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

ANNUAL REPORT 年報 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Tang Fei
Sun Yan

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

PricewaterhouseCoopers

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 873

INVESTOR AND MEDIA RELATIONS

Investor Relations Department
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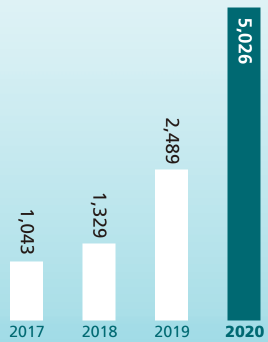
Telephone: (86) 21 3861 1216

FOUR YEARS FINANCIAL SUMMARY

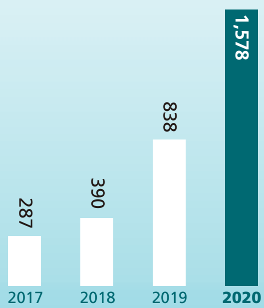
REVENUE

(RMB million)



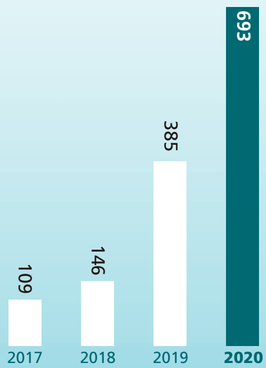
GROSS PROFIT

(RMB million)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(RMB million)



FOUR YEARS FINANCIAL SUMMARY

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**5,025,688**	2,489,086	1,329,323	1,042,528
Cost of sales and services	**(3,447,939)**	(1,651,005)	(939,033)	(755,627)
Gross profit	**1,577,749**	838,081	390,290	286,901
Selling and marketing expenses	**(52,444)**	(17,823)	(6,416)	(3,189)
Administrative expenses	**(562,336)**	(303,907)	(192,601)	(125,978)
Provision of impairment losses on financial assets – net	**(70,527)**	(3,372)	(8,611)	(19,541)
Other income	**40,873**	17,478	4,008	2,412
Other (losses)/gains – net	**(24,662)**	(2,606)	132	97
Other operating expenses	**(11,601)**	(6,694)	(784)	(470)
Operating profit	**897,052**	521,157	186,018	140,232
Finance income	**11,407**	37,935	76,070	97,744
Finance costs	**(14,587)**	(51,833)	(66,901)	(92,098)
Finance (costs)/income – net	**(3,180)**	(13,898)	9,169	5,646
Share of results of associates accounted for using the equity method	**10,915**	(1,208)	–	–
Profit before income tax	**904,787**	506,051	195,187	145,878
Income tax expense	**(180,469)**	(121,520)	(48,991)	(37,097)
Profit for the year	**724,318**	384,531	146,196	108,781
Profit attributable to:				
Equity holders of the Company	**692,952**	384,531	146,196	108,781
Non-controlling interests	**31,366**	–	–	–
Non-current assets	**2,488,113**	444,495	56,171	48,188
Current assets	**8,416,910**	3,130,436	3,138,749	2,073,378
Current liabilities	**4,026,423**	3,315,162	1,724,463	1,214,928
Net current assets	**4,390,487**	(184,726)	1,414,286	858,450
Total assets less current liabilities	**6,878,600**	259,769	1,470,457	906,638
Non-current liabilities	**137,755**	25,974	222,946	505,323
Equity attributable to equity holders of the Company	**6,447,987**	233,795	1,247,511	401,315
Non-controlling interests in equity	**292,858**	–	–	–
Total equity	**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", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2020.

Market and Outlook

In 2020, property management companies bravely shouldered their responsibility amidst the COVID-19 pandemic. As an indispensable assistant to property owners in their daily life, these companies stationed a solid defense line to maintain security and ensure a stable life for property owners, making critical contributions to social peace and stability.

With that in mind, ten ministries and commissions such as Ministry of Housing and Urban and Rural Development and the National Development and Reform Commission of the PRC jointly issued the Notice on Strengthening and Improving Residential Property Management (關於加強和改進住宅物業管理工作的通知) in 2021, which proposed faster development of the property service industry and promote the upgrade of property service to deliver high quality and greater diversity. Having received the attention of the government and the society, the property service industry is embracing a historic moment of opportunities in its development.

We believe that property management services enterprises will keep bolstering industry management and service through a range of approaches such as science and technology, as well as management and operations enhancement. With sustained efforts to explore new modes and areas of property service, these companies are set to pursue their development by entering into more spheres such as municipal services, elderly care, child care, housekeeping, culture, health and housing brokerage, in a bid to meet the diverse and multilevel needs of residents in their daily life. Such efforts also help the government in building modern smart cities and realize the vision of a better life.

Annual Results

2020 was destined to be an extraordinary year, in which Shimao Services kept surpassing itself by braving the pandemic-induced difficulties and reaching record new highs. The Company recorded revenue of RMB5,025.7 million, representing a year-on-year increase of 101.9%. Its net profit amounted to RMB724.3 million, with a year-on-year increase of 88.4%. Net profit attributable to the parent was RMB693.0 million, representing a year-on-year increase of 80.2%. Gross floor area ("GFA") under management amounted to 146.1 million sq.m., representing a year-on-year growth of 114.4%, and contracted GFA reached 201.1 million sq.m. with a year-on-year uptick of 99.4%.

Fruitful Three Years

2020 concluded the first "Three-Year Development Plan" for Shimao Services. With three years of development, Shimao Services has attained notable accomplishments.

Swift and High-quality Growth

In the past three years, Shimao Services sustained its transformation and breakthroughs and recorded swift high-quality growth. Operating revenue advanced from RMB1,329.3 million in 2018 to RMB5,025.7 million in 2020, representing a compound annual growth rate ("CAGR") of 94.3%; and net profit grew from RMB146.2 million in 2018 to RMB724.3 million in 2020, with a CAGR of 122.7%. With a span of three years, the Company has experienced a five-fold growth and captured a leading position within the industry.

Our revenue from community value-added services increased from RMB94.7 million in 2018 to RMB1,600.6 million in 2020 with an increase of approximately 16 times, lifting its percentage of total revenue from 7.1% to 31.8%. We also upgraded our business structure and boosted our business capabilities, as we managed to develop value-added service brands such as "IoT Technology" and "SUNIT New Life" (世集新生活).

In respect of management scale, our GFA under management increased from 45.0 million sq.m. in 2018 to 146.1 million sq.m. in 2020, which represented a CAGR of 80.3% during the period. Our contracted GFA expanded even more rapidly from 60.4 million sq.m in 2018 to 201.1 million sq.m. in 2020, representing a CAGR of 82.5%.

We have established a professional and efficient team, coupled with ramping up the quality of basic services and optimizing the service system, which brought about the leapfrog development of our service quality and satisfaction among property owners. With respect to third parties, their satisfaction surged from 81 points in 2018 to 89 points in 2020, catapulting our Group to the top level in the industry.

Support from the Shimao Group

Backed by our parent Shimao Group Holdings Limited and its subsidiaries (collectively, "Shimao Group"), Shimao Services has been on the rise. Shimao Group stands as one of the top eight comprehensive real estate companies in the PRC and one of the fastest growing real estate companies, with a CAGR of 43.8% in contract sales over the past four years. Shimao Group focuses on tier-one, new tier-one as well as tier-two cities, to provide high-quality residential products for the mid to high-end clientele. The speedy development of the parent company has brought a large number of high-quality potential management areas for Shimao Services. Its mid to high-end positioning has also ushered in premium users and assets for Shimao Services in advance, thus laying the foundation for developing value-added services and creating more space.

Owing to its advantageous brand, Shimao Group has brought abundant resources to the Company. Prior to its listing, the Company introduced strategic investors such as Sequoia and Tencent, as well as cooperative resources through successful acquisition of Hailiang Property Management Co., Ltd. ("Hailiang Property"), Guangzhou Yuetai Property Services Co., Ltd. and Beijing Guancheng Hotel Management Co., Ltd. etc., in addition to a diverse cohort of opportunities to undertake internal and external business.

Scale Expansion

We have developed the new market of third parties customers. Shimao Services has grown its capabilities and management system for market development. It has achieved effective expansion within and across the industry by forming a professional team, improving the management system and setting up a leading incentive mechanism, which have swiftly taken shape. In 2020, we saw drastic advancement in our property management services of third-party bidding, with our contracted GFA up by 23.5 million sq.m. and a variety of operations such as housing, schools, hospitals and industrial parks in our coverage.

Shimao Services has seized the market opportunity and effectively expanded its management through mergers and acquisitions ("M&A"). Since its first acquisition of Hailiang Property in July 2019, Shimao Services has successfully acquired 12 property management companies and about 89.6 million sq.m. of contracted GFA. The Company has also risen to leadership in such segments as schools. By growing its capabilities as a comprehensive property management service provider, Shimao Services has been adequately prepared for establishing its presence in municipal service.

Capacity Development

- ***An industry pioneer in refined management***
  Boost efficiency through management. By employing such managerial approaches as "Internal Marketization", "Grid Unit Management" and "Independent Accounting for Each Grid Unit", Shimao Services has changed the original grassroots management methods of the property management industry. Mutual supervision and facilitation among the grids has effectively lifted the efficiency of grassroots operations. Further, the design of a leading system for incentives and appraisal has balanced efficiency with quality.

- ***First-class integration capability in the industry***
  Ability creates opportunities. Our industry-leading capabilities in refined management provide much-needed assurance to the integration of M&A. We were engaged in a series of integration efforts in our acquired companies, such as organizational structure adjustment, standard implementation, management empowerment and operations improvement, so that they largely met the "Shimao Standard". Most of such acquirees saw their net profit margins rise by an average rate of 30.3%. Shimao Services has realized the export and empowerment of its management capabilities to other companies.

- ***Development of pillar capabilities***
  We keep growing our competitive edge in value-added services, as we evolve from piloting in multiple areas to developing pillar capabilities. By doing so, Shimao Services has developed four prominent businesses, namely smart community solutions, campus value-added services, carpark asset operation services and new retail. From a multidimensional perspective, we center on users, assets and space to provide services for the entire life cycle. With pillars and new capabilities in place, the Company will embrace broader prospects.

New Three-Year Strategy

In line with "user-oriented, product-centric and driven by digitization and intelligence" as its service concepts, Shimao Services will implement a fresh development strategy, whereby its management and business development will revolve around the five cores of "central city", "product optimization", "cost control", "refined management" and "talent development".

Better Smart Life

Committed to the concept of "BETTER SMART LIFE", we will concentrate our services on user, assets and cities and work to develop three business segments, namely basic property management services, value-added services and smart city services. As such, a "1+1+X" business system will take shape. Our business system will focus on basic property services, with the scale amplified through "internal growth and external expansion", which is to take place in tandem with quality and efficiency enhancement. In addition, we seek to cultivate our professional capabilities by establishing our presence in high-potential channels with a focus on users and assets, to drive the development of value-added services. Going forward, we will meet the government's demand for municipal services and explore the provision of more intensive services for the government and enterprises, as we grow our presence in smart municipal services.

New Growth Engine

Municipal service will become the new growth engine for the Company, as the Company seeks to become the municipal services manager and provide one-stop municipal services such as sanitation and greening, road and bridge maintenance and urban lighting. As an assistant of municipal asset management, we will activate idle resources in the community and expand value-added services in urban space. As a partner in urban development, we will participate in investment introduction for major projects, to help develop new towns and districts.

Five Core Strategies

Central city strategy. The five central cities of "Wuhan, Xi'an, Tianjin, Hangzhou and Fuzhou" will be regarded as our footholds, where we vigorously work our external expansion to render them important engines for the Company's scale growth.

Product optimization strategy. Based on the needs of our users, we will constantly optimize product design to meet a variety of high-end demands of our customers, provide stable and superior quality. We will also remove barriers in technology, management and resources to bring users such product value and experience that exceed their expectations and achieve a win-win situation.

Cost control strategy. We will enhance our efficiency at lower costs through supply chain integration, such as process optimization, centralized procurement, one post with multiple functions, and platform empowerment.

Refined management strategy. We will improve our management system in aspects such as organization, process, performance evaluation and improvement, as well as corporate culture. We will strengthen the control of key functions and enhance the delegation of key authority; streamline processes and improve efficiency; optimize performance evaluation principles and assessment models to balance short-term, medium-term and long-term results. We will establish an analytical system for operations at all levels, to achieve a closed loop for problem identification, analysis and solving, and improve our performance.

Talent development strategy. Based on the requirements for different types of talents in our business development, we carry out talent training and the development of our selection and appointment system. With dynamic management and unified standards, we will achieve a consensus on talent strategy; and by competitive recruitment for positions, we will achieve cross-regional mobility. In talent identification and selection, we will clearly define our appointment criteria, and realize talent mobility through "strategy attainment and performance improvement" step by step.

Shimao Services has achieved a resounding success with its first "Three-year Development Strategy" with a greater scale and higher quality. In 2021, Shimao Services will embark on a new journey, to provide quality services that focus on "users" and "assets", serve as a smart municipal service provider and putting its second "Three-year Development Plan" into practice.

