33,867** | – |
| Provision of impairment losses on financial assets – net | | | |
| – Third parties | | | |
| Provision of impairment losses on trade receivables | 22 | **131,607** | 75,534 |
| Provision of impairment losses on other financial assets included in deposits and other receivables | 24 | **40,661** | 351 |
| – Related parties | | | |
| Provision/(reversal) of impairment losses on trade receivables | 22 | **65,077** | (705) |
| Provision/(reversal) of impairment losses on other financial assets included in deposits and other receivables | 24 | **13,803** | (4,653) |
| Total provision of impairment losses on financial assets – net | | **251,148** | 70,527 |

## 7. Profit before income tax *(CONTINUED)*

| | | Year ended 31 December | |
|---|---|---|---|
| | Notes | **2021 RMB'000** | 2020 RMB'000 |
| Depreciation and amortisation: | | | |
| Depreciation of property, plant and equipment | 17 | **33,125** | 26,300 |
| Depreciation of right-of-use assets, included in administrative expenses | 18 | **26,745** | 9,541 |
| Depreciation of investment properties, included in cost of sales and services | 19 | **543** | 9,629 |
| Amortisation of intangible assets | 20 | **116,844** | 39,348 |
| | | **177,257** | 84,818 |
| Listing expenses excluding audit fees | | **–** | 27,009 |
| Auditors' remuneration | | | |
| – Audit services in relation to the listing | | **–** | 6,600 |
| – Annual and other audit services (Note (a)) | | **7,500** | 2,580 |
| – Non-audit services (Note (b)) | | **2,264** | 6,440 |
| | | **9,764** | 15,620 |
| Cost of inventories sold | | **975,413** | 384,710 |
| Cost of selling parking lots | | **89,261** | 138,258 |
| Raw materials used in catering services | | **135,196** | 65,926 |

Notes:

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

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

## 8. Employee benefit expenses

| | Year ended 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Wages, salaries and bonuses | **2,354,034** | 1,362,276 |
| Pension costs | **185,997** | 104,682 |
| Housing funds, medical insurances and other social insurances (Note) | **189,204** | 124,859 |
| Equity-settled share-based payment (Note 7) | **25,456** | – |
| Other employment benefits | **67,045** | 72,219 |
| | **2,821,736** | 1,664,036 |

Note: Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution. Pursuant to an announcement issued by the Ministry of Human Resources and Social Security of the PRC, in the light of COVID-19 pandemic, certain Group entities were exempted from making employer contribution to pension, unemployment, and work-related injury insurance schemes between February to December 2020.

## 8. Employee benefit expenses *(CONTINUED)*

### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four (2020: two) directors for the year ended 31 December 2021, whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining one (2020: three) individual(s) for the year are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Wages, salaries and bonuses | **1,361** | 3,552 |
| Pension costs | **57** | 24 |
| Housing funds, medical insurances and other social insurances | **78** | 182 |
| Equity-settled share-based payment | **1,742** | – |
| | **3,238** | 3,758 |

The emoluments of remaining one (2020: three) individual(s) fell within the following bands:

| | Number of individuals Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Emolument bands | | |
| HK$1,000,001 – HK$2,000,000 (equivalents to RMB818,000 – RMB1,635,000) | **1** | 3 |

During the year ended 31 December 2021, the highest paid non-director individuals did not receive any emolument from the Group as an inducement to join or upon joining the Group, nor leave the Group or as compensation for loss of office (2020: Nil).

## 9. Directors' benefits and interests

As the date of the report, the following directors and senior managements were appointed:

**Executive Directors**
Mr. Hui Sai Tan, Jason (Note (a)(i))
Mr. Ye Mingjie (Note (a)(ii))
Mr. Cao Shiyang (Note (a)(ii))
Mr. Cai Wenwei (Note (a)(ii))
Mr. Liu Yu (Note (a)(ii))

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

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

### (a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2021 as follows:

| Name | Fees RMB'000 | Salaries RMB'000 | Bonus RMB'000 | Equity-settled share-based payment RMB'000 | Housing allowances and contributions to a retirement scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Mr. Hui Sai Tan, Jason | – | – | – | – | – | – |
| Mr. Ye Mingjie | – | 2,414 | – | 6,481 | 135 | 9,030 |
| Mr. Cao Shiyang | – | 1,237 | 144 | 1,091 | 74 | 2,546 |
| Mr. Cai Wenwei | – | 971 | 111 | 839 | 135 | 2,056 |
| Mr. Liu Yu | – | 90 | 14 | – | 8 | 112 |
| **Non-executive Directors** | | | | | | |
| Ms. Tang Fei | – | – | – | – | – | – |
| Mr. Sun Yan | – | – | – | – | – | – |
| **Independent Non-executive Directors** | | | | | | |
| Ms. Kan Lai Kuen, Alice | 294 | – | – | – | – | 294 |
| Mr. Gu Yunchang | 294 | – | – | – | – | 294 |
| Ms. Zhou Xinyi | 294 | – | – | – | – | 294 |
| | 882 | 4,712 | 269 | 8,411 | 352 | 14,626 |

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2020 as follows:

| Name | Fees RMB'000 | Salaries RMB'000 | Bonus RMB'000 | Housing allowances and contributions to a retirement scheme RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Mr. Hui Sai Tan, Jason | – | – | – | – | – |
| Mr. Ye Mingjie | – | 1,857 | 927 | 74 | 2,858 |
| Mr. Cao Shiyang | – | 1,078 | 350 | 43 | 1,471 |
| Mr. Cai Wenwei | – | 864 | 137 | 65 | 1,066 |
| **Non-executive Directors** | | | | | |
| Ms. Tang Fei | – | – | – | – | – |
| Mr. Sun Yan | – | – | – | – | – |
| **Independent Non-executive Directors** | | | | | |
| Ms. Kan Lai Kuen, Alice | 62 | – | – | – | 62 |
| Mr. Gu Yunchang | 62 | – | – | – | 62 |
| Ms. Zhou Xinyi | 62 | – | – | – | 62 |
| | 186 | 3,799 | 1,414 | 182 | 5,581 |

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

### (a) Directors' emoluments (continued)

(i) Before the listing of the Company, the emoluments of the executive director, Mr. Hui Sai Tan, Jason and the non-executive directors, Ms. Tang Fei and Mr. Sun Yan in relation to their services rendered for the Group for the year ended 31 December 2020 were borne by related parties of the Group and not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation. During the period from the listing of the Group to 31 December 2020, the three directors have not received any emoluments from the Group. Mr. Sun Yan resigned as non-executive director on 13 December 2021.

(ii) Mr. Ye Mingjie and Mr. Cao Shiyang were appointed as the Company's executive directors on 1 June 2020, whereas Mr. Cai Wenwei was appointed as the Company's executive director on 18 September 2020. Mr. Liu Yu was appointed as the Company's executive director on 13 December 2021.

(iii) Ms. Kan Lai Kuen, Alice, Mr. Gu Yunchang and Ms. Zhou Xinyi were appointed as the Company's independent non-executive directors on 13 October 2020.

### (b) Retirement benefits of directors

During the year ended 31 December 2021, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC (2020: Nil).

### (c) Termination benefits of directors

During the year ended 31 December 2021, there were no termination benefits received by the directors (2020: Nil).

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

During the year ended 31 December 2021, no consideration was paid for making available the services of the directors or senior management of the Company (2020: Nil).

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

During the year ended 31 December 2021, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors (2020: Nil).

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at 31 December 2021 (2020: Nil) or at any time during the year ended 31 December 2021 (2020: Nil).

## 10. Other income

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

Note: 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 (2020: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

## 11. Other gains/(losses) – net

| | Year ended 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Net fair value losses of non-controlling shareholders' put options (Note 32(b)) | **(24,188)** | (18,343) |
| Net loss on disposal of investment properties (Notes (a) and 40(b)(ii)) | **–** | (13,489) |
| (Loss)/gain on disposal of financial assets at FVPL | **(13,978)** | 2,062 |
| Net gain on disposal of property, plant and equipment | **4,796** | 1,580 |
| Net gain on disposal of a subsidiary (Note 39(b)) | **69,059** | 511 |
| Net foreign exchange losses | **(6,422)** | (2,690) |
| Others | **(2,775)** | 5,707 |
| | **26,492** | (24,662) |

(a) In August 2020, the Group entered into agreements to dispose two investment properties to Shimao Group with a total consideration of RMB130,610,000 that is determined with reference to an independent valuer.

## 12. Finance costs – net

| | Year ended 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Interest income on bank deposits | **30,775** | 11,407 |
| **Finance income** | **30,775** | 11,407 |
| Interest expense on Asset-Backed Securities | **–** | (13,239) |
| Interest expense on convertible bonds (Note 30) | **(31,340)** | – |
| Interest and finance charges paid/payable for borrowings and lease liabilities and others | **(22,421)** | (1,348) |
| **Finance costs** | **(53,761)** | (14,587) |
| **Finance costs – net** | **(22,986)** | (3,180) |

## 13. Income tax expense

| | Year ended 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| Current income tax – PRC | | |
| – Corporate income tax | **317,841** | 232,087 |
| – Withholding tax (Note (e)) | **–** | 1,031 |
| – Under-provision in prior years | **4,460** | – |
| | **322,301** | 233,118 |
| Deferred tax credit (Note 34) | | |
| – PRC corporate income tax | **(43,444)** | (52,649) |
| | **278,857** | 180,469 |

### (a) Cayman Island income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

### (b) BVI income tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

### (c) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax for the year ended 31 December 2021 (2020: Nil).

### (d) 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 assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the year ended 31 December 2021.

Hailiang Property Management Co., Ltd. applied a preferential tax rate of 15% until 2020 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Shanghai to Tibet on 19 December 2017.

Chengdu Xinyi Property Co., Ltd. and Hailiang Real Estate Management Co., Ltd. applied a preferential tax rate of 15% for its head office in the Western provinces.