Social Responsibility

With strength and commitment, Shimao Services remains attentive to fulfilling its corporate social responsibility as a responsible member. In the wake of the epidemic, about 12,000 Shimao Services employees voluntarily gave up their holidays to work on the front line against the epidemic. They contributed over 1.26 million service hours and protected the safety of nearly 3.2 million property owners and users nationwide. We actively participated in national poverty alleviation and were awarded the title of "Vice Chairman of China Community Poverty Alleviation Alliance" (中國社區扶貧聯盟副主席單位). We also engaged ourselves in the scheme named "Join Hands with Tibetan Children" (藏區青苗牽手計劃), under which we acquired 60 mu of highland barley land in Tibet to contribute to poverty alleviation in Tibet.

Final Dividend

To give back to our shareholders for their support, the board of directors of the Company (the "Board") has proposed a final dividend of HK11 cents per share to share the joy of the Company's growth with every shareholder.

Acknowledgement

In 2020, Shimao Services was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and was recognized by the capital market as the then largest initial public offering of a property management company. 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 and contributions.

In 2021, Shimao Services will continue to uphold the Shimao spirit of "Pioneering, Down-to-earth and Prudent", scale new heights and achieve greater breakthroughs.

Hui Sai Tan, Jason
Chairman

Hong Kong, 15 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Overview

The Group is a leading comprehensive property management and community living service provider in the PRC. In 2020, the Group recorded substantial high-quality growth, and maintained premium property management services in tandem with swift growth in various financial indicators and GFA under management. For the year ended 31 December 2020, the Group recorded operating revenue of RMB5,025.7 million, representing year-on-year growth of 101.9%, and profit for the year of RMB724.3 million, representing year-on-year growth of 88.4%. As at 31 December 2020, our contracted GFA and GFA under management were 201.1 million sq.m. and 146.1 million sq.m. respectively, representing respective year-on-year increases of 99.4% and 114.4% as compared with 2019.

Our business encompasses various types of properties, including residential and non-residential properties (such as schools, hospitals and government buildings), as well as other special customized services of superior quality.

In line with our concept of "BETTER SMART LIFE", we strive to become a city service provider delivering quality services for "users" and "assets". We remain attentive to the living experience and perception of every property owner and user, and lift customer satisfaction with our constant sincerity and refined services.

Our Group has three main business lines: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners.

➢ **Property Management Services**

- ***Representing 54.0% of total revenue and 46.7% of total gross profit***
  During the year, the Group's revenue from property management services amounted to RMB2,712.4 million, representing an increase of 126.1% from RMB1,199.4 million in 2019 mainly as a result of the rapid growth of area under management.

  Gross profit from property management services was RMB736.1 million, representing an increase of 111.3% from RMB348.3 million in 2019; and gross profit margin was 27.1%, representing a slight decrease of 1.9 percentage points from 29.0% in 2019, remaining at a high level within the industry.

- ***Sustained swift growth in area***
  During the year, the Group recorded high growth rates in GFA under management and contracted GFA, laying a solid foundation for it to attain leapfrog growth in revenue. As at 31 December 2020, the Group's GFA under management amounted to 146.1 million sq.m., representing a 114.4% uptick or a net increase of 77.9 million sq.m from 68.2 million sq.m. as at 31 December 2019. There were 535 projects under our management in 104 cities across 28 provinces, municipalities directly under the Central Government and autonomous regions nationwide.

  As of 31 December 2020, the Group's contracted GFA was 201.1 million sq.m., representing a 99.4% uptick or a net increase of 100.2 million sq.m. from 100.9 million sq.m. as at 31 December 2019.

The following table sets forth the Group's GFA under management and contracted GFA as of the dates indicated, which are categorized by property developer type as at 31 December 2020 and 31 December 2019, respectively:

As at 31 December	**2020**	**Percentage**	2019	Percentage
GFA under management (sq.m. in millions)	**146.1**	**100.0%**	68.2	100.0%
Among which:				
From Shimao Group	**51.5**	**35.2%**	46.9	68.8%
From independent third-party developers	**94.6**	**64.8%**	21.3	31.2%
Contracted GFA (sq.m. in millions)	**201.1**	**100.0%**	100.9	100.0%
Among which:				
From Shimao Group	**71.0**	**35.3%**	64.5	64.0%
From independent third-party developers	**130.1**	**64.7%**	36.4	36.0%

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

  The Group manages various types of properties such as residential and non-residential properties. Non-residential properties mainly include schools, government buildings, complexes, hospitals and industrial parks. In 2020, we seized the market opportunity of non-residential property management and acquired Zhejiang Zheda Sinew Property Services Group Co., Ltd. ("Zheda Sinew"), which ranked 3rd among "Top 100 Campus Property Management Companies in the PRC" (中國校園物業服務百強企業) in terms of overall strength in 2016 by the China Association for Campus Management (中國教育後勤協會). The acquisition further increased the Group's market share in the non-residential property segment of campus properties.

  As at 31 December 2020, our GFA under management of non-residential properties was 59.2 million sq.m., accounting for 40.5% of the Group's GFA under management. The share of non-residential properties in GFA under management grew by 36.3 percentage points compared with 2019.

  The following table sets forth the Group's GFA under management and contracted GFA as of the dates indicated, which are categorized by property type as at 31 December 2020 and 31 December 2019, respectively:

  As at 31 December

	2020		2019	
	GFA under management (sq.m. in thousands)	**Percentage**	GFA under management (sq.m. in thousands)	Percentage
Residential properties	**86,939**	**59.5%**	65,332	95.8%
Non-residential properties	**59,183**	**40.5%**	2,835	4.2%
Total	**146,122**	**100.0%**	68,167	100.0%

- ***A consummate system for managing independent third-party projects and M&A projects***

  In 2020, the Group developed the third-party market vigorously and acquired new contracted GFA of 23.5 million sq.m., representing a major increase from 1.8 million sq.m. in 2019. Projects developed from the third-party market are of high quality, charging a monthly property management fee of up to RMB2.1 per sq.m. on average and accounting for a considerable share of reserved GFA. In the second year of developing the third-party market, the Group attained drastic growth and had great confidence in future market development. For 2021, the Group is expected to obtain more area from its third-party market. At the same time, the Group captured market opportunities and added contracted GFA of 71.0 million sq.m. through M&A.

  As at 31 December 2020, the Group has acquired a total of 12 property management companies. Upon their acquisition, the 12 firms had lower gross profit margins from basic property management services than Shimao's own projects. Following effective integration, execution of Shimao standards and ramping up frontline operational efficiency, all the acquirees attained higher gross profit margins from basic property management services.

- ***An industry pioneer with refined operation and management***

  The Group has established a full-cycle, multi-level and multi-dimensional management system with a series of policies, mechanisms, standards and tools. Such a system, as we believe, is conductive to our ability to provide effective and robust management and operation in line with our standards and targets. By promoting "Internal Marketization", "Grid Unit Management" and "Independent Accounting for Each Grid Unit", the Group has established an effective refined management system that can standardize and modularize its property management services. We prepare separate monthly financial reports and operations analysis reports for each grid unit to visualize the operating and financial results of each grid unit, based on which each grid unit prepares variance analysis and updates its budget and performance target for the next month. Such a mechanism is designed to incentivize our employees to take more responsibility in business operations instead of passively following instructions. At the same time, we closely monitor the performance of each grid unit and compare them against its assigned performance targets regarding financial and operational performances as well as customer satisfaction levels. In addition, our personnel are also able to monitor their own performance and compare with other grid units, which can promote healthy competitions among grid units.

  Our management mechanism and tools have effectively optimized our operational efficiency. The application of these policies, mechanisms and tools to newly acquired companies also contributes to our ability to integrate them into our Group and increase their operational efficiency and gross profit margins.

➢ Community Value-added Services

- ***Representing 31.8% of total revenue and 40.7% of total gross profit***

  During the year, the revenue amounted to RMB1,600.6 million, representing a rapid increase of 146.8% from RMB648.6 million in 2019.

  Community value-added services mainly focus on high-potential areas related to users and assets, to develop professional capabilities. In 2020, the Group recorded speedy growth in GFA under management, with a net increase of 77.9 million sq.m., which provided an extensive development foundation for community value-added services.

  During the year, the Group officially entered into the field of college properties following its acquisition of Zheda Sinew Group. The new addition of campus value-added services (such as catering, accommodation and business trading services) greatly enlarged the portfolio of our value-added services. With growing maturity, our "IoT technology", carpark asset operation services and other services have started to contribute more revenue. Upon the official launch of "SUNIT" as a new life brand in August 2020, the Group has worked to establish its presence in new retail business, building offline integrated experience centers for cultural life and promoting online and offline synergy to drive new retail business.

The following table sets forth a breakdown of our revenue from community value-added services for the years ended 31 December 2020 and 2019, respectively:

	2020		2019	
	Revenue (RMB million)	**Percentage**	Revenue (RMB million)	Percentage
Community asset management services	**217.8**	**13.6%**	111.1	17.2%
Smart community solutions	**451.3**	**28.2%**	51.5	7.9%
Carpark asset operation services	**454.1**	**28.4%**	409.3	63.1%
Home decoration services	**147.6**	**9.2%**	74.2	11.4%
New retail services	**99.1**	**6.2%**	2.5	0.4%
Campus value-added services	**230.7**	**14.4%**	N/A	N/A
Subtotal of community value-added services	**1,600.6**	**100.0%**	648.6	100.0%

- For community asset management services, the revenue was RMB217.8 million, representing an increase of 96.2% as compared with last year. The actual revenue growth rate far outstripped the area growth rate, in light of seasonality and the considerable increase of area under management in the second half of the year. The Group actively explored available venues in communities and launched new services such as advertising in parking sheds. Meanwhile, continuous efforts were made to ramp up the integrated operation capacity of our business, with a view to reducing cost in general.

- For smart community solutions, the revenue was RMB451.3 million, representing an increase of 775.6% as compared with last year. In 2020, Shimao Services leveraged on the IoT technology companies: (1) to go beyond exploring business opportunities in existing projects under management and actively pursue external expansion to provide integrated smart solutions, covering project design, the installation, commissioning and maintenance of facilities and equipment, as well as the installation and maintenance of application systems and software, with Shanghai Fudan University Science Park and E·Land Smart Factory as our newly secured projects; (2) to develop external sales channels and establish strategic partnership with important customers, including operators and internet giants, with revenue sources effectively expanded through our inclusion into the supplier database of China Mobile, Tencent Cloud and CRCEG; and (3) to forge strategic ties with unicorn groups, such as SenseTime and Unisound, by serving as part of their integrated solutions to enlarge our revenue sources and boost our profit margin.

- For carpark asset operation services, the revenue was RMB454.1 million, representing an increase of 10.9% as compared with last year. In 2020, the carpark asset operation services business underwent a comprehensive upgrade to provide chain services such as carpark sales, management, lease and transformation as well as vehicle maintenance, to offer property owners all-round carpark-related services. As a result, the segment recorded a much smaller share of cyclical sales revenue and a larger share of revenue from ongoing services, coupled with a more reasonable business structure.

- For home decoration services, it covers a series of home improvement services and provision of marketing and promotional services to third-party home furnishing service providers. The revenue was RMB147.6 million, representing an increase of 98.9% as compared with last year. In 2020, the Group and Red Star Macalline cooperated and established "Shimao Macalline" Platform, which integrates strengths of the two companies to develop home decoration business. Despite the difficulties brought by the pandemic, the business experienced a rapid growth by ways of improvement of products, expansion of sales channels and promotion in cooperation.

- For new retail services, it covers commodity retail services in both online and offline communities. The revenue for the year was RMB99.1 million. In 2020, the Group successfully established its presence in new retail business, leveraging on the "SUNIT" brand to actively provide online-offline synergy services. Shanghai Shimao Riverside and Nanjing Shimao Riverside projects were furnished with offline flagship stores, where a range of operations were introduced such as community libraries, beauty spa, neighborhood kitchens and fitness centers, to create a space of cultural life and communication for property owners in the community. Various channels, such as "Mao Home" mobile application and WeChat community groups, were employed to develop the online product sales business. Its start proved to be a success. As at 31 December 2020, "Mao Home" mobile application had 770,170 registered users, which represented a surge of 41.2 times from 18,000 in 2019. Of the total, there were 350,189 active users, representing an increase of 34 times from 10,000 in 2019.

- For campus value-added services, the revenue for the year was RMB230.7 million. Leveraging on Zheda Sinew Group, we offered various value-added services on campus life, including catering, accommodation and business trading services, standing as a leader in the industry. Our catering business served more than one million people every day in China, and was among "Top 100 Group Dining Enterprises in China" (中國團餐百強企業) and "Top 10 Group Dining Brands in Chinese Colleges and Universities" (中國高校團餐十大品牌). Meanwhile, we were proactive in driving our expansion. Internally, we developed clients among junior and senior schools. Externally, we worked to develop clients among radio and television centers and industrial parks, to broaden the property types and our revenue base.

➢ Value-added Services to Non-property Owners

- ***Representing 14.2% of total revenue and 12.6% of total gross profit***

  During the year, the revenue amounted to RMB712.7 million, representing a 11.2% increase from RMB641.1 million in 2019. Its percentage in total revenue decreased to 14.2% in 2020 from 25.8% in 2019, representing an optimized revenue structure.