In accordance with Caishui Circular [2012] No. 27 ("Circular No. 27"), Shimao Wulianwang is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2021 after utilising all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

Shanghai Chunqiji Elderly Care Service Co., Ltd., Shenzhen Shenxiong Environmental Co., Ltd. and Wuxi Jinshatian Technology Co., Ltd. established in the PRC that were acquired during the year are qualified as "High and New Technology Enterprise" subject to a preferential income tax rate of 15% for three years from 1 December 2020, 11 December 2020, 7 November 2019 respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

## 13. Income tax expense *(CONTINUED)*

### (e) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

As at 31 December 2021, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB2,975,583,000 (2020: RMB1,296,409,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

**(f)** The reconciliation from income tax calculated based on the applicable tax rates and profit before income tax presented in the consolidated statement of comprehensive income to the income tax expenses is listed below:

| | Year ended 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Profit before income tax | **1,495,704** | 904,787 |
| Tax calculated at applicable corporate income tax rate of 25% | **373,926** | 226,197 |
| Tax effects of: | | |
| – Expenses not deductible for taxation purposes | **10,611** | 6,474 |
| – Income not taxable for tax purpose | **(3,199)** | (5,586) |
| – Tax loss not recognised | **1,864** | 15,975 |
| – Unrecognised tax loss/temporary difference utilised | **(69,765)** | (5,950) |
| – Different tax rate applied | **(39,040)** | (57,672) |
| – Under-provision in prior years | **4,460** | – |
| Income tax charge | **278,857** | 179,438 |
| Withholding income tax on profits distributed | **–** | 1,031 |
| | **278,857** | 180,469 |

## 14. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares. For the year ended 31 December 2021, the weighted average number of ordinary shares represented the 2,478,973,000 ordinary shares in issue for the year, and included the effects of 115,000,000 ordinary shares issued by the Company on 2 November 2021 (Note 26(i)(e)), unsubscribed buyback of 10,800,000 ordinary shares (Note 26(i)(g)) and the 4,866,137 unvested shares awarded on 3 May 2021 (Note 35).

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

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

## 14. Earnings per share *(CONTINUED)*

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares arising from the share award scheme (Note 35) and convertible bonds (Note 30).

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

## 15. Subsidiaries

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

| Name of entity | Place and date of incorporation/ establishment | Issued/ Registered capital | Ownership interest held by the group As at 31 December 2021 | 2020 | Principal activities/ place of operation |
|---|---|---|---|---|---|
| Shimao Services (BVI) Limited | The British Virgin Islands 4 December 2019 | USD1 | **100%** | 100% | Investment holding, the British Virgin Island |
| Origin Prime Property Services Limited | Hong Kong 18 April 2019 | USD10,000 | **100%** | 100% | Investment holding, Hong Kong |
| Super Rocket Limited | Hong Kong 16 May 2017 | HK$1 | **100%** | 100% | Investment holding, Hong Kong |
| Shanghai Aoling Enterprise Management Co., Ltd. | The PRC 17 June 2019 | RMB4,305,000,000 | **100%** | 100% | Investment holding, the PRC |
| Shimao Tiancheng Property Services Group Co., Ltd. | The PRC 16 September 2005 | RMB5,100,000,000 | **100%** | 100% | Property management services in Shanghai |
| Quanshou Shimao Sanyuan Real Estate Management Co., Ltd. ("Quanshou Sanyuan") | The PRC 26 June 2003 | RMB5,000,000 | **51%** | 51% | Property management services in Quanshou |
| Shanghai Runshang Real Estate Agent Co., Ltd. | The PRC 9 August 2012 | RMB1,000,000 | **100%** | 100% | Real estate agent services in Shanghai |
| Shanghai Fanying Environmental Engineering Co., Ltd. | The PRC 30 December 2014 | RMB20,000,000 | **100%** | 100% | Gardening and greening services in Shanghai |
| Shanghai Shibin E-Commerce Co., Ltd. | The PRC 24 December 2014 | RMB1,000,000 | **100%** | 100% | Wholesales in Shanghai |
| Shanghai Shimao Wulianwang Technology Co., Ltd. ("Shimao Wulianwang") | The PRC 29 December 2018 | RMB100,000,000 | **100%** | 100% | Technology services in Shanghai |
| Shanghai Maoyi Management Consulting Co., Ltd. | The PRC 19 March 2014 | RMB10,000,000 | **100%** | 100% | Business Services in Shanghai |
| Shanghai Shibei Intelligent Engineering Co., Ltd. | The PRC 30 December 2014 | RMB8,000,000 | **100%** | 100% | Construction decoration and other construction in Shanghai |
| Shanghai Guanghe Education Technology Co., Ltd. | The PRC 9 April 2019 | RMB5,000,000 | **100%** | 100% | Education in Shanghai |
| Hailiang Real Estate Management Co., Ltd. ("Hailiang Subgroup") | The PRC 7 July 2014 | RMB50,000,000 | **100%** | 100% | Property management services in Lhasa |
| Chengdu Xinyi Property Co., Ltd. ("Chengdu Xinyi") | The PRC 14 December 2000 | RMB10,000,000 | **Not Applicable** | Not Applicable | Property management services in Sichuan |
| Nanjing Haixia Real Estate Management Co., Ltd. | The PRC 11 October 2011 | RMB500,000 | **100%** | 100% | Property management services in Nanjing |

## 15. Subsidiaries *(CONTINUED)*

| Name of entity | Place and date of incorporation/ establishment | Issued/ Registered capital | Ownership interest held by the group As at 31 December 2021 | 2020 | Principal activities/ place of operation |
|---|---|---|---|---|---|
| Mudanjiang Feixia Management Co., Ltd. ("Mudanjiang Feixia") | The PRC 25 October 2019 | RMB500,000 | **100%** | 100% | Property management services in Mudanjiang |
| Shanghai Maosheng Intelligent Technology Co., Ltd. | The PRC 30 December 2019 | RMB10,000,000 | **51%** | 51% | Technology services in Shanghai |
| Xianghe Wantong Real Estate Management Co., Ltd. ("Xianghe Wantong") | The PRC 27 July 2011 | RMB1,000,000 | **100%** | 100% | Property management services in Hebei |
| Mudanjiang Maoju Household Products Co., Ltd. ("Mudanjiang Maoju") | The PRC 17 April 2018 | RMB1,000,000 | **100%** | 100% | Wholesale and retail trading in Mudanjiang |
| Shanghai Huiguan Garden Landscape Engineering Co., Ltd. ("Shanghai Huiguan") | The PRC 6 May 2011 | RMB10,000,000 | **100%** | 100% | Wholesale and retail trading in Shanghai |
| Suifenhe Shifu Home Supplies Co., Ltd. ("Suifenhe Shifu") | The PRC 10 December 2018 | HK$2,000,000 | **100%** | 100% | Wholesale and retail trading in Suifenhe |
| Shanghai Jiashu Enterprises Management Co., Ltd.. | The PRC 17 July 2019 | RMB5,000,000 | **100%** | 100% | Enterprises Management Consulting in Shanghai |
| Guangzhou Yuetai Property Services Co., Ltd Estate | The PRC 2 June 1999 | RMB5,000,000 | **100%** | 100% | Property management services in Guangzhou |
| Fusheng Life Services Group Co., Ltd. | The PRC 27 July 2018 | RMB100,000,000 | **51%** | 51% | Household management services, wholesale and retail trading |
| Beijing Guancheng Hotel Management Co., Ltd. ("Beijing Guancheng") | The PRC 22 September 1998 | RMB20,000,000 | **100%** | 100% | Property management services in Beijing |
| Shanghai Shimao Macalline Home Technology Co., Ltd. | The PRC 14 April 2017 | RMB10,000,000 | **51%** | 51% | Engineering Construction in Shanghai |
| Shanghai Shijihui Entrepreneurship Management Co., Ltd. | The PRC 18 March 2020 | RMB10,000,000 | **100%** | 100% | Property management services in Shanghai |
| Zhejiang Sheda Sinew Property Services Group Co., Ltd. ("Zhejiang Sinew") | The PRC 21 January 2001 | RMB50,000,000 | **70%** | 51% | Property management services in Hangzhou |
| Tianjin Hexing Property Management Co., Ltd. ("Tianjin Hexing") | The PRC 1 August 2005 | RMB10,000,000 | **70%** | 70% | Property management and hotel management in Tianjin |
| Kangqiao Property Co., Ltd. ("Yantai Kangqiao") | The PRC 31 October 2007 | RMB50,000,000 | **80%** | 80% | Property management and hotel management in Yantai |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

## 15. Subsidiaries *(CONTINUED)*

| Name of entity | Place and date of incorporation/ establishment | Issued/ Registered capital | Ownership interest held by the group As at 31 December 2021 | 2020 | Principal activities/ place of operation |
|---|---|---|---|---|---|
| Hangshou Jinhu Property Management Co., Ltd. ("Hangshou Jinhu") | The PRC 26 August 1996 | RMB10,500,000 | **100%** | 100% | Property management and hotel management in Hangshou |
| Xi'an Fangrui Property Management Co., Ltd. ("Xi'an Fangrui") | The PRC 23 March 2001 | RMB50,000,000 | **70%** | 70% | Property management and hotel management in Xi'an |
| Zhejiang Yefeng Property Service Co., Ltd. | The PRC 14 June 1996 | RMB10,000,000 | **100%#** | N/A | Property management and hotel management in Zhejiang |
| Shenzhen Shiluyuan Environment Co., Ltd. | The PRC 18 March 2003 | RMB123,180,000 | **67%#** | N/A | Urban and rural environmental sanitation integrated services in Shenzhen |
| Wuxi Jinshatian Technology Co., Ltd. ("Wuxi Jinshatian") | The PRC 14 March 2003 | RMB105,000,000 | **60%#** | N/A | Smart environmental protection integrated solutions services In Wuxi |
| Wuhan Ruizheng Xindadi Property Management Co., Ltd. | The PRC 10 December 2003 | RMB10,000,000 | **60%#** | N/A | Property management and hotel management in Wuhan |
| Shanghai Chunqiji Elderly Care Service Co., Ltd. | The PRC 3 December 2014 | RMB29,411,800 | **56%#** | N/A | Elderly support services and consultancy services |
| Hubei Shimao Yunrui Property Management Co., Ltd. | The PRC 1 September 2020 | RMB5,000,000 | **51%** | 51% | Property management and hotel management in Hubei |
| Shanghai Maojia Property Service Co., Ltd. | The PRC 3 August 2020 | RMB10,000,000 | **100%** | 100% | Corporate integrated management services |
| Suzhou Chong Tian Intelligent Chemical Engineering Co., Ltd. | The PRC 3 April 2020 | RMB20,000,000 | **100%** | 100% | House and city infrastructure Construction services in Suzhou |
| Zhejiang Xiangyu Investment Co., Ltd. | The PRC 15 May 2009 | RMB20,000,000 | **63%** | 63% | Investment and property management services in Xiangyu |
| Suzhou Maozhiyuan Construction Decoration Engineering Co., Ltd. | The PRC 16 December 2020 | RMB10,000,000 | **100%** | 100% | Electricity infrastructure construction and inner renovation services |
| Jiangsu Yoshige Ankang City Operation Management Service Co., Ltd. | The PRC 1 December 2020 | RMB10,000,000 | **51%** | 51% | City park management and Greening services |
| Hangzhou Huizhen Supply Chain Management Co., Ltd. | The PRC 1 July 2021 | RMB4,000,000 | **51%*** | N/A | Supply chain management |