  During the year, the Group was engaged in proactive external development on top of continuing to undertake sales office management services for the projects developed by Shimao Group. Efforts were made to improve the Group's industry reputation and attract attention from customers by creating a regional benchmark with optimum sales offices in the city. "M+Service" served as a high-end service team to establish the Group's position in the industry. The Group also kept amplifying its customer base and market, with a number of cross-industry projects secured, such as the Orientation Marathon in Yancheng City, Huafu Hexi Auto Sales Exhibition Hall and the VIP Hall of China Southern Airlines. During the year, the Group recorded revenue of RMB83.0 million from its external development business, representing an increase of 1,001.2% from RMB7.54 million in 2019.

  Furthermore, the Group managed to replicate its management externally, providing advisory services for the new projects of Qingdao Dezhou and Jinan Xiyuecheng. Superior service quality, superb strategies and tactics, and robust operational control comprise 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.

Financial Review

During the year, the Group realized:

Revenue

Revenue was RMB5,025.7 million, representing a year-on-year increase of 101.9% as compared to RMB2,489.1 million in 2019. The Group generated revenue from three business segments: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. During the year: (i) property management services remained the largest source of revenue and profit to the Group. The revenue amounted to RMB2,712.4 million, accounting for 54.0% of the overall revenue and representing a year-on-year increase of 126.1% as compared to RMB1,199.4 million in 2019; (ii) revenue from community value-added services amounted to RMB1,600.6 million, accounting for 31.8% of the overall revenue and representing a year-on-year increase of 146.8% as compared to RMB648.6 million in 2019; (iii) revenue from value-added services to non-property owners amounted to RMB712.7 million, accounting for 14.2% of the overall revenue and representing a year-on-year increase of 11.2% as compared to RMB641.1 million in 2019.

Cost of Sales

Cost of sales of the Group primarily includes staff costs, subcontracting costs, utilities and facility operating costs, cost of selling carpark spaces, cost of smart community solutions and others. During the year, the cost of sales was RMB3,447.9 million, representing a year-on-year increase of 108.8% as compared to RMB1,651.0 million in 2019. The increase in the cost of sales was mainly due to the increase in staff number and various costs following the Group's continuous expansion of GFA under management and business scale.

Gross Profit and Gross Profit Margin

Gross profit amounted to RMB1,577.7 million, representing a year-on-year increase of 88.3% as compared to RMB838.1 million in 2019. Gross profit margin was 31.4%, representing a slight decrease of 2.3 percentage points as compared to 33.7% in 2019. The gross profit margins for the three business segments were 27.1% for property management services, 40.1% for community value-added services and 28.1% for value-added services to non-property owners, respectively. The gross profit margins for those segments were 29.0%, 47.5% and 28.3% in 2019, respectively.

Gross profit margin for property management services was 27.1%, representing a slight decrease compared to 29.0% in 2019, primarily due to the Group's aggressive market expansion in 2020 and successful acquisition of 9 property management companies during the year. For the newly acquired companies and the new projects undertaken, they had lower gross profit margins in general than Shimao's own projects upon their acquisition, and hence more resources had to be invested in the early stage for integration. At the same time, it also took time for the integration, resulting in the decrease of the gross profit margin during the year.

Gross profit margin for community value-added services was 40.1%, representing a slight decrease as compared to 47.5% for the year of 2019, primarily due to the introduction of campus value-added business and the expansion of new retail business in 2020, both of which had a relatively low gross profit margin.

Gross profit margin for value-added services to non-property owners was 28.1%, which remained largely stable as compared to 28.3% for the year of 2019.

Selling and Marketing Expenses

Selling and marketing expenses were RMB52.4 million, representing a year-on-year increase of 194.2% as compared to RMB17.8 million in 2019. Marketing expenses for the year accounted for 1.0% of the revenue, representing an increase of 0.3 percentage points as compared to 0.7% in 2019. The increase was primarily due to the increase in the Group's expansion of various community value-added businesses (such as smart solutions, new retail and home decoration services) as well as higher staff costs for market development and marketing and promotional expenses.

Administrative Expenses

Administrative expenses were RMB562.3 million, of which listing expenses were RMB33.6 million. Excluding listing expenses, administrative expenses amounted to RMB528.7 million. Administrative expenses for 2020 grew at a year-on-year rate of 85.0% from RMB303.9 million in 2019. Administrative expenses for the year accounted for 11.2% of the revenue, representing a decrease of 1.0 percentage points as compared to 12.2% for 2019, primarily due to the fact 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

Operating profit was RMB897.1 million, representing an increase of 72.1% as compared to RMB521.2 million in 2019. Operating profit margin was 17.8%, representing a decrease of 3.1 percentage points as compared to 20.9% in 2019.

Finance Cost, Net

During the year, net finance costs was RMB3.2 million, representing a decrease of 77.1% as compared to RMB13.9 million for the year of 2019, primarily due to the combined effect of more interest income on bank deposits and lower interest expenses arising from asset-backed securities repayment.

Profit before Income Tax Expense

During the year, profit before tax amounted to RMB904.8 million, representing an increase of RMB398.7 million or a year-on-year uptick of 78.8% from RMB506.1 million in 2019, primarily due to the fast growth of the Group's projects under management and area under management, as well as the rapid development of community value-added services.

Income Tax

During the year, income tax was RMB180.5 million, representing an increase of 48.5% from RMB121.5 million in 2019. The effective tax rate was 19.9%, representing a decrease of 4.1 percentage points from 24.0% in 2019, primarily owing to preferential tax policies.

The IoT technology companies under our Group are entitled to the preferential tax policy of tax exemption for the first two years and 50% tax reduction for the third year. 2020 was its first year under the preferential tax policy. Hailiang Property, headquartered in Tibet, enjoyed the tax benefits; and Chengdu Xinyi 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 2020 to 31 December 2020, 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 was RMB724.3 million, representing an increase of 88.4% as compared to RMB384.5 million in 2019. During the year, profit attributable to the Group's equity shareholders was RMB693.0 million, representing an increase of 80.2% as compared to RMB384.5 million in 2019.

Net profit margin for the year was 14.4%, representing a year-on-year decrease of 1.0 percentage points as compared to 15.4% in 2019.

Investment Properties, Property, Plant and Equipment

As at 31 December 2020, net book value from investment properties, property, plant and equipment amounted to RMB226.1 million, representing a year-on-year increase of 93.2% as compared to RMB117.0 million as at 31 December 2019. This was primarily due to approximately RMB105.6 million for additional properties such as students' apartments and office buildings under construction, approximately RMB19.8 million for extra equipment and facilities, approximately RMB21.9 million for office equipment and vehicles, and approximately RMB37.0 million for additional leasehold improvements expenses as a result of the acquisition of Zheda Sinew and Chengdu Xinyi during the year. Furthermore, investment properties worth RMB103.0 million were disposed due to business reorganization during the year.

Intangible Assets

As at 31 December 2020, the carrying amount of the Group's other intangible assets was RMB1,873.3 million, representing an increase of 561.2% as compared to RMB283.3 million as of 31 December 2019. The Group's intangible assets primarily included: (i) goodwill of RMB1,213.8 million recognized for the acquired companies; (ii) customer relationship of RMB593.6 million recognized for the acquired companies; (iii) software R&D and purchase worth RMB65.9 million by the Group; and (iv) partially offset by customer relationships and software amortization. Customer relationships and software have definite useful periods and are accounted for at cost less accumulated amortization.

As at 31 December 2020, the Group's goodwill amounted to RMB1,213.8 million, representing an increase of 588.5% as compared to RMB176.3 million for 31 December 2019. The Group's goodwill mainly arises 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 2020, the management was not aware of any significant impairment risk on goodwill.

Trade and Other Receivables

As at 31 December 2020, trade and other receivables amounted to RMB2,232.8 million, representing a year-on-year increase of 14.3% as compared to RMB1,953.2 million as at 31 December 2019. In particular, trade receivables amounted to RMB1,863.2 million, representing an increase of 149.3% as compared to RMB747.3 million for the year of 2019, primarily due to the Group's business scale expansion and addition of new business.

Trade and Other payables

As at 31 December 2020, trade and other payables amounted to RMB2,987.0 million representing an increase of 56.1% from RMB1,913.1 million as at 31 December 2019, mainly due to the expansion of procurement resulting from business scale expansion and addition of new business.

Liquidity, Reserves and Capital Structure

The Group maintained a strong financial position during the year. Current assets amounted to RMB8,416.9 million as at 31 December 2020, representing an increase of 168.9% from RMB3,130.4 million as at 31 December 2019. The Group's cash and cash equivalents amounted to RMB5,830.0 million as at 31 December 2020, representing a year-on-year increase of 586.2% from RMB849.6 million as at 31 December 2019, which mainly stemmed from the initial public offering ("IPO") proceeds of RMB5,125.9 million. During the year, net cash generated from operations grew steadily to RMB964.1 million, increasing by RMB427.0 million from RMB537.1 million in 2019.

The Group's net current assets amounted to RMB4,390.5 million as at 31 December 2020, with a current ratio of 2.1, which stood at a robust level as compared with the net current liabilities of RMB184.7 million as at 31 December 2019.

The Group's borrowings amounted to RMB30.0 million as at 31 December 2020, which were all bank borrowings of the acquired companies.

Proceeds from Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 30 October 2020. Excluding underwriting fees and related expenses, the gross proceeds from the initial public offering was approximately HK$5,917.4 million (equivalent to RMB5,125.9 million). As at 31 December 2020, HK$579.4 million (equivalent to RMB486.7 million) was utilized, all of which were used to continue to expand business scale through acquisitions, while HK$5,338.0 million (equivalent to RMB4,639.2 million) was not utilized. Such proceeds will be used for the following purposes as set out in the prospectus of the Company dated 20 October 2020:

– Approximately 65% will be used to continue to expand business scale through multiple channels

– Approximately 15% will be used to diversify people-oriented and property-oriented value-added service offerings

– Approximately 5% will be used to improve the information technology system and smart technologies

– Approximately 5% will be used to attract and nurture talent

– Approximately 10% will be used for working capital and other general corporate purposes.

Material Acquisition

During the year, the Group seized market opportunities and successfully acquired 9 companies within the existing management coverage upon a selection of segment and regional leaders. Hence, it effectively increased the project management density in individual regions. For example, the number of management projects in Hangzhou alone grew from 9 to 107; and the number of projects under management in Xi'an alone increased from 3 to 56. This greatly bolstered the market status for individual cities. Meanwhile, we effectively developed market segments through M&A. In August 2020, the Group successfully acquired Zheda Sinew, a leading brand of college properties. By leveraging on Zheda Sinew as a platform, the Group successfully entered the market segment of campus properties. By integrating the excellent resources and capabilities of both sides, the Group expanded its business scope (to Fujian and Shanghai markets) and entered similar segments, such as industrial parks and public venues.

The following table sets forth the shareholdings acquired and transaction considerations of the companies acquired by the Group in 2020:

Time	**Name of company**	**Shareholding acquired** (%)	**Transaction consideration** (RMB million)
January 2020	Guangzhou Yuetai Property Services Co., Ltd. (廣州市粵泰物業服務有限公司)	100	110.0
March 2020	Fusheng Life Services Group Co., Ltd. (福晟生活服務集團有限公司)	51	0
June 2020	Chengdu Xinyi Property Co., Ltd. (成都信誼物業有限公司)	67	74.4
July 2020	Beijing Guancheng Hotel Management Co., Ltd. (北京冠城酒店物業有限公司)	100	127.5
August 2020	Zhejiang Zheda Sinew Property Services Group Co., Ltd. (浙江浙大新宇物業集團有限公司)	51	614.7
November 2020	Tianjin Hexin Property Management Co., Ltd. (天津和興物業管理有限公司)	70	95.8
November 2020	Kangqiao Property Co., Ltd. (康橋物業有限公司)	80	292.0
November 2020	Hangzhou Jinhu Property Management Co., Ltd. (杭州近湖物業管理有限公司)	100	61.7
November 2020	Xi'an Fangrui Property Management Co., Ltd. (西安方瑞物業管理有限公司)	70	139.8

Future Outlook

The Group focuses on the alignment of the target company to the Group when making acquisitions. The 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. At the same time, the customer group 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.

The Group will pay more attention to capability extension and cultivation. M&A can effectively improve the Group's project management density in a specific region, and lay a solid foundation for enhancing the service concentration within the project, comprehensive cost control for the region and supply chain capacity output.

Meanwhile, the Group takes the M&A as a means to establish more business lines. For example, the Group successfully entered the campus property market by acquiring Zheda Sinew, and expanded other similar business lines (such as industrial parks and public venues) by virtue of the leading advantages of Zheda Sinew in respective segments.

The Group believes that through acquisition and effective integration, we can rapidly and effectively expand the scale of our business, increase the status within the industry, build core business capabilities, and give greater impetus for future development. Aiming at effective organic growth, the Group will not blindly pursue sheer scale expansion. Rather, it will 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 during the year, any changes in value of HK$ and the interest rates will affect the performance of the Group. Therefore, the Group will closely monitor the exchange rate risk and interest rate risk concerned, actively explore foreign exchange hedging options with major banks and use financial instruments to hedge against such risks when necessary.

Employees and Compensation Policy

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

As at 31 December 2020, the Group had 24,334 employees, representing a growth of 210.2% as compared to 31 December 2019; the total staff costs amounted to RMB1,664.0 million, representing an increase of 64.2% from RMB1,013.2 million in the year ended 31 December 2019. The growth rates of revenue and area under management were 101.9% and 114.4%, respectively during the year.

Contingent Liabilities

As at 31 December 2020, 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 2020.