## 15. Subsidiaries *(CONTINUED)*

| Name of entity | Place and date of incorporation/ establishment | Issued/ Registered capital | Ownership interest held by the group As at 31 December 2021 | 2020 | Principal activities/ place of operation |
|---|---|---|---|---|---|
| Anhui Shimao Hongshun Property Service Co., Ltd. | The PRC 18 November 2020 | RMB5,000,000 | **51%** | 51% | Property management and hotel management in Hefei |
| Hainan Huamao Property Service Co., Ltd. | The PRC 9 July 2021 | RMB5,000,000 | **51%*** | N/A | Housekeeping and cleaning services |
| Quanzhou Shimao Youda Real Estate Services Co., Ltd. | The PRC 29 July 2021 | RMB1,000,000 | **51%*** | N/A | Property management and real estate consultancy services |
| Shaanxi Shimao Jiahui Property Service Co., Ltd. | The PRC 19 July 2021 | RMB2,000,000 | **51%*** | N/A | Property management and corporate management services |
| Shimao Ruide (Heilongjiang) City Construction Services Co., Ltd. | The PRC 12 July 2021 | RMB2,000,000 | **51%*** | N/A | Property management and public infrastructure management |
| Suzhou Maokang Retirement Service Co., Ltd. | The PRC 20 August 2021 | RMB60,000,000 | **100%*** | N/A | Elderly nursing services |
| Jinjiang Shimao Jinqiu Property Services Limited | The PRC 20 October 2021 | RMB1,000,000 | **65%*** | N/A | Property management and property agency services |
| Chengdu Shimao Tiancheng Enterprise Management Co., Ltd. | The PRC 27 October 2021 | RMB500,000,000 | **100%*** | N/A | Corporate management services and property management services |
| Suqian Shimao Yufeng City Service Co., Ltd. | The PRC 27 September 2021 | RMB4,000,000 | **55%*** | N/A | Energy saving services and information technology integration services |
| Hubei Shimao Wantai Property Management Co., Ltd. | The PRC 2 December 2021 | RMB5,000,000 | **51%*** | N/A | Property management and hotel management in Wuhan |
| Huzhou Sinew Education Development Co., Ltd. | The PRC 12 January 2020 | RMB3,200,000 | **N/A^** | 70% | High level education services |

* Newly incorporated during the year ended 31 December 2021
\# Newly acquired during the year ended 31 December 2021
^ Disposed during the year ended 31 December 2021

The English names of the subsidiaries represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

## 16. Investment in associates accounted for using the equity method

| | Year ended 31 December | |
|---|---|---|
| | 2021 RMB'000 | 2020 RMB'000 |
| At the beginning of the year | 34,074 | 3,692 |
| Addition from acquisition of subsidiaries | 50 | 19,467 |
| Share of profits | 13,396 | 10,915 |
| Dividends | (5,336) | – |
| At the end of the year | 42,184 | 34,074 |

Set out below is the associates of the Group:

| Name of entity | Place of business/ country of incorporation | % of ownership interest 2021 % | 2020 % | Principal activities |
|---|---|---|---|---|
| Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd | The PRC | 49 | 49 | AI technology development and technical supporting services |
| Kunming Ruixin City Operation Management Co., Ltd | The PRC | 33 | 33 | Property management services |
| Shanghai Maoyuan Property Management Co., Ltd. | The PRC | 49 | 49 | Property management services |
| Zhejiang Xinyu Trade Co., Ltd. ("ZJ Xinyu Trade") | The PRC | 40 | 40 | School supermarket operation |
| Zhejiang Xinyu Education Logistics Management Co., Ltd. | The PRC | 30 | 30 | School logistics services |
| Jiaxing Longzhong Rehabilitation Aids Service Co., Ltd. | The PRC | 25 | – | Manufacturing of elderly supporting device |

## 16. Investment in associates accounted for using the equity method *(CONTINUED)*

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

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| **As at 31 December** | | |
| Current assets | **170,842** | 140,866 |
| Non-current assets | **21,325** | 13,852 |
| Current liabilities | **(117,698)** | (106,157) |
| Non-current liabilities | **–** | – |
| Net assets | **74,469** | 48,561 |
| Proportion of the Group's ownership interests | **40%** | 40% |
| Carrying amount of the Group's interests | **29,788** | 19,424 |
| **For the year ended 31 December** | | |
| Revenue | **530,613** | 365,350 |
| Profit and total comprehensive income for the year | **26,462** | 5,794 |
| Dividends received for the year | **5,336** | – |

Aggregate information of associates that are not individually material:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| The Group's share of profit for the year | **2,810** | 2,695 |
| The Group's share of other comprehensive income | **–** | – |
| Aggregate carrying amount of the Group's interests | **12,396** | 14,649 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

## 17. Property, plant and equipment

| | Buildings RMB'000 | Office equipment RMB'000 | Machinery and equipment RMB'000 | Vehicles RMB'000 | Leasehold improvements RMB'000 | Assets under construction RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2020** | | | | | | | |
| Cost | – | 13,083 | 13,882 | 2,416 | 1,188 | – | 30,569 |
| Accumulated depreciation | – | (8,619) | (5,538) | (1,724) | (659) | – | (16,540) |
| **Net book amount** | – | 4,464 | 8,344 | 692 | 529 | – | 14,029 |
| **Year ended 31 December 2020** | | | | | | | |
| Opening net book amount | – | 4,464 | 8,344 | 692 | 529 | – | 14,029 |
| Additions from acquisition of subsidiaries (Note 39(d)) | 46,945 | 7,985 | 14,602 | 13,432 | 4,860 | 58,569 | 146,393 |
| Additions | 1,094 | 8,151 | 15,101 | 7,870 | 49,895 | 1,802 | 83,913 |
| Depreciation charge (Note 7) | (841) | (3,658) | (7,127) | (2,841) | (11,833) | – | (26,300) |
| Disposal of a subsidiary | – | (8) | – | – | – | – | (8) |
| Disposals | – | (3,859) | (2,823) | (5,202) | – | – | (11,884) |
| **Closing net book amount** | 47,198 | 13,075 | 28,097 | 13,951 | 43,451 | 60,371 | 206,143 |
| **As at 31 December 2020 and 1 January 2021** | | | | | | | |
| Cost | 48,188 | 21,144 | 40,938 | 16,648 | 55,284 | 60,371 | 242,573 |
| Accumulated depreciation | (990) | (8,069) | (12,841) | (2,697) | (11,833) | – | (36,430) |
| **Net book amount** | 47,198 | 13,075 | 28,097 | 13,951 | 43,451 | 60,371 | 206,143 |
| **Year ended 31 December 2021** | | | | | | | |
| Opening net book amount | **47,198** | **13,075** | **28,097** | **13,951** | **43,451** | **60,371** | **206,143** |
| Additions from acquisition of subsidiaries (Note 39(a)) | **12,883** | **16,946** | **55,564** | **149,236** | **–** | **27,049** | **261,678** |
| Additions | **483** | **848** | **64,516** | **–** | **43,251** | **10,549** | **119,647** |
| Depreciation charge (Note 7) | **(445)** | **(2,189)** | **(9,997)** | **(4,236)** | **(16,258)** | **–** | **(33,125)** |
| Disposal of a subsidiary (Note 39(b)) | **–** | **–** | **–** | **(38,862)** | **–** | **–** | **(38,862)** |
| Disposals | **–** | **(1,442)** | **(165)** | **(2,129)** | **–** | **–** | **(3,736)** |
| **Closing net book amount** | **60,119** | **27,238** | **138,015** | **117,960** | **70,444** | **97,969** | **511,745** |
| **As at 31 December 2021** | | | | | | | |
| Cost | **61,554** | **36,382** | **159,570** | **124,677** | **98,535** | **97,969** | **578,687** |
| Accumulated depreciation | **(1,435)** | **(9,144)** | **(21,555)** | **(6,717)** | **(28,091)** | **–** | **(66,942)** |
| **Net book amount** | **60,119** | **27,238** | **138,015** | **117,960** | **70,444** | **97,969** | **511,745** |

As at 31 December 2021, certain buildings of approximately RMB8,387,000 was pledged to secure borrowings granted to the Group (2020: Nil) (Note 29).

## 18. Right-of-use assets

The Group has leases contracts for its commercial properties in the PRC and Hong Kong used in operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease terms vary between 1 and 5 years (2020: 1 and 5 years) and the lease payments are paid monthly or yearly. No extension or termination options, nor variable lease payments were contained in the above lease contracts.

| | **Land-use-right** RMB'000 | **Buildings** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| **As at 1 January 2020** | | | |
| Cost | – | 21,784 | 21,784 |
| Accumulated depreciation | – | (5,926) | (5,926) |
| **Net book amount** | – | 15,858 | 15,858 |
| **Year ended 31 December 2020** | | | |
| Opening net book amount | – | 15,858 | 15,858 |
| Additions from acquisition of a subsidiary (Note 39(d)) | 2,216 | – | 2,216 |
| Additions | – | 18,679 | 18,679 |
| Depreciation charge (Note 7) | (430) | (9,111) | (9,541) |
| **Closing net book amount** | 1,786 | 25,426 | 27,212 |
| **As at 31 December 2020 and 1 January 2021** | | | |
| Cost | 2,187 | 40,463 | 42,650 |
| Accumulated depreciation | (401) | (15,037) | (15,438) |
| **Net book amount** | 1,786 | 25,426 | 27,212 |
| **Year ended 31 December 2021** | | | |
| Opening net book amount | **1,786** | **25,426** | **27,212** |
| Additions from acquisition of a subsidiary (Note 39(a)) | **8,750** | **12,771** | **21,521** |
| Additions | **6,498** | **25,244** | **31,742** |
| Disposal of a subsidiary (Note 39(b)) | **–** | **(1,385)** | **(1,385)** |
| Disposals | **(8,333)** | **(70)** | **(8,403)** |
| Depreciation charge (Note 7) | **–** | **(26,745)** | **(26,745)** |
| **Closing net book amount** | **8,701** | **35,241** | **43,942** |
| **As at 31 December 2021** | | | |
| Cost | **9,131** | **77,023** | **86,154** |
| Accumulated depreciation | **(430)** | **(41,782)** | **(42,212)** |
| **Net book amount** | **8,701** | **35,241** | **43,942** |

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

## 19. Investment properties

| | Buildings RMB'000 |
|---|---|
| **As at 1 January 2020** | |
| Cost | 108,005 |
| Accumulated depreciation | (5,002) |
| **Net book amount** | 103,003 |
| **Year ended 31 December 2020** | |
| Opening net book amount | 103,003 |
| Additions from acquisition of subsidiaries (Note 39(d)) | 20,160 |
| Disposals | (93,603) |
| Depreciation charge (Note 7) | (9,629) |
| **Closing net book amount** | 19,931 |
| **As at 31 December 2020 and 1 January 2021** | |
| Cost | 21,342 |
| Accumulated depreciation | (1,411) |
| **Net book amount** | 19,931 |
| **Year ended 31 December 2021** | |
| Opening net book amount | **19,931** |
| Additions | **789** |
| Depreciation charge (Note 7) | **(543)** |
| **Closing net book amount** | **20,177** |
| **As at 31 December 2021** | |
| Cost | **22,131** |
| Accumulated depreciation | **(1,954)** |
| **Net book amount** | **20,177** |

During the year ended 31 December 2021, there was no rental income (2020: RMB6,000,000 included in other income (Note 10)) arising from investment properties. There are no direct operating expenses from investment properties.

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognised professional qualification and has relevant experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

As at 31 December 2021, certain significant inputs used in the determination of fair value of the investment properties are arrived by reference to certain significant unobservable market data, the fair value of the investment properties of the Group is included in level 3 of the fair value measurement hierarchy (2020: Same). In estimating the fair value of the investment properties, the highest and best use of the investment properties in their current use. There were no changes to the valuation techniques during the year ended 31 December 2021 (2020: Same).

As at 31 December 2021, the fair value of the investment properties is approximately RMB21,000,000 (2020: RMB20,160,000).

As at 31 December 2021, none of investment properties were pledged (2020: Same).

## 20. Intangible assets

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

## 20. Intangible assets *(CONTINUED)*

### (a) Goodwill

**Impairment tests for goodwill arising from business combinations in prior years**

Goodwill of approximately RMB1,213,779,000 has been allocated to the CGUs of the subsidiaries acquired in prior years for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2021. The recoverable amounts of these subsidiaries are determined based on value-in use calculation. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Revenue growth rate during the forecast period | **2% – 14%** | 2% – 17% |
| Gross profit margin during the forecast period | **12% – 27%** | 13% – 32% |
| Pre-tax discount rate | **18% – 22%** | 15% – 22% |

The management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| Annual revenue growth rate | **–2% – –16%** | –2% – –7% |
| Discount rate | **+2% – +8%** | +2% – +6% |

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

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

**Impairment tests for goodwill arising from business combinations in current year**

Goodwill of approximately RMB915,704,000 has been allocated to the CGUs of the subsidiaries acquired during the year for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2021. The recoverable amounts of these subsidiaries are determined based on value-in use calculation. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

| | **As at 31 December 2021** |
|---|---|
| Revenue growth rate during the forecast period | **7% – 22%** |
| Gross profit margin during the forecast period | **16.8% – 34.6%** |
| Pre-tax discount rate | **15% – 20%** |

The management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom:

## 20. Intangible assets *(CONTINUED)*

### (a) Goodwill (continued)

**Impairment tests for goodwill arising from business combinations in current year (continued)**

| | As at 31 December 2021 |
|---|---|
| Annual revenue growth rate | **–2% – –3%** |
| Discount rate | **+1% – + 2%** |

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

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

### (b) Customer relationships

The identified customer relationships are arising from acquisitions of several property management and sanitation companies, which represents valid contractual arrangement of acquiree's customers as at acquisition date with useful lives ranging from 8-10 years.

### (c) Concession intangible assets

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

### (d) Brand name

During the year ended 31 December 2021, the Group acquired an elderly care services company (Note 39(a)). The identified brand name, which helps the acquiree's customers to identify and differentiate the services from another, acquired and with useful lives ranging from or ending in 2030, were recognised by the Group as intangible assets.

## 21. Inventories

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Car parking spaces purchased from third parties | **181,012** | 263,653 |
| Other inventories | **37,457** | 3,580 |
| | **218,469** | 267,233 |

## 22. Trade receivables

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Trade receivables | | |
| – Related parties (Note 40(d)) | **528,460** | 197,094 |
| – Third parties | **2,784,809** | 1,595,208 |
| | **3,313,269** | 1,792,302 |
| Note receivables | | |
| – Related parties (Note 40(d)) | **143,978** | 173,995 |
| – Third parties | **11,091** | 13,039 |
| | **155,069** | 187,034 |
| Less: allowance for impairment of trade receivables | **(313,396)** | (116,172) |
| | **3,154,942** | 1,863,164 |

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

Trade receivables from value-added services and city services are due for payments in accordance with the terms of the relevant services agreements with property developers and government bodies, which is normally within 30-90 days (2020: 60 days) from the issue of demand note.

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

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

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

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

## 22. Trade receivables *(CONTINUED)*

The movements in provision for impairment of trade receivables are as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **Third parties RMB'000** | **Related parties RMB'000** | Third parties RMB'000 | Related parties RMB'000 |
| At the beginning of year | **114,317** | **1,855** | 38,783 | 2,560 |
| Charge/(credit) for the year (Note 7) | **131,607** | **65,077** | 75,534 | (705) |
| Additions from acquisition of subsidiaries | **540** | **–** | – | – |
| At the end of the year | **246,464** | **66,932** | 114,317 | 1,855 |

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

As at 31 December 2021, trade receivables of approximately RMB222,500,000 was pledged to secure borrowings granted to the Group (2020: RMB5,000,000) (Note 29).

## 23. Contract assets

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Non-current city services | | |
| – Third parties | **173,926** | – |

Contract assets primarily relates to the Group's right to consideration for work performed at reporting date arising from city services contracts. Pursuant to the service concession agreements, the Group receives no payment from the grantors during the construction period and receives service fees when relevant services are rendered during the operating periods. Upon the completion of construction, the balance of contract assets will transfer to concession intangible assets.

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## 24. Prepayments, deposits and other receivables

| | As at 31 December | |
|---|---|---|
| | 2021 RMB'000 | 2020 RMB'000 |
| Prepayments | | |
| *Non-current prepayments* | | |
| – Prepayments to customers (Note (a)) | 61,353 | 74,075 |
| – Prepayment for acquisition of subsidiaries (Note (b)) | – | 185,492 |
| – Other prepayments | 1,035 | – |
| | 62,388 | 259,567 |
| *Current prepayments* | | |
| – Prepayments to customers (Note (a)) | – | 257 |
| – Utilities | 32,384 | 14,342 |
| – Raw materials for value added services | 12,613 | 3,996 |
| – Other prepayments | 82,507 | 66,224 |
| | 127,504 | 84,819 |
| Subtotal | 189,892 | 344,386 |
| Other receivables | | |
| – Advance to related parties (Notes (c) and 40(d)) | 303,143 | 175,639 |
| – Advance to employees | 6,552 | 8,483 |
| – Payments on behalf of property owners (Note (d)) | 138,120 | 130,898 |
| – Deposits | 129,049 | 34,054 |
| – Others | 43,463 | 24,925 |
| Subtotal | 620,327 | 373,999 |
| Total | 810,219 | 718,385 |
| Less: allowance for impairment of other receivables (Note (e)) | (58,860) | (4,396) |
| | 751,359 | 713,989 |
| Non-current | 62,388 | 259,567 |
| Current | 688,971 | 454,422 |
| | 751,359 | 713,989 |

## 24. Prepayments, deposits and other receivables *(CONTINUED)*

(a) Prepayments to customers is the initial consideration paid to these schools to obtain the operation of the students' apartments. The amortisation period is 31 to 42 years based on such operation periods (2020: Same).

(b) On 29 December 2020, Shimao Tiancheng came into an agreement with a third-party minority shareholder of Zhejiang Sinew to acquire 19% equity interests of Zhejiang Sinew with a total consideration of RMB234,984,000. As at 31 December 2020, the deal has not been completed and Shimao Tiancheng has paid RMB185,492,000 as prepayment for acquisition. The acquisition of the 19% interests is completed in January 2021 (Note 39(c)).

(c) Other receivables from related parties were unsecured, interest-free and repayable on demand. They mainly represent payment to related parties for sale of the right of car park spaces, the payment would be refunded to the Group upon relevant car parking spaces are sold.

(d) Balances represent the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

(e) The movements in provision for impairment of other receivables are as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **Third parties RMB'000** | **Related parties RMB'000** | Third parties RMB'000 | Related parties RMB'000 |
| At the beginning of year | **3,518** | **878** | 3,167 | 5,531 |
| Charge/(credit) for the year (Note 7) | **40,661** | **13,803** | 351 | (4,653) |
| At the end of the year | **44,179** | **14,681** | 3,518 | 878 |

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

## 25. Cash and cash equivalents

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Cash on hand | **806** | 4,052 |
| Cash at bank | **9,870,745** | 5,828,039 |
| | **9,871,551** | 5,832,091 |
| Restricted cash | **(29,452)** | (2,045) |
| | **9,842,099** | 5,830,046 |

Cash and cash equivalents include cash at bank and short term time deposits with a maturity of less than three months. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Restricted cash were cash deposit of performance security as at 31 December 2021 (2020: Nil).