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 and value-added services to non-property owners. The principal activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2020 are set out on pages 54 to 124 of this annual report.

The board of directors of the Company (the "Board") has proposed a final dividend of HK11 cents (2019: nil) per ordinary share for the year ended 31 December 2020. The proposed final dividend, if approved at the forthcoming annual general meeting (the "AGM") to be held on Wednesday, 26 May 2021, will be payable on Friday, 9 July 2021 to shareholders whose names appear on the register of members of the Company on Thursday, 3 June 2021.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(i) from Thursday, 20 May 2021 to Wednesday, 26 May 2021 (both days inclusive), for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. 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 Tuesday, 18 May 2021; and

(ii) on Wednesday, 2 June 2021 and Thursday, 3 June 2021, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, 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 the address as set out in sub-paragraph (i) above for registration no later than 4:30 p.m. on Tuesday, 1 June 2021.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

Business Review

A business review of the Group for the year ended 31 December 2020 and a discussion of the Group's future business development and possible risks and uncertainties that the Group may encounter are provided in the Chairman's Statement on pages 6 to 10 and the Management Discussion and Analysis on pages 11 to 20 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 Four Years Financial Summary on pages 4 to 5 of this annual report. 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.

A separate Environmental, Social and Governance Report of the Group will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) respectively in due course according to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 26 and 39 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 suppliers noted above.

Bank and Other Borrowings

Details of bank and other borrowings of the Company and the Group as at 31 December 2020 are set out in note 28 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to approximately RMB766,529.43.

Property, Plant and Equipment

Details of property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company for the year ended 31 December 2020 are set out in note 25 to the consolidated financial statements.

Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last four 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) (appointed on 1 June 2020)*
Mr. Ye Mingjie *(President)**
Mr. Cao Shiyang *(appointed on 1 June 2020)*
Mr. Cai Wenwei *(appointed on 18 September 2020)*

Non-executive Directors

Ms. Tang Fei *(appointed on 1 June 2020)*
Mr. Sun Yan *(appointed on 1 June 2020)*

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice *(appointed on 13 October 2020)*
Mr. Gu Yunchang *(appointed on 13 October 2020)*
Ms. Zhou Xinyi *(appointed on 13 October 2020)*

* Mr. Ye Mingjie was appointed as the President and an Executive Director of the Company on 30 April 2020 and 1 June 2020, respectively.

In accordance with Article 109 of the Articles of Association, three directors, namely, Mr. Hui Sai Tan, Jason, Mr. Cao Shiyang and Mr. Sun Yan 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.

Equity-Linked Agreements

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 2020, 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:

Long position in the shares of the Company

Name of Director	Capacity/Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Cao Shiyang	Beneficial owner/ Interest of spouse	42,000 (Note 1)	0.002%

Note:

1. These interests disclosed represent 20,000 shares held by Mr. Cao Shiyang and 22,000 shares held by his spouse, Ms. Xu Guilin. By virtue of the SFO, Mr. Cao Shiyang is deemed to be interested in the shares held by his spouse.

Long position in the shares or underlying shares of the Associated Corporation

Name of Directors	Name of the Associated Corporation	Capacity/Nature of interests	Number of ordinary shares or underlying shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Shimao Group Holdings Limited ("Shimao Group Holdings")	Beneficial owner	3,481,852 (Note 1)	0.098%
Ye Mingjie	Shimao Group Holdings	Beneficial owner	265,086 (Note 2)	0.007%
Cao Shiyang	Shimao Group Holdings	Beneficial owner	93,202 (Note 3)	0.003%
Tang Fei	Shimao Group Holdings	Beneficial owner	1,189,372 (Note 4)	0.034%
Sun Yan	Shimao Group Holdings	Beneficial owner	89,473 (Note 5)	0.003%

Notes:

1. These interests disclosed include deemed interests in 255,214 shares granted which had not vested pursuant to a share award scheme of Shimao Group Holdings.

2. These interests disclosed include deemed interests in 144,686 shares granted which had not vested pursuant to a share award scheme of Shimao Group Holdings.

3. These interests disclosed include deemed interests in 26,514 shares granted which had not vested pursuant to a share award scheme of Shimao Group Holdings.

4. These interests disclosed include deemed interests in 254,954 shares granted which had not vested pursuant to a share award scheme of Shimao Group Holdings.

5. These interests disclosed include deemed interests in 88,807 shares granted which had not vested pursuant to a share award scheme of Shimao Group Holdings.

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 2020, 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 interest	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	65.879%
Shimao Group Holdings	Note 1	1,557,352,000	65.879%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,557,352,000	65.879%
Gemfair Investments Limited ("Gemfair")	Note 3	1,589,286,159	67.229%
Mr. Hui Wing Mau	Note 4	1,600,142,501	67.689%

Notes:

1. These interests disclosed represent the interests in the Company which are held by Best Cosmos, a company which is directly wholly-owned by Shimao Group Holdings, which is owned as to approximately 55.06% by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau.

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; and (ii) 1,557,352,000 shares held by Gemfair's controlled corporations.

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; and (iii) 1,557,352,000 shares held by Gemfair's controlled corporations. By virtue of the SFO, Mr. Hui Wing Mau is deemed to be interested in such shares.

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 period from 30 October 2020 (the "Listing Date") up to 31 December 2020, 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 period from the Listing Date to 31 December 2020 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 period from the Listing Date to 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Related Party Transactions

Significant related party transactions entered by the Group for the year ended 31 December 2020 are set out in note 36 to the consolidated financial statements, which are in compliance with the relevant applicable requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

The Company has entered into the following continuing connected transactions during the year ended 31 December 2020:

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 from the Listing Date.

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.

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 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 from the Listing Date.

For the year ended 31 December 2020, the total amount of service fee payable by the Group in relation to the Promotion Services amounted to RMB0.2 million which did not exceed the annual cap of RMB36.0 million.

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 from the Listing Date.

For the year ended 31 December 2020, the total amount of service fee payable to the Group in relation to the Property Management and Related Services amounted to RMB904.5 million which did not exceed the annual cap of RMB983.0 million.

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 from the Listing Date.

For the year ended 31 December 2020, the total amount of service fee received by the Group in relation to the Carpark Space Sales Agency Services amounted to RMB89.5 million which did not exceed the annual cap of RMB210.0 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, PricewaterhouseCoopers, 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.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the period from the Listing Date 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 31 to 43 of this annual report.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming AGM of the Company.

On behalf of the Board
Hui Sai Tan, Jason
Chairman

Hong Kong, 15 March 2021

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 applicable 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 period from 30 October 2020 (the "Listing Date") to the date of this annual report.

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 period from the Listing Date to 31 December 2020.

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 four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

Since the Listing Date and up to the date of this annual report, one Board meeting was held and Directors attended the Board meeting in person or through electronic means of communication. Going forward, regular Board meetings will be held at least four times a year at approximately quarterly interval and meets as and when required. Details of the attendance records of the Directors are set out in the table on page 35. 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 2020 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

Non-executive Directors
Ms. Tang Fei
Mr. Sun Yan

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 four Executive Directors, two Non-executive Directors 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	4
Non-executive Directors	2
Independent Non-executive Directors	3
Gender	
Male	6
Female	3
Age	
31–40 years old	1
41–50 years old	5
51–60 years old	1
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	✓	✓	✓	✓	
Non-executive Directors					
Ms. Tang Fei	✓	✓	✓	✓	
Mr. Sun Yan	✓	✓	✓	✓	✓
Independent Non-executive Directors					
Ms. Kan Lai Kuen, Alice	✓		✓	✓	✓
Mr. Gu Yunchang	✓	✓	✓		
Ms. Zhou Xinyi	✓	✓	✓		
Coverage (Approximate % of entire Board)	100%	89%	100%	44%	22%

C.4 Appointments, Re-election and Removal

Each of the Directors has entered into a service contract or a letter of appointment with the Company for a specific term of three years commencing from the Listing Date. 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.

There was one Nomination Committee meeting held since the Listing Date and up to the date of this annual report. Details of the attendance records of the Nomination Committee members are set out in the table on page 35.

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.

The Board adopted a nomination policy (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

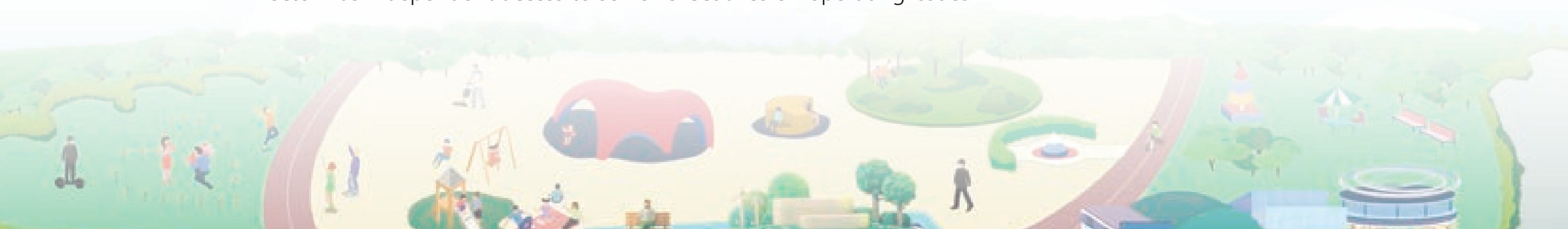
(f) other factors considered to be relevant by the Nomination Committee on a case-by-case basis.

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. No candidate was selected and nominated for directorship during the period from the Listing Date up to the date of this annual report.

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

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	✓
Ms. Tang Fei	✓
Mr. Sun Yan	✓
Ms. Kan Lai Kuen, Alice	✓
Mr. Gu Yunchang	✓
Ms. Zhou Xinyi	✓

Individual attendance records of the Directors at board meetings and board committees' meetings since the Listing Date and up to the date of this annual report, are set out below:

	Attendance/Number of Meeting(s)			
Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting
Mr. Hui Sai Tan, Jason	1/1	N/A	N/A	N/A
Mr. Ye Mingjie	1/1	N/A	N/A	N/A
Mr. Cao Shiyang	1/1	N/A	N/A	N/A
Mr. Cai Wenwei	1/1	N/A	N/A	N/A
Ms. Tang Fei	0/1	N/A	N/A	N/A
Mr. Sun Yan	1/1	N/A	N/A	N/A
Ms. Kan Lai Kuen, Alice	1/1	2/2	1/1	1/1
Mr. Gu Yunchang	1/1	2/2	1/1	1/1
Ms. Zhou Xinyi	1/1	2/2	1/1	1/1

C.7 Supply of and Access to Information

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

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

D. 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.

There was one Remuneration Committee meeting held since the Listing Date and up to the date of this annual report. Details of the attendance records of the Remuneration Committee members are set out in the table on page 35.

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 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.

Details of the Directors' remunerations (including the Executive Directors who are also the senior management of the Company) are set out in note 37 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 2020:

(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 C.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 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 their 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 2020. 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 2020. The Board has also confirmed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions 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 ad 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).

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.

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.

There were two Audit Committee meetings held since the Listing Date and up to the date of this annual report. Details of the attendance records of the Audit Committee members are set out in the table on page 35.

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.

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.

The work performed by the Audit Committee since the Listing Date and up to the date of this annual report are 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 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 2020; and

(h) review the compliance status of the Deed of Non-Competition.

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 2020 have been reviewed by the Audit Committee.

The external auditor of the Company is PricewaterhouseCoopers. 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 49 to 53 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 2020 is set out as follows:

Services rendered	RMB'000
Audit services	
– Service in relation to the Listing	6,600
– Annual and other audit services	2,580
Non-audit services	6,440
Total	15,620

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 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 period from the Listing Date up to 31 December 2020, 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 D.3.1 of the Code. During the Listing Date and up to the date of this annual report, the Board has performed, inter alia, the following:

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

(b) reviewed and monitored the Company's policies on compliance with legal and regulatory requirements; and

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

G. Communication with Shareholders

G.1 Effective Communication

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.

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.

No annual general meeting was held since the Listing Date up to 31 December 2020. The Company's external auditor, PricewaterhouseCoopers, will be invited to attend the forthcoming annual general meeting, during which its representative will be available to answer questions raised by the Shareholders.

G.2 Voting by Poll

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.

G.3 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

On 14 October 2020, the Company adopted the amended and restated Memorandum and Articles and Association and effective on the Listing Date. Since the Listing Date and up to the date of this annual report, there was no change in the Memorandum and Articles of Association.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Executive Directors

Hui Sai Tan, Jason (Chairman)

Mr. Hui Sai Tan, Jason, aged 44, 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 22 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"), a holding company indirectly holds 65.88% 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) and Shanghai Shimao Co., Ltd. ("Shanghai Shimao", a 63.92%-owned 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 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 42, 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 15 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.

Cao Shiyang

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 46, was appointed 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 14 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 46, 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 22 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. (新城悦服務集團有限公司) (formerly known as Xinchengyue Holdings Limited (新城悦控股有限公司) 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.

Non-executive Directors

Tang Fei

Ms. Tang Fei, aged 50, was appointed as a Non-executive Director of the Company on 1 June 2020. She 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 27 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.