At 31 December 2021, time deposits and cash and cash equivalents of the Group which is denominated in Renminbi amounted to approximately RMB7,024,307,000 (2020: RMB1,409,306,000). The Renminbi is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business. The remaining cash and cash equivalents denominated in Hong Kong dollars and United States dollars amounted to approximately RMB2,791,033,000 (2020: RMB4,311,331,000) and RMB56,211,000 (2020: RMB111,454,000) respectively.

## 26. Share capital

### (i) Ordinary shares

| | Number of ordinary shares of HK$0.01 each | Share capital HK$ | RMB |
|---|---|---|---|
| Authorised | | | |
| As at 1 January 2020 (Note (a)) | 38,000,000 | 380,000 | 340,404 |
| Additions (Note (f)) | 3,462,000,000 | 34,620,000 | 30,010,179 |
| As at 31 December 2020, 1 January 2021 and 31 December 2021 | 3,500,000,000 | 35,000,000 | 30,350,583 |
| Issued and fully paid | | | |
| As at 1 January 2020 (Note (a)) | 1 | – | – |
| Issue of shares to then holding company (Note (a)) | 94,999 | 950 | 869 |
| Re-designated into convertible redeemable preferred shares ("Series A CPS") (Note 26(ii)) | (5,000) | (50) | (45) |
| Series A CPS converted into ordinary shares (Note 26(ii)) | 10,000 | 100 | 87 |
| Capitalisation issue (Note (b)) | 1,999,900,000 | 19,999,000 | 17,344,064 |
| Issuance of ordinary shares pursuant to initial public offering (Note (c)) | 352,942,000 | 3,529,420 | 3,060,877 |
| Exercise of over-allotment option (Note (d)) | 11,031,000 | 110,310 | 93,565 |
| As at 31 December 2020 and 1 January 2021 | 2,363,973,000 | 23,639,730 | 20,499,417 |
| Placing of new shares (Note (e)) | 115,000,000 | 1,150,000 | 945,553 |
| As at 31 December 2021 | **2,478,973,000** | **24,789,730** | **21,444,970** |

Notes:

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

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

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

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

## 26. Share capital *(CONTINUED)*

### (i) Ordinary shares (continued)

Notes: (continued)

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

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

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

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

### (ii) Convertible redeemable preferred shares

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

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

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

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

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

## 27. Reserves

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity.

### Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

### Statutory reserve

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

### Other reserves

Other reserve account of the Group mainly comprises the merger reserve of approximately RMB223,785,000, capital reserve of approximately RMB1,199,325,000, share options reserve of approximately RMB33,867,000 and exchange reserve of approximately RMB247,349,000.

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

– Capital reserve represents the amounts (a) arising from transactions undertaken with non-controlling interests and (b) deemed as capital contribution from shareholders.

– Share options reserve represents award shares granted to certain directors and employees of the Group. The Group recognised share-based payment expense relating to the awarded shares granted pursuant to the share award scheme of approximately RMB33,867,000 (2020: Nil) in profit or loss during the year (Note 7).

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

### Treasury reserve

Treasury reserve account of the Group comprises (a) the amounts of shares repurchased by the Company but not yet cancelled at the end of reporting period and (b) deemed as capital contribution from shareholders.

## 28. Provisions for other liabilities and charges

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2021 RMB'000** | | 2020 RMB'000 | |
| | **Current** | **Non-current** | Current | Non-current |
| Claim provisions | **–** | **4,796** | – | 3,297 |

As at 31 December 2021, the Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB4,796,000 (2020: RMB3,297,000).

## 29. Borrowings

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Borrowings included in non-current liabilities | | |
| Long-term bank borrowings | | |
| – unsecured | **20,000** | 5,000 |
| – secured (Note (b)) | **752,541** | – |
| Asset-Backed Securities ("ABS") (Note (a)) | | |
| – unsecured | **–** | – |
| | **772,541** | 5,000 |
| Less: Portion of long-term bank borrowings due within one year | **(226,012)** | (600) |
| | **546,529** | 4,400 |
| Borrowings included in current liabilities | | |
| Short-term bank borrowings | | |
| – secured | **5,000** | 9,000 |
| – unsecured | **39,800** | 16,000 |
| Current portion of non-current borrowings | **226,012** | 600 |
| | **270,812** | 25,600 |

(a) In July 2015, the Group entered into an asset-backed special agreement with a third-party financing company in the form of asset securitisation. Asset-backed securities are divided into priority level and subprime level with total principal of RMB1,400,000,000 and RMB110,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2015. The priority level securities were guaranteed by Shanghai Shimao Jianshe Co., Ltd ("Shimao Jianshe"), a subsidiary of Shimao Group Holdings. The ABS carries nominal interest rate ranging from 6.0% to 7.1% per annum. Such loans were advanced to Shimao Jianshe, with terms of 1-5 years and the same nominal interest rate. Shimao Jianshe repaid the advance in December 2019.

On 12 February 2020 and 12 May 2020, the Group paid the principal of the ABS of RMB80,437,158 and RMB78,688,584 respectively. On 3 August 2020, the Group repaid all the remaining balance of ABS.

(b) The bank borrowings of the Group as at 31 December 2021 of approximately RMB757,541,000 are mainly secured by two properties of a director of a subsidiary, certain buildings, certain trade receivables under certain city services projects and certain equity interests of subsidiaries held by the Group. The net carrying amount of pledged buildings, trade receivables and equity interest are approximately RMB8,387,000 (Note 17), RMB222,500,000 (Note 22) and RMB716,990,000 respectively as at 31 December 2021. As at 31 December 2020, bank borrowings of the Group of approximately RMB9,000,000 were secured by trade receivables of approximately RMB5,000,000 (Note 22).

The maturity date of the borrowings was analysed as follows:

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Within 1 year | **270,812** | 25,600 |
| Between 1 and 2 years | **358,230** | 4,400 |
| Between 2 and 5 years | **151,769** | – |
| Over 5 years | **36,530** | – |
| | **817,341** | 30,000 |

For years ended 31 December 2021, the weighted average effective interest rates on borrowings were 5.62% (2020: 9.74%).

The carrying amounts of the bank and other borrowings are denominated in RMB (2020: Same).

## 30. Convertible bonds

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

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

### (1) Conversion right

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

### (2) Redemption

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

**Redemption at the option of the Company**
The Company may, having given not less than 30 nor more than 60 days' notice,

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

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

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

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

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

## 30. Convertible bonds *(CONTINUED)*

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

| | Debt component RMB'000 | Derivative component RMB'000 |
|---|---|---|
| Issuance on 2 November 2021 | 2,392,055 | 144,803 |
| Transaction cost on issuance (Note) | (19,136) | – |
| Effective interest expenses (Note 12) | 31,340 | – |
| Interest payable (Note 32) | (9,219) | – |
| Fair value change | – | (144,746) |
| Foreign exchange adjustment | (6,011) | – |
| As at 31 December 2021 | 2,389,029 | 57 |

Note:

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

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

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

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

The detailed key inputs the valuers use to calculate the fair value of the derivative component are set forth in Note 3(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

## 31. Trade payables

| | As at 31 December | |
|---|---|---|
| | 2021 RMB'000 | 2020 RMB'000 |
| Trade payables | | |
| – Related parties (Note 40(d)) | **207** | 38,756 |
| – Third parties | **1,142,920** | 640,647 |
| | **1,143,127** | 679,403 |

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

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

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

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

## 32. Deposits received, accruals and other payables

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Other payables | | |
| – Payable to related parties (Note 40(d)) | **470,616** | 207,492 |
| – Accrued expenses | **674,958** | 866,893 |
| – Amounts collected on behalf of property owners (Note (c)) | **83,576** | 542,774 |
| – Consideration payable arising from non-controlling shareholders' put options (Note (b)) | **344,532** | 320,344 |
| – Purchase consideration (Note (a)) | **464,888** | 320,295 |
| – Interest payable (Note 30) | **9,219** | – |
| – Deposits | **207,871** | 25,621 |
| – Other borrowings | **66,312** | – |
| – Other payables | **76,993** | 24,129 |
| | **2,398,965** | 2,307,548 |
| Non-current | **333,135** | – |
| Current | **2,065,830** | 2,307,548 |
| | **2,398,965** | 2,307,548 |

(a) As at 31 December 2021, the outstanding purchase consideration payable for business combination amounted to approximately RMB464,888,000 (2020: RMB320,295,000), which is measured at fair value.

The acquisition agreements require the Group to pay the non-controlling interests or the vendors additional consideration in cash depending on whether the acquired subsidiaries' revenue or profit after tax meet specified targets. The purchase consideration payables were valued by an independent valuer as at respective dates of acquisition and the end of each reporting period, by using the probabilistic approach with possible scenarios under different financial forecasts and adjusted by the estimated discount rate. The subsequent changes in fair value of purchase consideration payables is to be recognised as other gains/(losses) in the profit or loss.

The fair value of the purchase consideration payable, classified as level 3, the details of the significant unobservable inputs are set forth in Note 3(f).

(b) As at 31 December 2020, there are several put options guaranteed to the non-controlling shareholders of some subsidiaries of the Group which they had the right to sell the remaining equity interests to the Group.

In November 2020, Shimao Tiancheng entered into an acquisition agreement with a third party to acquire 70% equity interest of Xi'an Fangrui and the acquisition agreement stipulates that the original shareholders were guaranteed a put option under which they can sell the remaining 30% equity of Xi'an Fangrui to the Group at their discretion within 3 months after 31 December 2023. A financial liability being the fair value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised in profit or loss. The initial amount of the put option is valued at RMB82,389,000 and fair value of the put option as at 31 December 2021 is RMB81,695,000 (2020: RMB82,389,000).

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

(b) (continued)

In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment LLP ("NTEIPs") which are the original shareholders of Zhejiang Sinew, and the acquisition agreement stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after 31 December 2022. A financial liability being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised as other gains/(losses) in profit or loss. The initial amount of the put opinion is valued at RMB199,615,000 and the fair value of the put option as at 31 December 2021 is RMB210,243,000 (2020: RMB205,211,000).

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanshou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the seller will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting. The Group recognised the total consideration of RMB22,917,000 being the aforesaid cash consideration of RMB2,920,000 plus the consideration payable for the put option. The consideration payable for the put option is measured at fair value with the change in carrying amount recognised as other gains/(losses) in profit or loss. As at 31 December 2021, the put option is valued as RMB52,594,000 (2020: RMB32,744,000).