Sun Yan

Mr. Sun Yan, aged 40, 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. Mr. Sun joined the Group in April 2011. He also joined the Shimao Group in January 2011 and has been serving as an assistant president and the leader of the internal audit and information management center of the Shimao Group. Mr. Sun also serves as a supervisor in various subsidiaries of the Shimao Group. Mr. Sun has been a supervisor of Shanghai Shimao since April 2012 and is responsible for supervising the overall management of Shanghai Shimao. Prior to joining the Shimao Group, he worked in the audit department at PricewaterhouseCoopers Zhong Tian LLP in 2008 and has been an independent director of Shanghai Phichem Material Co., Ltd. (上海飛凱光電材料股份有限公司), a company listed on the Shenzhen Stock Exchange, since March 2017. Mr. Sun obtained a Bachelor's Degree in International Accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2002 and a Master's Degree in Business Administration from Shanghai Jiaotong University (上海交通大學) in the PRC in December 2018. Mr. Sun was admitted as a certified public accountant granted by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in March 2011 and was appointed as a deputy president of the Association of Guangdong Enterprise Institute for Internal Controls (廣東企業內部控制協會) in September 2018.

Independent non-executive Directors

Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 66, has been an Independent Non-executive Director of the Company since 13 October 2020 and has more than 29 years' experience in corporate finance. She is the responsible officer, managing director and the controlling shareholder of Asia Investment Management Limited, a licensed corporation accredited by the Securities and Futures Commission of Hong Kong. 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, Regal Hotels International Holdings Limited, Cosmopolitan International Holdings Limited and Jolimark Holdings Limited. She was formerly an independent non-executive director of Shoucheng Holdings Limited, Mason Group Holdings Limited and China Energine International (Holdings) Limited, companies listed on the HKEx, from 2004 to 2018, 2017 to 2019 and 2008 to 2020 respectively; and an independent director of AVIC International Maritime Holdings Limited, a company 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 76, 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 CIFI Holdings (Group) Co., Ltd., Sunshine 100 China Holdings Ltd. and Jiayuan International Group Limited, all companies of which are listed on the main board of the HKEx. In addition, Mr. Gu served as 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. Mr. Gu graduated from Tongji University (同濟大學) in the PRC and specialised 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 58, was appointed 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.

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 2021 AGM will be held on Wednesday, 26 May 2021. The notice of the 2021 AGM, which constitutes part of the circular to shareholders, is sent together with this annual report. The notice of the 2021 AGM and the proxy form are also available on the Company's website.

2020 DIVIDEND

Proposed final dividend	HK11 cents per ordinary share

CLOSURE OF REGISTER OF MEMBERS ("ROM")

For determining shareholders' eligibility to attend and vote at the 2021 AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 18 May 2021
Closure of ROM	from Thursday, 20 May 2021 to Wednesday, 26 May 2021 (both days inclusive)

For determining shareholders' entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on Tuesday, 1 June 2021
Closure of ROM	Wednesday, 2 June 2021 and Thursday, 3 June 2021
Record date	Thursday, 3 June 2021
Dispatch of final dividend warrants	Friday, 9 July 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

What we have audited

The consolidated financial statements of Shimao Services Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 124, which comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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 2020, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of trade receivables
- Purchase price allocation for business combinations
- Impairment assessment of goodwill

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables	
Refer to note 4 'Critical accounting estimates and judgements' and note 22 'Trade receivables' to the consolidated financial statements. As at 31 December 2020, the net carrying amount of trade receivables of the Group is RMB1.86 billion, including gross amount of RMB1.98 billion and loss allowance of RMB116 million. The Group applies the simplified approach under HKFRS 9 to measure expected credit loss, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and aging periods. The Group estimated the expected credit losses 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 expected lifetime loss is estimated based on internal historical data with adjustment to reflect current conditions and forward looking factors such as the GDP, CPI and the growth rate of the debtor's industry. We consider this area a key audit matter due to the significant management estimates involved in the impairment assessment of trade receivables given the subjectivity of significant assumptions used.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of impairment of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and subjectivity etc. (ii) We evaluated the outcome of prior period assessment of the impairment of trade receivables to assess the effectiveness of management's estimation process. (iii) We evaluated and tested the key controls over the impairment assessment of trade receivables, including the review of ageing and collectability of the receivable balances, and the review and approval of the model and assumptions used in expected credit loss assessment. (iv) We tested the aging profile of trade receivables as of 31 December 2020 used in the calculation of loss allowance of trade receivables, on a sample basis, to sales invoices and other relevant documents. (v) We assessed the historical default rate by considering the payment profile of debtors. We tested the historical data used in the calculation of the historical default rate, including sales and the related bad debts, on a sample basis, to supporting documents. (vi) We evaluated, with assistance from our internal expert, management's assessment of current conditions and forward looking factors including the GDP, CPI 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. Based upon the above procedures, we found that the significant management estimates in relation to the assessment of the impairment of trade receivables were supported by available evidences.

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for business combinations	
Refer to note 4 'Critical accounting estimates and judgements' and note 35 'Business combinations' to the consolidated financial statements. During the year ended 31 December 2020, the Group completed acquisitions of several property management groups with total considerations of RMB1.52 billion, and performed a purchase price allocation for each acquisition, which resulted in recognition of identifiable net assets acquired of RMB730 million which include intangible assets amounted to RMB539 million, in respect of customer relationships, and goodwill of RMB1.04 billion, representing the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired. Management has engaged independent external valuer to assist in determination of the fair value of intangible assets. The determination of the fair value involved significant management judgement and estimates including 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). We consider this area a key audit matter given the significant management judgements and estimates involved in the fair value assessment of the purchase price allocation given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of purchase price allocation for business combinations and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc. (ii) We evaluated and tested the 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. (iii) We assessed the competence, capabilities and objectivity of the independent external valuer engaged by management. (iv) We assessed the appropriateness of the valuation methodologies adopted and the reasonableness of significant assumptions used in the cash flow forecasts for the valuation with the assistance from our internal valuation experts. For post-tax discount rates, we compared them with the weighted average cost of capital of the acquired companies and adjusted by certain risk premium. For gross profit margins and the expected useful lives of customer relationships, we compared these assumptions with the relevant historical data of the acquired companies and market data, where applicable. Based upon the above procedures, we found that the methodologies, significant management judgements and estimates involved in the fair value assessment of the purchase price allocation for business combinations were supported by available evidences.

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to note 4 'Critical accounting estimates and judgements' and note 20 'Intangible assets' to the consolidated financial statements. As at 31 December 2020, the Group had goodwill of RMB1.21 billion which arose from the Group's acquisitions of property management groups. Management performed goodwill impairment assessment annually. Management considered each of the acquired property management group a separate group of cash-generated-units ("CGU"). 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 calculations. The value-in-use calculations used the discounted cash flow forecast based on approved budgets. Significant management judgements and estimates were involved in the goodwill impairment assessment, including the adoption of methodologies and the use of significant assumptions, which mainly include revenue growth rates, gross profit margins and pre-tax discount rates. We consider this area a key audit matter due to the significant management judgements and estimates adopted in the goodwill impairment assessment given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc. (ii) We evaluated and tested the key controls over the impairment assessment of goodwill, including the review and approval of assumptions and data input, based on approved budget, used in the assessment. (iii) We assessed the appropriateness of the methodologies adopted with the assistance from our internal valuation experts, 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. (iv) We assessed the revenue growth rates and gross profit margins by comparing to management approved budget, historical data, available market data and industry information. (v) We assessed the pre-tax discount rates with reference to comparable companies and the assistance from our internal valuation experts. (vi) We also compared the current year's actual performance with the prior year's budget and management plan to assess the quality of management's assessment. (vii) We assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on significant assumptions to an extent that results in goodwill being impaired. Based upon the above procedures, we found that the methodologies, significant management judgements and estimates adopted in the goodwill impairment were supported by available evidences.

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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

- 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.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S.C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	6	**5,025,688**	2,489,086
Cost of sales and services	6,7	**(3,447,939)**	(1,651,005)
Gross profit		**1,577,749**	838,081
Selling and marketing expenses	7	**(52,444)**	(17,823)
Administrative expenses	7	**(562,336)**	(303,907)
Provision of impairment losses on financial assets – net	3.1	**(70,527)**	(3,372)
Other income	9	**40,873**	17,478
Other losses – net	10	**(24,662)**	(2,606)
Other operating expenses	11	**(11,601)**	(6,694)
Operating profit		**897,052**	521,157
Finance income		**11,407**	37,935
Finance costs		**(14,587)**	(51,833)
Finance costs – net	12	**(3,180)**	(13,898)
Share of results of associates accounted for using the equity method	13	**10,915**	(1,208)
Profit before income tax		**904,787**	506,051
Income tax expense	15	**(180,469)**	(121,520)
Profit for the year		**724,318**	384,531
Profit attributable to:			
– Equity holders of the Company		**692,952**	384,531
– Non-controlling interests		**31,366**	–
		724,318	384,531
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(166,508)**	–
Total other comprehensive income for the year, net of tax		**(166,508)**	–
Total comprehensive income for the year		**557,810**	384,531

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
		Year ended 31 December	
Total comprehensive income attributable to:			
– Equity holders of the Company		**526,444**	384,531
– Non-controlling interests		**31,366**	–
		557,810	384,531
Earnings per share for profit attributable to the equity holders of the Company			
– Basic and diluted earnings per share (RMB)	16	**0.34**	0.19

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

The consolidated financial statements on pages 54 to 124 were approved by the Board of Directors on 15 March 2021 and were signed on its behalf.

Ye Mingjie
Director

Cai Wenwei
Director

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	18	**206,143**	14,029
Right-of-use assets	19	**27,212**	15,858
Investment properties	17	**19,931**	103,003
Intangible assets	20	**1,873,297**	283,294
Deferred tax assets	31	**67,533**	24,619
Investment in associates accounted for using the equity method	13	**34,074**	3,692
Financial assets at fair value through other comprehensive income		**356**	–
Prepayments	23	**259,567**	–
Total non-current assets		**2,488,113**	444,495
Current assets			
Inventories	21	**267,233**	276,775
Trade receivables	22	**1,863,164**	747,305
Prepayments, deposits and other receivables	23	**454,422**	1,256,765
Restricted cash	24	**2,045**	–
Cash and cash equivalents	24	**5,830,046**	849,591
Total current assets		**8,416,910**	3,130,436
Total assets		**10,905,023**	3,574,931
Equity			
Equity attributable to equity holders of the Company			
Share capital	25	**20,499**	–
Reserves	26	**6,427,488**	233,795
		6,447,987	233,795
Non-controlling interests		**292,858**	–
Total equity		**6,740,845**	233,795

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	28	**4,400**	–
Lease liabilities	30	**7,896**	8,622
Deferred tax liabilities	31	**122,162**	14,354
Provisions for other liabilities and charges	27	**3,297**	2,998
Total non-current liabilities		**137,755**	25,974
Current liabilities			
Trade and other payables	29	**2,986,951**	1,913,052
Contract liabilities	6	**815,334**	445,602
Dividends payables	32	**–**	559,247
Income tax liabilities		**185,729**	150,576
Borrowings	28	**25,600**	239,789
Lease liabilities	30	**12,809**	6,896
Total current liabilities		**4,026,423**	3,315,162
Total liabilities		**4,164,178**	3,341,136
Total equity and liabilities		**10,905,023**	3,574,931

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company								
	Share Capital RMB'000 (Note 25)	Share Premium RMB'000 (Note 26)	Statutory Reserves RMB'000 (Note 26)	Other Reserves RMB'000 (Note 26)	Convertible redeemable preferred shares RMB'000 (Note 26)	Retained earnings RMB'000 (Note 26)	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									
Items that may be reclassified to profit or loss									
Translation reserves	–	–	–	(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 reorganization (Note 1)	–	–	–	(11,510)	–	–	(11,510)	–	(11,510)
Reorganization	–	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 25(ii))	–	–	–	(864,500)	1,729,000	–	864,500	–	864,500
Conversion of convertible redeemable preferred shares to ordinary shares (Note 25(ii))	–	1,729,000	–	–	(1,729,000)	–	–	–	–
Capitalization Issue	17,344	–	–	(17,344)	–	–	–	–	–
Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option	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	–	–	–	(282,005)	–	–	(282,005)	251,443	(30,562)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	10,049	10,049
Appropriation to statutory reserves	–	–	39,942	–	–	(39,942)	–	–	–
Total Transactions with owners	20,499	7,063,990	39,942	(1,386,276)	–	(50,407)	5,687,748	261,492	5,949,240
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

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

	Attributable to equity holders of the Company							
	Share Capital RMB'000 (Note 25)	Share Premium RMB'000 (Note 26)	Statutory Reserves RMB'000 (Note 26)	Other Reserves RMB'000 (Note 26)	Retained earnings RMB'000 (Note 26)	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2019	–	–	29,182	810,500	407,829	1,247,511	–	1,247,511
Comprehensive income								
Profit for the year	–	–	–	–	384,531	384,531	–	384,531
Transactions with owners in their capacity as owners								
Capital Injection	–	–	–	1,000	–	1,000	–	1,000
Deemed distribution to the owner (Note 1)	–	–	–	(840,000)	–	(840,000)	–	(840,000)
Appropriation to statutory reserves	–	–	43,949	–	(43,949)	–	–	–
Dividends declared by Shimao Tiancheng	–	–	–	–	(559,247)	(559,247)	–	(559,247)
Total Transactions with owners	–	–	43,949	(839,000)	(603,196)	(1,398,247)	–	(1,398,247)
Balance at 31 December 2019	–	–	73,131	(28,500)	189,164	233,795	–	233,795

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**1,139,800**	569,682
Interest received on bank deposits		**11,407**	4,366
Income tax paid		**(187,078)**	(36,992)
Net cash generated from operating activities		**964,129**	537,056
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired	35(b)	**(980,932)**	(144,971)
Proceeds from disposal of a subsidiary, net of cash disposed		**14,381**	–
Payment for acquisition of an associate	13	**–**	(4,900)
Payments for property, plant and equipment		**(94,587)**	(6,517)
Proceeds from disposal of property, plant and equipment		**4,177**	–
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 for investment properties		**–**	(99,000)
Payments of software development costs		**(56,360)**	(15,416)
Loans to related parties	36(b)	**(366,819)**	(859,700)
Repayment of advance to related parties	36(b)	**1,472,917**	1,717,239
Interest received on advance to related parties		**–**	41,241
Net cash generated from investing activities		**175,932**	627,976
Cash flows from/(used in) financing activities			
Capital injection from owners before initial public offering		**1**	1,000
Capital injection from non-controlling interests of subsidiaries		**3,185**	–
Proceeds from issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option – net (Note 25(i))		**5,125,869**	–
Proceeds from issuance of convertible redeemable preferred shares (Note 25(ii))		**864,500**	–
Prepayment for consideration of acquisition of Zhejiang Sinew from non-controlling interests	23(b)	**(185,492)**	–
Dividends paid to the then shareholders of Shimao Tiancheng		**(569,712)**	–
Repayments of borrowings		**(248,489)**	(314,047)
Payment for consideration of reorganization	26	**(851,510)**	–
Repayment of cash advance from related parties	36(b)	**(97,172)**	(793,571)
Interest paid on borrowings		**(16,289)**	(56,081)
Interest paid on leased liabilities	30(b)	**(1,348)**	(374)
Payments for leased liabilities	30(c)	**(13,954)**	(5,082)
Cash advance from related parties	36(b)	**–**	315,000
Net cash generated from/(used in) financing activities		**4,009,589**	(853,155)
Net increase in cash and cash equivalents		**5,149,650**	311,877
Cash and cash equivalents at beginning of year		**849,591**	537,714
Effects of exchange rate changes on cash and cash equivalents		**(169,195)**	–
Cash and cash equivalents at end of year		**5,830,046**	849,591

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Shimao Services Holdings Limited (the "Company") was incorporated on 3 December 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box. 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of property management services, value-added services and value-added services to non-property owners in the People's Republic of China (the "PRC"). The Company's ultimate holding company is Shimao Group Holdings Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 July 2006.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on 30 October 2020.

Prior to the listing of the Company, the Group carried out a series of acquisition of subsidiaries from Shimao Group Holdings Limited and its subsidiaries (together, "Shimao Group") for the purpose of the reorganization in preparation for the listing. In this connection, the Group acquired Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") and its subsidiaries from Shimao Group in 2019 at a consideration of RMB840,000,000 and the Group acquired several subsidiaries from Shimao Group in 2020 at a total consideration of RMB11,510,000. These consideration were accounted for as deduction of reserve. Also, as part of the reorganization, the Company acquired certain subsidiaries by issuing one share to Best Cosmos Limited ("Best Cosmos", the immediate holding company of the Company). The excess of the then book value of these subsidiaries over the par value was credited to share premium with an amount of RMB212,275,000.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities, which are carried at fair value.

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

2.1.1 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020

2 Summary of significant accounting policies *(CONTINUED)*

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

(ii) New and amended standards not yet adopted

New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2 Summary of significant accounting policies *(CONTINUED)*

2.2 Principles of consolidation and equity accounting (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies *(CONTINUED)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 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.

2 Summary of significant accounting policies *(CONTINUED)*

2.5 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 recognized within "Other losses – net" in the consolidated statements of comprehensive income.

(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 recognized in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Assets under construction are stated at historical cost less impairment losses. Historical 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.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 Summary of significant accounting policies *(CONTINUED)*

2.6 Property, plant and equipment (continued)

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 or lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'Other losses – net' in the consolidated statements of comprehensive income.

2.7 Investment properties

Investment properties, representing commercial properties held for leases, are held for rental yields and are not occupied by the Group. The Group measured its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 20 to 40 years.

2.8 Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Computer software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized 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.

2 Summary of significant accounting policies *(CONTINUED)*

2.8 Intangible assets (continued)

(iii) Research and development

Costs associated with research and development software programmes are recognized 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 recognized 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.

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

Capitalized development costs are recorded as intangible assets and amortized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iv) Customer relationship

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization 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.

2.9 Impairment of non-financial assets

Goodwill is not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies *(CONTINUED)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- **Debt instruments**

  i) to be measured subsequently at fair value through other comprehensive income ("OCI");

  ii) to be measured subsequently at fair value through profit or loss; and

  iii) to be measured at amortized cost.

  The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Equity instruments

i) to be measured subsequently at fair value through other comprehensive income; and

ii) to be measured subsequently at fair value through profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, 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 fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statements of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognized in 'other losses – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

2 Summary of significant accounting policies *(CONTINUED)*

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

Debt instruments (continued)

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in 'other losses – net' in the period in which it arises.

Equity instruments

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 profit or loss. Dividends from such investments continue to be recognized in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other losses – net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

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.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rate are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 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.

2 Summary of significant accounting policies *(CONTINUED)*

2.13 Inventories

(i) Carparks

Costs of purchased carparks are determined after deducting rebates and discounts. Net realizable 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.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and banks, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 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.

2.17 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 recognized the convertible redeemable preferred shares as an equity instrument as the redemption obligation does not rest with the Company. They are initially recognized at proceeds received. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive income.

2.18 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies *(CONTINUED)*

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

Given the Croup has no qualifying assets during the year ended 31 December 2020, all borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies *(CONTINUED)*

2.22 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 organized 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 recognizes 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 recognizes 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 recognized 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 recognized until the time of leave.

2.23 Provisions

Provisions for legal claims are recognized 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 recognized 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 recognized 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 recognized as interest expense.

2 Summary of significant accounting policies *(CONTINUED)*

2.24 Revenue recognition

The Group provides property management services, community value-added services, and value-added services to non-property owners. Revenue from providing services is recognized in the accounting period in which the services are rendered.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Property management services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group is primary responsible for providing the property management services to the property owners, the Group recognizes the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

For property management services income from properties managed under commission basis, where the Group recognizes the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

The Group provides cleaning, greening and gardening, repair and maintenance services as a subcontractor to construction companies, gardening companies and other property management companies. The Group recognizes revenue on a gross basis when the services are rendered.

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.

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 recognizes the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage when such services are rendered.

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 recognized 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 recognizes 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 recognized when condition is met.

2 Summary of significant accounting policies *(CONTINUED)*

2.24 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 recognizes the commission on a net basis, which is calculated by a percentage of the sales price when the carpark is delivered to property owners. For carpark sales business, the Group acts as a principal in carpark sales business as the Group obtains control of the carparks before the control of carparks transferred to property owners. Revenues are recognized 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 recognizes the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage when such services are rendered.

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 recognizes revenue on a gross basis when the smart devices are delivered, and the services are rendered.

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 recognizes 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 recognizes 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 recognized 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 recognizes 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 recognizes 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 recognizes 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 recognizes 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.

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 recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

2.25 Interest income

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).

2 Summary of significant accounting policies *(CONTINUED)*

2.26 Leases

(a) The Group as a lessee

The Group leases commercial properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security of borrowing purpose.

Leases are recognized as right-of-use assets (Note 19) and corresponding liability at the date of which the lease asset for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include:

(a) the net present value of the fixed payments (including in-substance fixed payments);

(b) variable lease payments that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating of the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct cost; and

(d) restoration costs.

Payments associated with short-term leases with lease term of 12 months or less and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in profit or loss.

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 recognized in the consolidated statements of comprehensive income when the event or conditions that triggers those payments occurs.

2 Summary of significant accounting policies *(CONTINUED)*

2.26 Leases (continued)

(a) The Group as a lessee (continued)

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize 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.

(b) The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease.

The lease receivable under lease arrangements are recognized as "other receivable" in the consolidated balance sheets.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized 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.

2.28 Government grants

Grants from the government are recognized 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 recognized 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 recognized in profit or loss, or deducted against related costs, expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognized 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.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: fair value 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.

3.1.1 Fair value interest rate risk

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

Other than cash and cash equivalents 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 2020, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade receivables, deposits and other receivables; and cash and cash equivalents. The carrying amounts of trade receivables, deposits and other receivables; and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners where services are due for payment immediately upon invoice, and third-party non-property owner customers and related party customers with credit terms of usually 60 days. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit loss also incorporate forward looking information on macroeconomic factors offsetting the ability of the customers to settle the receivables. The Group has identified the GDP, CPI and the growth rate of the customers' industry to be the most relevant factors.

(iii) Other receivables due from related parties

The Group expects that the credit risk associated with other receivables due from related parties is considered to be low, since related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the impairment provision recognized during the period was limited to 12 months expected losses, which was 0.5% allowance rate considering forwarding-looking risk for other receivables due from related parties.

3 Financial risk management *(CONTINUED)*

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

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

As at 31 December 2019 and 2020, the loss allowance provision was determined based on invoice date as follow.

	As at 31 December					
	2020 RMB'000			2019 RMB'000		
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
Trade receivables						
Related parties	0.5%	371,089	1,855	0.5%	512,004	2,560
Third party aging						
Within 1 year	5%	1,490,571	71,719	5%	208,538	10,427
1 to 2 years	19%	70,380	13,575	17%	27,074	4,603
2 to 3 years	32%	17,604	5,639	31%	15,377	4,766
3 to 4 years	52%	10,071	5,221	50%	10,509	5,254
4 to 5 years	80%	7,156	5,698	77%	6,143	4,730
Over 5 years	100%	12,465	12,465	100%	9,003	9,003
		1,979,336	116,172		788,648	41,343

3 Financial risk management *(CONTINUED)*

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

	As at 31 December					
	2020 RMB'000			2019 RMB'000		
	Expected Loss Rate	**Gross Carrying Amount**	**Loss allowance provision**	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
Other receivables						
Other receivables						
– Loans to related parties	**0.5%**	**175,639**	**878**	0.5%	1,106,098	5,531
– Cash advance to employees	**5%**	**8,483**	**384**	6%	8,196	492
– Payments on behalf of property owners	**2%**	**130,898**	**2,031**	2%	77,966	1,559
– Deposits	**1%**	**34,054**	**177**	–	–	–
– Other	**4%**	**24,925**	**926**	5%	22,329	1,116
		373,999	**4,396**		1,214,589	8,698

As at 31 December 2020 and 2019, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	**Prepayments, deposits and other receivables (excluding prepayments)** RMB'000	**Total** RMB'000
At 1 January 2019	35,480	11,189	46,669
Provision for loss allowance recognized in profit or loss	5,863	(2,491)	3,372
At 31 December 2019	41,343	8,698	50,041
At 1 January 2020	**41,343**	**8,698**	**50,041**
Provision for loss allowance recognized in profit or loss	**74,829**	**(4,302)**	**70,527**
At 31 December 2020	**116,172**	**4,396**	**120,568**

As at 31 December 2020, the gross carrying amount of trade receivables and other receivables (excluding prepayments) was RMB2,353,335,000 (2019: RMB2,003,237,000) and thus the maximum exposure to loss was RMB2,353,335,000 (2019: RMB2,003,237,000).

3 Financial risk management *(CONTINUED)*

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including loans from related parties to meet its daily operation working capital requirements.

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. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the statements of 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	Total RMB'000
As at 31 December 2020				
Trade and other payables *	**2,562,931**	**–**	**–**	**2,562,931**
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**
As at 31 December 2019				
Trade and other payables *	1,693,036	–	–	1,693,036
Borrowing and interest payments	249,230	–	–	249,230
Lease liabilities	7,487	7,020	3,562	18,069
Dividend payables	559,247	–	–	559,247
	2,509,000	7,020	3,562	2,519,582

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

3.2 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 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 *(CONTINUED)*

3.2 Capital management (continued)

The gearing ratios during the years ended 31 December 2020 and 2019 are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings (Note 28)	**(30,000)**	(239,789)
Lease liabilities (Note 30)	**(20,705)**	(15,518)
Cash advance from related parties	**–**	(97,172)
Less: Cash and cash equivalents (Note 24)	**5,830,046**	849,591
Net cash (Note 33 (b))	**5,779,341**	497,112
Total equity	**6,740,845**	233,795
Gearing ratio	**Note**	Note

Note: The Group is at a net cash position and there is no gearing as of 31 December 2020 and 2019.

3.3 Fair value estimation

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).

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2020 and 2019.

As at 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income	–	–	356	356
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	–	–	320,344	320,344

3 Financial risk management *(CONTINUED)*

3.3 Fair value estimation (continued)

As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	–	–	19,997	19,997

Financial assets at fair value through other comprehensive income included in Level 3 as at 31 December 2020 is 13% equity investment in an unlisted entity, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

Financial assets at fair values through profit or loss included in Level 3 as at 31 December 2020 are wealth management products, the fair value of which are estimated based on unobservable inputs.