Such options are accounted for as financial liabilities as there is an obligation for the Group to deliver cash or other financial assets in exchange of its own equity shares. The amount that may become payable under the options on exercise are initially recognised at present value of the redemption amount. The options are subsequently measured at fair value at the reporting date and the changes in fair value during the year is recognised in the profit or loss (Note 11).

In the event that the options expire unexercised, the liability is derecognised with a corresponding adjustment to equity.

The fair value of the consideration payable arising from non-controlling shareholders' put options, is classified as level 3, the details of the significant unobservable inputs are set forth in Note 3(f).

The valuation of the consideration payable arising from non-controlling shareholders' put options was determined using the discount cash flow method under the income approach. The significant unobservable inputs are expected discount rate as at the exit date which was determined by the probability-weighted average of floating premiums under three financial projection scenarios prepared by the management, and the expected discount rate which was determine using the capital asset pricing model.

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

## 33. Leases liabilities

### (a) Amounts recognised in the consolidated balance sheets

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Leased in properties for operation | | |
| – Buildings | **31,373** | 20,705 |
| Lease liabilities | | |
| Current | **21,071** | 12,809 |
| Non-Current | **10,302** | 7,896 |
| | **31,373** | 20,705 |

### (b) Amounts recognised in the consolidated statement of comprehensive income

| | Year ended 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Depreciation charge | | |
| – Land use rights (Note 18) | **–** | 430 |
| – Buildings (Note 18) | **26,745** | 9,111 |
| Finance costs on leases | **4,860** | 1,348 |
| | **31,605** | 10,889 |

### (c) Amounts recognised in the consolidated statement of cashflows

| | Year ended 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Cashflow from financing activities | | |
| Payments of interest element of lease liabilities | **4,860** | 1,348 |
| Payments of principal element of lease liabilities | **21,074** | 13,954 |
| | **25,934** | 15,302 |

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

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Minimum lease payments (Note 3(d)) | **33,112** | 21,445 |
| Future finance charge | **(1,739)** | (740) |
| Total lease liabilities | **31,373** | 20,705 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

## 34. Deferred tax

The analysis of deferred tax assets in the consolidated balance sheet was as follows:

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Deferred tax assets: | | |
| – Deferred tax asset to be recovered within 12 months | **122,739** | 93,265 |
| Net-off with deferred tax liability | **(27,503)** | (25,732) |
| | **95,236** | 67,533 |
| Deferred tax liabilities: | | |
| – Deferred tax liability to be recovered after more than 12 months | **(234,892)** | (128,736) |
| – Deferred tax liability to be recovered within 12 months | **–** | (19,158) |
| Net-off with deferred tax asset | **27,503** | 25,732 |
| | **(207,389)** | (122,162) |

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

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| At beginning of the year | **(54,629)** | 10,265 |
| Additions from acquisition of subsidiaries (Note 39) | **14,186** | 16,916 |
| Additions from acquisition – excess of value of intangible assets identified in business combination | **(115,154)** | (134,459) |
| Credited to consolidated statement of comprehensive income (Note 13) | **43,444** | 52,649 |
| At end of the year | **(112,153)** | (54,629) |

## 34. Deferred tax *(CONTINUED)*

The movement in deferred tax assets and liabilities during the reporting period, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred tax assets

| | Allowance for ECL RMB'000 | Deductible tax loss RMB'000 | Accrued expense RMB'000 | Put Option fair Value Change RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 1 January 2020** | 17,773 | 2,278 | 12,667 | – | 32,718 |
| Additions from acquisition of subsidiaries (Note 39(d)) | 16,916 | – | – | – | 16,916 |
| Credited/(charged) to the consolidated statement of comprehensive income | 1,600 | (1,604) | 39,049 | 4,586 | 43,631 |
| **As at 31 December 2020 and 1 January 2021** | **36,289** | **674** | **51,716** | **4,586** | **93,265** |
| Additions from acquisition of subsidiaries (Note 39(a)) | **14,186** | **–** | **–** | **–** | **14,186** |
| Credited/(charged) to the consolidated statement of comprehensive income | **42,589** | **5,863** | **(33,764)** | **600** | **15,288** |
| **As at 31 December 2021** | **93,064** | **6,537** | **17,952** | **5,186** | **122,739** |

### Deductible tax loss expiration date

| | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| 2023 | **–** | – |
| 2024 | **–** | 263 |
| 2025 | **134** | 411 |
| | **134** | 674 |

### Deferred tax liabilities

| | Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000 | Depreciation RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 1 January 2020** | (22,453) | – | (22,453) |
| Additions from acquisition of subsidiaries (Note 39(d)) | (133,486) | (973) | (134,459) |
| Credited to the consolidated statement of comprehensive income | 8,699 | 319 | 9,018 |
| **As at 31 December 2020 and 1 January 2021** | **(147,240)** | **(654)** | **(147,894)** |
| Additions from acquisition of subsidiaries (Note 39(a)) | **(115,154)** | **–** | **(115,154)** |
| Credited to the consolidated statement of comprehensive income | **27,836** | **320** | **28,156** |
| **As at 31 December 2021** | **(234,558)** | **(334)** | **(234,892)** |

## 35. Share award scheme

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

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

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

During the year ended 31 December 2021, a total of 136 directors and employees of the Group (each, the "Grantee") were awarded a total of 4,866,137 shares. All the said shares were granted to the Grantees at nil consideration.

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

During the year ended 31 December 2021, none of the said shares have been vested.

The fair value of Grantees' services received in return for shares awarded of approximately HK$97,323,000 (equivalent to approximately RMB79,571,000) was measured by reference to the market price of the shares of the Company at grant date. No other feature of the shares was incorporated into the measurement of the fair value.

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

The weighted average fair value of the unvested shares granted during the year ended 31 December 2021 is HK$77,801,055, equivalent to RMB63,610,143 (2020: Nil).

## 36. Dividends

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

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

## 37. Cash flow information

### (a) Net cash generated from operating activities

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Profit before income tax** | **1,495,703** | 904,787 |
| Adjustments for: | | |
| – Depreciation and amortisation (Note 7) | **177,257** | 84,818 |
| – Provision for impairment of financial assets – net (Note 7) | **251,148** | 70,527 |
| – Net gain on disposal of property, plant and equipment (Note 11) | **(4,796)** | (1,580) |
| – Net loss on disposal of investment properties (Note 11) | **–** | 13,489 |
| – Net loss/(gain) on disposal of financial assets at fair value through profit or loss | **13,978** | (2,062) |
| – Finance cost (Note 12) | **53,761** | 14,587 |
| – Finance income (Note 12) | **(30,775)** | (11,407) |
| – Fair value loss of non-controlling shareholders' put options (Note 11) | **24,188** | 18,343 |
| – Fair value changes in derivative embedded in convertible bonds (Note 30) | **(144,746)** | – |
| – Net gain on disposal of a subsidiary (Note 11) | **(69,059)** | (511) |
| – Net foreign exchange losses (Note 11) | **6,422** | 2,690 |
| – Share of results of associates accounted for using the equity method (Note 16) | **(13,396)** | (10,915) |
| – Equity-settled share-based payment – Share Award Scheme (Note 7) | **33,867** | – |
| **Change in operating assets and liabilities, net of effects from purchase of controlled entity** | | |
| – Increase in restricted cash | **(27,407)** | (2,045) |
| – Decrease in inventories | **73,636** | 16,922 |
| – Increase in trade receivables | **(832,584)** | (817,266) |
| – Increase in contract assets | **(138,212)** | – |
| – Decrease in other operating assets | **180,592** | 1,169,414 |
| – Decrease/(increase) in trade payables | **(168,203)** | 425,649 |
| – Increase in contract liabilities | **735,347** | 287,053 |
| – Decrease in other operating liabilities | **(325,627)** | (1,022,693) |
| | **1,291,094** | 1,139,800 |

## 37. Cash flow information *(CONTINUED)*

### (b) Recognition of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows financing activities.

| | Borrowings RMB'000 | Convertible bonds RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2020 | (239,789) | – | (15,518) | (255,307) |
| Addition of acquisition | (38,700) | – | – | (38,700) |
| Addition of lease liabilities | – | – | (19,141) | (19,141) |
| Interest expenses (Note 12) | – | – | (1,348) | (1,348) |
| Cash flows | 248,489 | – | 15,302 | 263,791 |
| At 31 December 2020 and 1 January 2021 | **(30,000)** | **–** | **(20,705)** | **(50,705)** |
| Addition of acquisition (Note 39(a)) | **(156,029)** | **–** | **–** | **(156,029)** |
| Addition of lease liabilities | **–** | **–** | **(31,742)** | **(31,742)** |
| Interest expenses | **(14,143)** | **(31,340)** | **(4,860)** | **(50,343)** |
| Interest payable (included in other payables) (Note 32) | **–** | **9,219** | **–** | **9,219** |
| Cash flows | **(617,169)** | **(2,536,858)** | **25,934** | **(3,128,093)** |
| Foreign exchange adjustment | **–** | **6,011** | **–** | **6,011** |
| Other changes | **–** | **163,882** | **–** | **163,882** |
| Derivative component | **–** | **57** | **–** | **57** |
| At 31 December 2021 | **(817,341)** | **(2,389,029)** | **(31,373)** | **(3,237,743)** |

## 38. Commitments

### (a) Operating lease commitments

**Lease commitments – as lessee**

As at 31 December 2021, the Group did not have any material lease commitments which are not recognised as right-of-use assets (2020: Nil).

**Operating lease commitments – as lessor**

The Group had contracted with lessees for leasing buildings under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| No later than 1 year | – | 111 |
| Later than 1 year and no later than 5 years | – | 18 |
| Later than 5 years | – | – |
| | – | 129 |

### (b) Capital commitments

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

| | As at 31 December | |
|---|---|---|
| | **2021 RMB'000** | 2020 RMB'000 |
| Acquisition of subsidiaries: | **415,200** | – |
| Assets under construction net debt: | **36,300** | 148,500 |
| | **451,500** | 148,500 |

## 39. Acquisitions in and disposal of subsidiaries

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

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

The total consideration would be paid in four instalments, with the last instalment comprising the adjustable portion based on audited accounts at completion date will be payable after the auditors designated by the Group has completed the audit of Shi Lun Yuan for the year with unmodified opinion and that the conditions of the performance undertaking as described in below have been met.

According to the acquisition agreement, the vendor has provided guarantees over (i) the audited net profit after taxation of Shi Lu Yuan for the year ended 31 December 2021; and (ii) the audited revenue of Shi Lu Yuan years ended/ending 31 December 2021, 2022 and 2023. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees. The consideration the Group transfers in exchange for the acquisition includes any asset or liability resulting from a contingent consideration arrangement. The Group has recognised the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for Shi Lun Yuan.

## 39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

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

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

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

According to the acquisition agreement, the vendor has provided guarantees over (i) the audited net profit after taxation of Wuxi Jinshatian for the year ended 31 December 2021; and (ii) the audited revenue of Wuxi Jinshatian years ended/ending 31 December 2021, 2022 and 2023. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees. The consideration the Group transfers in exchange for the acquisition includes any asset or liability resulting from a contingent consideration arrangement. The Group has recognised the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for Wuxi Jinshatian.

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

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

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

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

* *For identification purposes only*

## 39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

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

| | Shi Lu Yuan RMB'000 (Note (i)) | Wuxi Jinshatian RMB'000 (Note (ii)) | Others RMB'000 (Note (iii)) | Total RMB'000 |
|---|---|---|---|---|
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | | | | |
| Cash and cash equivalents | 5,090 | 22,375 | 19,937 | 47,402 |
| Trade and bills receivables | 66,334 | 553,718 | 35,826 | 655,878 |
| Prepayments, deposits and other receivables | 127,510 | 82,716 | 99,939 | 310,165 |
| Contract assets | – | 35,714 | – | 35,714 |
| Inventories | – | 24,209 | 663 | 24,872 |
| Other current assets | 4,413 | 30,855 | 47,071 | 82,339 |
| Property, plant and equipment (Note 17) | 96,745 | 162,887 | 2,046 | 261,678 |
| Right of use assets (Note 18) | 3,791 | 17,730 | – | 21,521 |
| Customer relationships (Note 20) | 171,000 | 217,000 | 48,000 | 436,000 |
| Concession intangible assets (Note 20) | – | 79,058 | – | 79,058 |
| Computer software (Note 20) | – | 185 | – | 185 |
| Brand name (Note 20) | – | – | 16,000 | 16,000 |
| Deferred tax assets (Note 34) | 1,089 | 13,097 | – | 14,186 |
| Other non-current assets | 510 | 1,832 | 1,292 | 3,634 |
| Less: Trade and other payables | (80,260) | (422,960) | (133,714) | (636,934) |
| Borrowings | (3,392) | (150,637) | (2,000) | (156,029) |
| Other current liabilities | (9,503) | (9,001) | (7,178) | (25,682) |
| Deferred tax liabilities (Note 34) | (25,650) | (75,504) | (14,400) | (115,154) |
| Net identifiable assets acquired | 357,677 | 583,274 | 113,482 | 1,054,433 |
| Less: non-controlling interests | (117,674) | (233,527) | (31,138) | (382,339) |
| Add: goodwill (Note 20) | 249,725 | 509,936 | 156,043 | 915,704 |
| **Net assets acquired** | 489,728 | 859,683 | 238,387 | 1,587,798 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

## 39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

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

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

| | RMB'000 |
|---|---|
| Total fair value of cash consideration | 1,586,709 |
| Less: Cash consideration payables as at 31 December 2021 | (391,590) |
| Cash consideration paid in the year | 1,195,119 |
| Less: cash and cash equivalent in the subsidiaries acquired | (47,402) |
| Cash outflow in the year | 1,147,717 |

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

The acquired businesses contributed total revenues of approximately RMB846,891,000 (2020: RMB996,112,000) and net profits of approximately RMB102,243,000 (2020: RMB88,935,000) to the Group for the year ended 31 December 2021.

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

### (b) Disposal of a subsidiary with loss of control

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

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

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

## 39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

### (c) Transaction with non-controlling interests

During the year ended 31 December 2020, the Group acquired additional 19% equity interests in a subsidiary, Zhejiang Sinew, for a total consideration of RMB234,765,000. Partial of the consideration was paid by the Group during the year ended 31 December 2020 which was included in prepayment (Note 24(b)).

The Group recognised a decrease in non-controlling interests of RMB102,374,000 and a decrease in equity attributable to the equity holders of the Company of RMB132,391,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarized as follows:

| | RMB'000 |
|---|---|
| Consideration: | |
| Prepaid in prior year to non-controlling interests | 117,491 |
| Paid in current year to non-controlling interests | 117,274 |
| Total consideration | 234,765 |
| Carrying amount of non-controlling interests acquired | (102,374) |
| Excess of carrying amount acquired recognised in equity | 132,391 |

### (d) Summary of acquisition for the year ended 31 December 2020

(i) In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu and Ningbo NTEIPs, which are the original shareholders of Zhejiang Sinew, to acquire 25% (through the acquisition of 62.5% of equity interests in Zhejiang Xiangyu, which holds 40% of equity interests in Zhejiang Sinew) and 26% of equity interests in Zhejiang Sinew, respectively. The consideration is RMB614,704,000. Upon the completion of the acquisition on 5 August 2020, the Group through its control of Zhejiang Xiangyu and the direct ownership of equity interests in Zhejiang Sinew, controls 51% of the equity interests in Zhejiang Sinew. Total identifiable net assets of Zhejiang Sinew and Zhejiang Xiangyu amounted to RMB522,744,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

In addition, the acquisition agreement also stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after 31 December 2022. The consideration of such acquisition is based on Zhejiang Sinew's financial performance for the year ending 31 December 2022 and its financial position as at 31 December 2022. However, such amount shall not be lower than the current transaction amount in proportion to the equity interests acquired. If the put option is exercised, the Group would control 66% of equity interests in Zhejiang Sinew (Note 32(b)).

(ii) On 15 November 2020, Shimao Tiancheng completed its acquisition of 80% of the equity interests in Yantai Kangqiao at a cash consideration of RMB292,000,000. Total identifiable net assets of Yantai Kangqiao amounted to RMB81,751,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) On 1 December 2020, Shimao Tiancheng completed its acquisition of 70% of the equity interests in Xi'an Fangrui at a cash consideration of RMB139,825,000. Total identifiable net assets of Xi'an Fangrui amounted to RMB103,600,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill. In addition, the acquisition agreement also stipulates that the original shareholders of Xi'an Fangrui were guaranteed a put option under which they can sell the remaining 30% equity of Xi'an Fangrui to the Group at their discretion within 6 months after 31 December 2023. The consideration of such acquisition is based on Xi'an Fangrui's financial performance for the year ending 31 December 2023 and its financial position as at 31 December 2023. However, such amount shall not be lower than the current transaction amount in proportion to the equity interests acquired. If the put option is exercised, the Group would control 100% of equity interests in Xi'an Fangrui (Note 32(b)).

(iv) The Group also acquired seven other property management companies from third parties during the current year at a total fixed cash consideration of RMB469,301,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

## 39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

### (d) Summary of acquisition for the year ended 31 December 2020 (continued)

The acquired businesses contributed total revenues of RMB996,112,000 and net profits of RMB88,935,000 to the Group for the period from their respective acquisition dates to 31 December 2020.

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

| | Zhejiang Sinew RMB'000 | Yantai Kangqiao RMB'000 | Xian Fangrui RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Purchase consideration** | | | | | |
| – Cash paid | 528,250 | 233,600 | 20,580 | 413,105 | 1,195,535 |
| – Payable | 86,454 | 58,400 | 119,245 | 56,196 | 320,295 |
| | 614,704 | 292,000 | 139,825 | 469,301 | 1,515,830 |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | | | | | |
| Cash and cash equivalents | 106,756 | 2,714 | 1,888 | 103,245 | 214,603 |
| Trade receivables | 130,014 | 61,185 | 55,452 | 135,623 | 382,274 |
| Prepayments, deposits and other receivables | 123,568 | 3,348 | 8,964 | 345,135 | 481,015 |
| Other current assets | 50,482 | 1,387 | – | – | 51,869 |
| Investment property (Note 19) | 20,160 | – | – | – | 20,160 |
| Property, plant and equipment (Note 17) | 119,606 | 8,500 | 3,097 | 15,190 | 146,393 |
| Right-of-use assets (Note 18) | 2,216 | – | – | – | 2,216 |
| Intangible assets (Note 20) | 519 | – | – | 2,508 | 3,027 |
| Customer relationships (Note 20) | 195,000 | 89,000 | 55,000 | 200,000 | 539,000 |
| Deferred tax assets (Note 34) | 11,383 | – | – | 5,533 | 16,916 |
| Other non-current assets | 17,139 | – | – | 2,684 | 19,823 |
| Less: Trade and other payables | (170,390) | (56,916) | (31,804) | (632,068) | (891,178) |
| Borrowings | – | (4,000) | (31,500) | (3,200) | (38,700) |
| Contract liabilities | (21,631) | (1,217) | (1,097) | (59,201) | (83,146) |
| Deferred tax liabilities (Note 34) | (57,559) | (22,250) | (8,250) | (46,400) | (134,459) |
| Non-controlling interest | (4,519) | – | – | 4,428 | (91) |
| Identifiable net assets acquired | 522,744 | 81,751 | 51,750 | 73,477 | 729,722 |
| Less: non-controlling interests | (256,142) | (16,350) | (15,525) | 36,664 | (251,353) |
| Add: goodwill (Note 20) | 348,102 | 226,599 | 103,600 | 359,160 | 1,037,461 |
| **Net assets acquired** | 614,704 | 292,000 | 139,825 | 469,301 | 1,515,830 |

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

## 39. Acquisitions in and disposal of subsidiaries *(CONTINUED)*

### (e) Purchase consideration – cash outflow

**Year ended 31 December 2021**

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

Year ended 31 December 2020

| Consideration | Zhejiang Sinew RMB'000 | Yantai Kangqiao RMB'000 | Xian Fangrui RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Outflow of cash to acquire subsidiaries, net of cash acquired** | | | | | |
| Balance acquired – cash and cash equivalents | 106,756 | 2,714 | 1,888 | 103,245 | 214,603 |
| Less: cash consideration paid | (528,250) | (233,600) | (20,580) | (413,105) | (1,195,535) |
| Net cash outflow on acquisitions | (421,494) | (230,886) | (18,692) | (309,860) | (980,932) |

## 40. Related party transactions

### (a) Names and relationship with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in Cayman Islands which owns 62.82% of the Company's shares). The directors consider Gemfair Investments Limited as the ultimate holding company, and the ultimate controlling shareholder of the Group is Mr. Hui Wing Mau.