Consideration payable arising from non-controlling shareholders' put option in Level 3 as at 31 December 2020 are put options under which the non-controlling shareholders' has the right to sell the remaining equity interests to the Group, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

The following table presents the changes in level 3 instruments for the year ended 31 December 2020:

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Consideration payable arising from non-controlling shareholders' put option RMB'000
As at 1 January 2020	–	–	19,997
Additions	68,789	–	282,004
Additions from acquisition of a subsidiary	50,483	356	–
Change in fair value	2,062	–	18,343
Disposal	(121,334)	–	–
As at 31 December 2020	–	356	320,344
Net gains/(loss) for the period	2,062	–	(18,343)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

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.

There were no changes in Level 3 instruments for the year ended 31 December 2020.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumption and inputs used, see Note 3.1.2 above.

(b) 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 recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

(c) Fair value assessment of purchase price allocation for business combinations

Significant judgements and estimates were involved in the fair value assessment of the purchase price allocation for 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). See notes 20 for more details.

(d) 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 property management groups. 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. See note 20 for more details.

(e) 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.

5 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive and non-executive directors.

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

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2020.

As at 31 December 2020 and 2019, all of the non-current assets of the Group were located in the PRC.

6 Revenue and cost of sales and services

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales and services by category for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December			
	2020 RMB'000		2019 RMB'000	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Revenue from customer and recognized over time:				
Property management services	**2,712,395**	**1,976,259**	1,199,398	851,071
Community value-added services	**353,377**	**201,737**	171,918	82,475
Value-added services to non-property owners	**712,670**	**512,638**	641,130	459,456
	3,778,442	**2,690,634**	2,012,446	1,393,002
Revenue from customer and recognized at a point in time:				
Community value-added services	**1,247,246**	**757,305**	476,640	258,003
	5,025,688	**3,447,939**	2,489,086	1,651,005
Revenue recognized on gross basis/net basis:				
Revenue recognized on gross basis	**4,637,224**	**3,340,388**	2,112,299	1,461,974
Revenue recognized on net basis	**388,464**	**107,551**	376,787	189,031
	5,025,688	**3,447,939**	2,489,086	1,651,005

For the year ended 31 December 2020, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 19.78% (2019:32.41%) of the Group's revenue, 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 2020 and 2019.

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

(a) Contract liabilities

The Group had recognized the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
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

(b) Significant changes in contract liabilities

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.

(c) Revenue recognized in relation to contract liabilities

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Property management services	**330,217**	263,545
Community value-added services	**50,170**	6,755
Value-added services to non-property owners	**1,723**	–
	382,110	270,300

(d) Unsatisfied performance obligations

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

(e) Assets recognized from incremental costs to obtain a contract

During the year ended 31 December 2020, there were no significant incremental costs to obtain or fulfil a contract, and accordingly no asset was recognized.

7 Expenses by Nature

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Employee benefit expenses (Note 8)	**1,664,036**	1,013,210
Cleaning costs	**464,976**	228,458
Office expenses	**240,218**	109,578
Security costs	**244,031**	123,623
Utilities	**260,629**	129,498
Greening and gardening costs	**114,176**	44,587
Maintenance costs	**281,540**	150,952
Cost of selling parking lots	**138,258**	61,527
Community activities expenses	**27,194**	21,154
Taxes and surcharges	**25,127**	14,107
Depreciation and amortization charges	**75,189**	14,010
Raw materials used in catering services	**65,926**	–
Cost of goods sold (Note (a))	**384,710**	49,451
Listing expenses excluding audit fees	**27,009**	–
Auditors' remuneration		
– Audit services in relation to the listing	**6,600**	–
– Annual and other audit services	**2,580**	823
– Non-audit services	**6,440**	–
Other expenses	**34,080**	11,757
	4,062,719	1,972,735

(a) The cost of goods sold mainly represent the costs related to smart community solutions, home improvement services, business trading services and new retail services.

8 Employee benefit expense

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses	**1,362,276**	816,970
Pension costs	**104,682**	75,380
Housing funds, medical insurances and other social insurances (Note (a))	**124,859**	79,292
Other employment benefits	**72,219**	41,568
	1,664,036	1,013,210

(a) 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.

8 Employee benefit expense *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors for the years ended 31 December 2020 and 2019,whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining three individuals for the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**3,758**	3,818

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2020	2019
Emolument bands (in RMB)		
RMB1,000,001–RMB2,000,000	**3**	3

9 Other income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants (Note (a))	**28,205**	4,958
Value-added tax deductibles (Note (b))	**6,668**	6,092
Rental income	**6,000**	4,667
Others	**–**	1,761
	40,873	17,478

(a) Government grants mainly represented financial support funds from local government and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to these grants.

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

10 Other losses – net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net fair value losses of put option (Note 29)	**(18,343)**	–
Net loss on disposal of investment properties (Note (a))	**(13,489)**	–
Gain on disposal of financial assets at fair value through profit or loss	**2,062**	–
Net gain/(loss) on disposal of property, plant and equipment	**1,580**	(70)
Net gain on disposal of a subsidiary	**511**	–
Net foreign exchange losses	**(2,690)**	(17)
Others	**5,707**	(2,519)
	(24,662)	(2,606)

(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. The disposal resulted in a net cash inflow of RMB130,610,000 and a net loss of RMB13,489,000.

11 Other operating expenses

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation of investment properties	**9,629**	3,088
Compensation expenses	**541**	3,094
Others	**1,431**	512
	11,601	6,694

12 Finance costs – net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest income on bank deposits	**11,407**	4,366
Interest income on loans to related parties (Note 36(b))	**–**	33,569
Finance income	**11,407**	37,935
Interest expense on Asset-Backed Securities	**(13,239)**	(36,619)
Interest expense on loans from related parties (Note 36(b))	**–**	(14,840)
Interest and finance charges paid/payable for lease liabilities and others	**(1,348)**	(374)
Finance costs expensed	**(14,587)**	(51,833)
Finance costs – net	**(3,180)**	(13,898)

13 Investment in associates accounted for using the equity method

Set out below is the associates of the Group as at 31 December 2020 and 2019:

Name of entity	Place of business/ country of incorporation	% of ownership interest 2020 %	% of ownership interest 2019 %	Carrying amount As at 31 December 2020 RMB'000	Carrying amount As at 31 December 2019 RMB'000
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd	The PRC	**49**	49	**477**	3,692
Kunming Ruixin City Operation Management Co., Ltd	The PRC	**33**	Not Applicable	**3,363**	–
Shanghai Maoyuan Property Management Co., Ltd.	The PRC	**49**	Not Applicable	**5,471**	–
Zhejiang Xinyu Trade Co., Ltd.	The PRC	**40**	Not Applicable	**19,425**	–
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	**30**	Not Applicable	**5,338**	–
Total equity accounted investments				**34,074**	3,692

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
At the beginning of the year	**3,692**	–
Capital injections	**–**	4,900
Addition from acquisition of subsidiaries	**19,467**	–
Share of profits/(losses)	**10,915**	(1,208)
At the end of the year	**34,074**	3,692

14 Subsidiaries

The following is a list of principal subsidiaries at 31 December 2020 and 2019, 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 2019	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	HKD1	100%	**100%**	Investment holding, Hong Kong
Shanghai Aoling Enterprise Management Co., Ltd.	The PRC 17 June 2019	RMB5,000,000	100%	**100%**	Investment holding, the PRC
Shimao Tiancheng Property Services Group Co., Ltd.	The PRC 16 September 2005	RMB800,000,000	100%	**100%**	Property management services in Shanghai
Quanzhou Shimao Sanyuan Real Estate Management Co., Ltd. ("Quanzhou Sanyuan")	The PRC 26 June 2003	RMB5,000,000	51%	**51%**	Property management services in Quanzhou
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	RMB1,000,000	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	RMB1,000,000	100%	**100%**	Business Services in Shanghai
Shanghai Shibei Intelligent Engineering Co., Ltd.	The PRC 30 December 2014	RMB1,000,000	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	**67%**	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
Mudanjiang Feixia Management Co., Ltd. ("Mudanjiang Feixia")	The PRC 25 October 2019	RMB500,000	100%	**100%**	Property management services in Mudanjiang

14 Subsidiaries *(CONTINUED)*

Name of entity	Place and date of incorporation/ establishment	Issued/ Registered capital	Ownership interest held by the Group As at 31 December 2019	2020	Principal activities/ place of operation
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 Mudangjiang
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	HKD1,000,000	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	Not Applicable	**100%**	Property management services in Guangzhou
Fusheng Life Services Group Co., Ltd.	The PRC 17 July 2018	RMB10,000,000	Not Applicable	**51%**	Household management services, Wholesale and retail trading
Beijing Guancheng Hotel Management Co., Ltd. ("Beijing Guancheng")	The PRC 22 September 1998	RMB2,000,000	Not Applicable	**100%**	Property management services in Beijing
Shanghai Shimao Macalline home technology Co., Ltd.	The PRC 14 April 2017	RMB10,000,000	Not Applicable	**51%**	Engineering Construction in Shanghai
Shanghai Shijihui Entrepreneurship Management Co., Ltd.	The PRC 18 March 2020	RMB10,000,000	Not Applicable	**100%**	Property management services in Shanghai
Zhejiang Zheda Sinew Property Services Group Co., Ltd. (Zhejiang Sinew)	The PRC 21 January 2001	RMB50,000,000	Not Applicable	**51%**	Property management services in Hangzhou
Tianjin Hexing Property Management Co., Ltd. ("Tianjin Hexing")	The PRC 1 August 2005	RMB10,000,000	Not Applicable	**70%**	Property management and hotel management in Tianjin
Kangqiao Property Co., Ltd. ("Yantai Kangqiao")	The PRC 31 October 2007	RMB50,000,000	Not Applicable	**80%**	Property management and hotel management in Yantai
Hangzhou Jinhu Property Management Co., Ltd. ("Hangzhou Jinhu")	The PRC 26 August 1996	RMB10,500,000	Not Applicable	**100%**	Property management and hotel management in Hangzhou
Xi'an Fangrui Property Management Co., Ltd. ("Xi'an Fangrui")	The PRC 23 March 2001	RMB50,000,000	Not Applicable	**70%**	Property management and hotel management in Xi'an

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries was significant to the Group and thus the individual financial information of these subsidiaries were not disclosed.

15 Income tax expense

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC corporate income tax and withholding income tax	**233,118**	123,151
Deferred income tax credit (Note 31)		
– PRC corporate income tax	**(52,649)**	(1,631)
	180,469	121,520

(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) 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 2020.

(c) 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 2020.

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.

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 2020 after utilizing 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.

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.

(d) 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 2020, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB1,296,409,000 (2019: RMB157,661,000), 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 recognized 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.

15 Income tax expense *(CONTINUED)*

(e) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statement of comprehensive income to the income tax expenses is listed below:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Profit before income tax	**904,787**	506,051
Tax calculated at applicable corporate income tax rate of 25%	**226,197**	126,513
Tax effects of:		
– Expenses not deductible for taxation purposes	**6,474**	498
– Income not taxable for tax purpose	**(5,586)**	–
– Tax loss not recognised	**15,975**	–
– Tax loss utilized/(for which no deferred income tax assets was recognized), net	**(5,950)**	–
– Different tax rate applied	**(57,672)**	(5,491)
PRC income tax charge	**179,438**	121,520
Withholding income tax on profits distributed	**1,031**	–
	180,469	121,520

16 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and convertible redeemable preferred shares ("CPS") during the years ended 31 December 2020 and 2019.

Each CPS is entitled to any non-cumulative dividend in preference to the holders of the ordinary shares when declared. In addition, the holders of the CPS 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 CPS issued. Hence, the rights of the CPS to the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company. Accordingly, the CPS is accounted for as an equity instrument and is included in the calculation of earnings per share.

The weighted average number of ordinary shares used has been retrospectively adjusted for the effects of the issue of 94,999 shares (Note 25 (i)(a)) and the 1,999,900,000 shares issued in connecting with the Capitalization issue (Note 25 (i)(c)), these were deemed to have been in issue since 1 January 2019.

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2020 and 2019. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	**692,952**	384,531
Weighted average number of equity shares (in thousands)	**2,061,866**	1,999,995
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	**0.34**	0.19

17 Investment properties

	Buildings RMB'000
As at 1 January 2019	
Cost	9,005
Accumulated depreciation	(1,914)
Net book amount	7,091
Year ended 31 December 2019	
Opening net book amount	7,091
Additions	99,000
Depreciation charge	(3,088)
Closing net book amount	103,003
As at 31 December 2019	
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	**20,160**
Disposals	**(93,603)**
Depreciation charge	**(9,629)**
Closing net book amount	**19,931**
As at 31 December 2020	
Cost	**34,562**
Accumulated depreciation	**(14,631)**
Net book amount	**19,931**

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Other operating expenses (Note 11)	**9,629**	3,088

During the year ended 31 December 2020, the rental income arising from the investment properties are RMB6,000,000 (2019: RMB4,667,000) which is included in other income (Note 9). There are no direct operating expenses from investment properties.

17 Investment properties *(CONTINUED)*

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognized professional qualification and has recent 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 realized 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 2020, the fair value of the investment properties is approximately RMB20,160,000 (2019: RMB160,780,000).

As at 31 December 2019, investment properties with a carrying amount of RMB96,323,000 were pledged as collateral borrowings of RMB300,000,000 for Shanghai Bianrui Trading Limited Co., Ltd., a joint venture of the Shimao Group Holdings.