### (b) Transactions with related parties

**(i) Continuing transactions**

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Services provided to related parties | | |
| – Shimao group | **742,772** | 795,035 |
| – Joint ventures and associates of Shimao Group | **234,990** | 198,946 |
| | **977,762** | 993,981 |
| Services received from related parties | | |
| – Shimao Group | **–** | 174 |
| Interest on lease liabilities paid to related parties | | |
| – Shimao Group | **523** | 555 |
| Payment of lease liabilities in relation to leases with a related company | | |
| – Shimao Group | **7,263** | 6,713 |

The Group entered certain lease in respect of properties from related parties of the Group. The amount of rental payable by the Group under the leases are approximately RMB569,000 (2020: RMB673,000) per month and the lease terms will be expired in 1-3 years.

## 40. Related party transactions *(CONTINUED)*

### (b) Transactions with related parties (continued)

#### (ii) Discontinued transactions

| | Year ended 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| Services received from related parties | | |
| – Shimao Group | – | 1,072 |
| Sales of investment properties | | |
| – Shimao Group | – | 130,610 |
| Distribution and deemed distribution | | |
| – Shimao Group | **142,546** | 10,465 |
| Repayment of cash advance from related parties | | |
| – Shimao Group | **38,549** | 97,172 |
| Advance to related parties | | |
| – Shimao Group | – | 366,819 |
| Receipt of advance to and interest from related parties | | |
| – Shimao Group | – | 1,472,917 |

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

### (c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 9 is set out below.

| | Year ended 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| Salaries and other short-term employee benefits | **21,508** | 3,758 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2021

## 40. Related party transactions *(CONTINUED)*

### (d) Balances with related parties – trade

| | As at 31 December | |
|---|---|---|
| | **2021** **RMB'000** | 2020 RMB'000 |
| Receivables from related parties | | |
| Trade receivables (Note 22) | | |
| – Shimao Group | **515,595** | 322,686 |
| – Joint ventures and associates of Shimao Group | **156,843** | 48,403 |
| | **672,438** | 371,089 |
| Prepayments, deposits and other receivables (Note 24) (Note) | | |
| – Shimao Group | **273,546** | 167,011 |
| – Joint ventures and associates of Shimao Group | **29,597** | 9,124 |
| | **303,143** | 176,135 |
| Total receivables from related parties | **975,581** | 547,224 |
| Payables to related parties | | |
| Contract liabilities (Note 6) | | |
| – Shimao Group (Note) | **48,256** | 13,589 |
| – Joint ventures and associates of Shimao Group | **6,429** | 4,553 |
| | **54,685** | 18,142 |
| Trade payables (Note 31) | | |
| – Shimao Group | **207** | 207 |
| – Joint ventures and associates of Shimao Group | **–** | 38,549 |
| | **207** | 38,756 |
| Deposits received, accruals and other payables (Note 32) | | |
| – Shimao Group | **134,769** | 189,064 |
| – Joint ventures and associates of Shimao Group | **335,847** | 28,428 |
| | **470,616** | 207,492 |
| Lease payable to related parties | | |
| – Shimao Group | **13,643** | 13,073 |
| Total payables to related parties | **539,151** | 277,463 |

Note:

Included in the amount, the deposit of approximately RMB252,637,000 (2020: Nil) was paid by the Group to Shimao Group for the sales rights of car parking spaces. Such deposit paid together with the commission income of approximately RMB83,036,000 (2020: RMB89,471,000) generated from the sales of car parking spaces constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### (e) Guarantees provided by related parties

As at 31 December 2021, the Group' bank borrowings included a borrowing of approximately RMB157,044,000 bearing a fixed interest at 4% per annum and expiring in 2026, was guaranteed by Shimao Group.

As at 31 December 2020, the Group's ABS, which was guaranteed by Shanghai Shimao Jianshe Co., Ltd, a subsidiary of Shimao Group Holdings, was released as the Group repaid all the remaining balance of ABS as set forth in Note 29.

## 41. Contingencies

As at 31 December 2021, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties (2020: Nil).

## 42. Partly-owned subsidiaries with material non-controlling interests

Financial information of the subsidiaries of the Group that had a material non-controlling interest ("NCI") is summarised below. The amounts disclosed are before any inter-company elimination:

| **NCI percentage** | **Jinshatian**<br>**40%**<br>**As at**<br>**31 December 2021**<br>RMB'000 |
|---|---|
| Current assets | 838,952 |
| Non-current assets | 991,362 |
| Current liabilities | (990,020) |
| Non-current liabilities | (209,891) |
| Equity attributable to owners of the Company | (378,242) |
| Non-controlling interests of Jinshatian | (252,161) |

| | **Year ended**<br>**31 December 2021**<br>RMB'000 |
|---|---|
| Revenue | **466,134** |
| Cost of sales and expense | **(367,583)** |
| Profit and total comprehensive income for the year | **46,586** |
| Profit and total comprehensive income attributable to: | |
| – The owners of the Company | **27,952** |
| – Non-controlling interests of Jinshatian | **18,634** |
| Cash flow generated from operating activities | **61,656** |
| Cash flow used in investing activities | **(26,256)** |
| Cash flow generated from financing activities | **8,001** |
| Net cash inflow | **43,401** |

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

Financial information of the subsidiary of the Group that has a material non-controlling interest is summarised below. The amounts disclosed are before any inter-company elimination:

| | Shi Lu Yuan |
|---|---|
| **NCI percentage** | **33%** |
| | **As at 31 December 2021** |
| | RMB'000 |
| Current assets | 275,884 |
| Non-current assets | 507,514 |
| Current liabilities | (361,160) |
| Non-current liabilities | (26,002) |
| Equity attributable to owners of the Company | (265,478) |
| Non-controlling interests of Shi Lu Yuan | (130,758) |

| | Year ended 31 December 2021 |
|---|---|
| | RMB'000 |
| Revenue | **304,274** |
| Cost of sales and expense | **(216,359)** |
| Profit and total comprehensive income for the year | **39,649** |
| Profit and total comprehensive income attributable to: | |
| – The owners of the Company | **26,565** |
| – Non-controlling interests of Shi Lu Yuan | **13,084** |
| | |
| Cash flow used in operating activities | **(4,878)** |
| Cash flow used in investing activities | **(3,237)** |
| Cash flow generated from financing activities | **159,066** |
| Net cash inflow | **150,951** |

## 43. Balance sheet and reserve movement of the Company

### 43.1 Balance sheet of the Company

| | Notes | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Prepayments, deposits and other receivables | | **9,188,269** | 5,802,096 |
| Investment in subsidiaries | | **212,275** | 212,275 |
| **Total non-current assets** | | **9,400,544** | 6,014,371 |
| **Current assets** | | | |
| Cash and cash equivalents | | **298,666** | 1,899 |
| **Total current assets** | | **298,666** | 1,899 |
| **Current liabilities** | | | |
| Other payables | | **43,371** | 41,200 |
| Convertible bonds | 30 | **2,389,029** | – |
| Derivative embedded in convertible bonds | 30 | **57** | – |
| **Total current liabilities** | | **2,432,457** | 41,200 |
| **Net assets** | | **7,266,753** | 5,975,070 |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 26 | **21,445** | 20,499 |
| Reserves | 43.2 | **7,245,308** | 5,954,571 |
| **Total equity** | | **7,266,753** | 5,975,070 |

The balance sheet of the Company was approved by the Board of Directors on 22 June 2022 and was signed on its behalf.

**Ye Mingjie**
*Director*

**Cai Wenwei**
*Director*

## 43. Balance sheet and reserve movement of the Company *(CONTINUED)*

### 43.2 Reserve movement of the Company

| | Share premium RMB'000 | Other reserves RMB'000 | Treasury stock RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | – | – | – | (29) | (29) |
| Total comprehensive loss for the year | – | – | – | (15,271) | (15,271) |
| Reorganisation (Note 27) | 212,275 | (212,275) | – | – | – |
| Issuance of and re-designation into convertible redeemable preferred shares (Note 26(ii)) | – | (864,500) | – | – | (864,500) |
| Conversion of convertible redeemable preferred shares to ordinary shares (Note 26(ii)) | 1,729,000 | – | – | – | 1,729,000 |
| Capitalisation Issue (Note 26(i)(b)) | – | (17,344) | – | – | (17,344) |
| Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option (Note 26(i)(c)(d)) | 5,122,715 | – | – | – | 5,122,715 |
| **Balance at 31 December 2020 and 1 January 2021** | **7,063,990** | **(1,094,119)** | **–** | **(15,300)** | **5,954,571** |
| Total comprehensive income for the year | **–** | **–** | **–** | **109,848** | **109,848** |
| Placing of new shares (Note 26(i)(e)) | **1,426,772** | **–** | **–** | **–** | **1,426,772** |
| Equity-settled share-based payment-Share Award Scheme (Note 35) | **–** | **33,867** | **–** | **–** | **33,867** |
| Dividend distribution (Note 36) | **–** | **–** | **–** | **(213,336)** | **(213,336)** |
| Capital injection from ultimate holding company (Note 35) | **–** | **79,571** | **(79,571)** | **–** | **–** |
| Repurchase of shares (Note 26(i)(g)) | **–** | **–** | **(66,414)** | **–** | **(66,414)** |
| **Balance at 31 December 2021** | **8,490,762** | **(980,681)** | **(145,985)** | **(118,788)** | **7,245,308** |

## 44. Events after the reporting period

Subsequent to the reporting date, the Group entered into several sale and purchase agreements with independent vendors, pursuant to which the Group, has conditionally agreed to acquire certain subsidiaries whose principal activities were provision of property management services, property cleaning and maintenance services and security services. The total estimated consideration for these acquisitions were approximately RMB502,127,000.

In the opinion of the Directors, all the acquisitions were anticipated to be completed within 2022.

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