The Group is in the process of obtaining the ownership certificates of the investment properties as at 31 December 2020.

As at 31 December 2020, none of investment properties were pledged.

18 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 2019							
Cost	–	7,298	10,061	1,982	735	–	20,076
Accumulated depreciation	–	(4,135)	(4,252)	(1,329)	(141)	–	(9,857)
Net book amount	–	3,163	5,809	653	594	–	10,219
Year ended 31 December 2019							
Opening net book amount	–	3,163	5,809	653	594	–	10,219
Additions from acquisition of subsidiaries	–	1,483	265	238	–	–	1,986
Additions	–	1,315	3,843	156	453	–	5,767
Depreciation charge	–	(1,242)	(1,457)	(269)	(518)	–	(3,486)
Disposals	–	(255)	(116)	(86)	–	–	(457)
Closing net book amount	–	4,464	8,344	692	529	–	14,029
As at 31 December 2019							
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 35)	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	(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							
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

18 Property, plant and equipment *(CONTINUED)*

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Cost of sales and services	**11,168**	1,400
Administrative expenses	**15,132**	2,086
	26,300	3,486

As at 31 December 2020, the ownership certificate of the building has not been obtained.

19 Right-of-use assets

	Land-use-right RMB'000	**Buildings** RMB'000	**Total** RMB'000
As at 1 January 2019			
Cost	–	9,544	9,544
Accumulated depreciation	–	(2,518)	(2,518)
Net book amount	–	7,026	7,026
Year ended 31 December 2019			
Opening net book amount	–	7,026	7,026
Additions	–	12,240	12,240
Depreciation charge	–	(3,408)	(3,408)
Closing net book amount	–	15,858	15,858
As at 31 December 2019			
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 35)	**2,216**	**–**	**2,216**
Additions	**–**	**18,679**	**18,679**
Depreciation charge	**(430)**	**(9,111)**	**(9,541)**
Closing net book amount	**1,786**	**25,426**	**27,212**
As at 31 December 2020			
Cost	**2,187**	**40,463**	**42,650**
Accumulated depreciation	**(401)**	**(15,037)**	**(15,438)**
Net book amount	**1,786**	**25,426**	**27,212**

19 Right-of-use assets *(CONTINUED)*

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Administrative expenses	**9,541**	3,408

20 Intangible assets

	Computer Software RMB'000	Goodwill (Note(a)) RMB'000	Customer relationship RMB'000	Total RMB'000
As at 1 January 2019				
Cost	5,204	–	–	5,204
Accumulated amortization	(691)	–	–	(691)
Net book amount	4,513	–	–	4,513
Year ended 31 December 2019				
Opening net book amount	4,513	–	–	4,513
Additions	13,643	–	–	13,643
Additions from acquisition of subsidiaries (Note 35)	136	176,318	95,800	272,254
Amortization charge	(1,128)	–	(5,988)	(7,116)
Closing net book amount	17,164	176,318	89,812	283,294
As at 31 December 2019				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(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 35)	**3,027**	**1,037,461**	**539,000**	**1,579,488**
Additions	**49,877**	**–**	**–**	**49,877**
Disposals	**(14)**	**–**	**–**	**(14)**
Amortization charge	**(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				
Cost	**71,948**	**1,213,779**	**634,800**	**1,920,527**
Accumulated amortization	**(6,046)**	**–**	**(41,184)**	**(47,230)**
Net book amount	**65,902**	**1,213,779**	**593,616**	**1,873,297**

20 Intangible assets *(CONTINUED)*

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales and services	**22,306**	–
Administrative expenses	**17,042**	7,116
	39,348	7,116

(a) Goodwill

Goodwill of RMB1,213,779,000 (2019: RMB176,318,000) has been allocated to the CGUs of the subsidiaries acquired for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2020. 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:

Revenue growth rate during the forecast period	2%-17%
Gross profit margin during the forecast period	13%-32%
Pre-tax discount rate	15%-22%

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as 31 December 2019:

Revenue growth rate during the forecast period	3%-11%
Gross profit margin during the forecast period	24%-30%
Pre-tax discount rate	20%-29%

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 2020:

	As at 31 December	
	2020	2019
Annual revenue growth rate	**–2% – –7%**	–5%
Discount rate	**+2% – +6%**	+2% – +5%

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.

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2020, the directors of the Company determined that no impairment provision on goodwill for the year ended 31 December 2020.

21 Inventories

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Carparks purchased from third parties	**263,653**	276,775
Other inventories	**3,580**	–
	267,233	276,775

22 Trade receivables

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Trade receivables (Note (a))		
– Related parties (Note 36(d))	**197,094**	406,687
– Third parties	**1,595,208**	275,871
	1,792,302	682,558
Note receivables		
– Related parties (Note 36(d))	**173,995**	105,317
– Third parties	**13,039**	773
	187,034	106,090
Less: allowance for impairment of trade receivables	**(116,172)**	(41,343)
	1,863,164	747,305

22 Trade receivables *(CONTINUED)*

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

As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**1,666,064**	607,738
1 to 2 years	**76,843**	32,144
2 to 3 years	**18,909**	16,859
3 to 4 years	**10,416**	10,620
4 to 5 years	**7,292**	6,171
Over 5 years	**12,778**	9,026
	1,792,302	682,558

As at 31 December 2020, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Movements on the provision for impairment of trade receivables are shown in Note 3.1.2. For the year ended 31 December 2020, a provision of RMB116,172,000 (2019: RMB41,343,000) was made against the gross amounts of trade receivables. The provision for impairment increased during the year ended 31 December 2020 due to the increase of trade receivables.

As at 31 December 2020, RMB5,000,000 trade receivables of the Group was pledged to secure borrowings granted to the Group (2019: Nil). (Note 28)

23 Prepayments, deposits and other receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments		
Non-current prepayments		
– Prepayments to customers (Note (a))	**74,075**	–
– Prepayment for acquisition of subsidiaries (Note (b))	**185,492**	–
Current prepayments		
– Prepayments to customers (Note (a))	**257**	–
– Utilities	**14,342**	5,869
– Raw materials for value added services	**3,996**	10,005
– Other prepayments	**66,224**	35,000
Subtotal	**344,386**	50,874
Other receivables		
– Advance to related parties (Note 36(d))	**175,639**	1,106,098
– Advance to employees	**8,483**	8,196
– Payments on behalf of property owners (Note (c))	**130,898**	77,966
– Deposits	**34,054**	–
– Others	**24,925**	22,329
Subtotal	**373,999**	1,214,589
Total	**718,385**	1,265,463
Less: allowance for impairment of other receivables	**(4,396)**	(8,698)
	713,989	1,256,765

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

(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 was subsequently completed in January 2021.

(c) As at 31 December 2020, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

Movements on the provision for impairment of prepayments, deposits and other receivables (excluding prepayments) are shown in Note 3.1.2. The decrease in provision for impairment during the year ended 31 December 2020 was mainly due to the decrease in balance of prepayments and other receivables due from related parties.

24 Cash and cash equivalents

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash on hand	**4,052**	264
Cash at bank	**5,828,039**	849,327
	5,832,091	849,591
Restricted cash (Note (a))	**(2,045)**	–
	5,830,046	849,591

(a) Restricted cash were cash deposit of performance security as at 31 December 2020 (2019:Nil).

The carrying amount of cash and cash equivalents balances are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	**1,409,306**	849,591
HKD	**4,311,331**	–
USD	**111,454**	–
	5,832,091	849,591

25 Share capital

(i) Ordinary shares

	Number of ordinary shares	Share capital HKD	Share capital RMB
Authorized			
As at 31 December 2020	**3,500,000,000**	**35,000,000**	**30,350,583**
As at 31 December 2019	38,000,000	380,000	340,404
Issued and fully paid			
As at 31 December 2019 (Note (a))	1	–	–
Issue of shares to then holding company (Note (a))	94,999	950	869
Re-designated into convertible redeemable preferred shares (ii)	(5,000)	(50)	(45)
Convertible redeemable preferred shares converted into ordinary shares (ii)	10,000	100	87
Capitalization 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	**2,363,973,000**	**23,639,730**	**20,499,417**

25 Share capital *(CONTINUED)*

(i) Ordinary shares (continued)

(a) On 3 December 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of 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 HKD19,999,000 (approximately RMB17,344,000), 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 HKD16.60 each with HKD0.01 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 HKD5,858,837,000 (equivalent to RMB5,081,056,000). The excess over the par value of HKD3,529,420 (equivalent to RMB3,060,877) net of the transaction costs of approximately RMB113,596,000 was credited to share premium with an amount of RMB4,967,460,000.

(d) On 25 November 2020, the Company exercised over-allotment option to issue 11,031,000 new ordinary shares at HKD16.60 each with HKD0.01 per share and raised gross proceeds of approximately HKD183,114,600 (equivalent to RMB155,318,000). The excess over the par value of HKD110,310 (equivalent to RMB93,565) net of the transaction costs of approximately RMB63,000 was credited to share premium with an amount of RMB155,255,000.

(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 convertible redeemable preferred shares ("Series A CPS") at a total consideration of RMB864,500,000 payable in U.S. dollars. Simultaneous with the subscription, the Pre-IPO investors purchased from Best Cosmos an aggregate of 5,000 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 U.S. 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 HKD100 (equivalent to RMB87) 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	**–**

26 Reserves

	Share Premium RMB'000	Statutory Reserves RMB'000	Other Reserves RMB'000	Total Other Reserves RMB'000	Retained earnings RMB'000	Total Reserves RMB'000
Balance at 1 January 2019	–	29,182	810,500	839,682	407,829	1,247,511
Profit for the year	–	–	–	–	384,531	384,531
Transactions with owners in their capacity as owners						
Capital Injection (Note (a))	–	–	1,000	1,000	–	1,000
Deemed distribution to the owner (Note 1)	–	–	(840,000)	(840,000)	–	(840,000)
Appropriation to statutory reserves (Note (b))	–	43,949	–	43,949	(43,949)	–
Dividends declared by Shimao Tiancheng	–	–	–	–	(559,247)	(559,247)
Balance at 31 December 2019	–	73,131	(28,500)	44,631	189,164	233,795
Balance at 1 January 2020	–	73,131	(28,500)	44,631	189,164	233,795
Profit for the year	–	–	–	–	692,952	692,952
Other comprehensive income						
Translation reserves	–	–	(166,508)	(166,508)	–	(166,508)
Transactions with owners in their capacity as owners						
Deemed distribution arising from reorganization (Note 1)	–	–	(11,510)	(11,510)	–	(11,510)
Reorganization	212,275	–	(212,275)	–	–	–
Waive of payable to related party	–	–	1,358	1,358	–	1,358
Issuance of and re-designation into convertible redeemable preferred shares (Note 25(ii))	–	–	(864,500)	(864,500)	–	(864,500)
Conversion of convertible redeemable preferred shares to ordinary shares (Note 25(ii))	1,729,000	–	–	1,729,000	–	1,729,000
Capitalization Issue (Note 25(i)(c))	–	–	(17,344)	(17,344)	–	(17,344)
Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option (Note 25(i))	5,122,715	–	–	5,122,715	–	5,122,715
Dividends declared by Mudanjiang Maoju Household Products Co., Ltd.	–	–	–	–	(720)	(720)
Dividends declared by Super Rocket Limited	–	–	–	–	(9,745)	(9,745)
Acquisition of subsidiaries (Note 29)	–	–	(282,005)	(282,005)	–	(282,005)
Appropriation to statutory reserves (Note (b))	–	39,942	–	39,942	(39,942)	–
Balance at 31 December 2020	7,063,990	113,073	(1,581,284)	5,595,779	831,709	6,427,488
Representing:						
Proposed final dividend					217,695	217,695
Others					614,014	6,209,793
					831,709	6,427,488

26 Reserves *(CONTINUED)*

(a) On 18 June 2019 Mudanjiang Maoju received capital injection of RMB1,000,000 from its then shareholder. The amount was recorded as other reserve.

(b) 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 capitalized 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.

27 Provisions for other liabilities and charges

	As at 31 December			
	2020 RMB'000		2019 RMB'000	
	Current	**Non-current**	Current	Non-current
Claim provisions	**–**	**3,297**	–	2,998

As at 31 December 2020, The Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB3,297,000 (2019: RMB2,998,000).

28 Borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	**5,000**	–
Asset-Backed Securities ("ABS") (Note (a))		
– unsecured	**–**	239,789
	5,000	239,789
Less: Portion of long-term bank borrowings due within one year	**(600)**	–
Portion of Asset-Backed Securities due within one year	**–**	(239,789)
	4,400	–
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured (Note (b))	**9,000**	–
– unsecured	**16,000**	–
Current portion of non-current borrowings	**600**	239,789
	25,600	239,789

28 Borrowings *(CONTINUED)*

(a) In July 2015, the Group entered into an asset-backed special agreement with a third-party financing company in the form of asset securitization. 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) As at 31 December 2020, RMB5,000,000 trade receivables of the Group have been pledged for total bank borrowings of RMB9,000,000 (2019:Nil) for the Group companies. (Note 22)

The maturity date of the borrowings was analysed as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	**25,600**	239,789
Between 1 and 2 years	**4,400**	–
	30,000	239,789

For years ended 31 December 2020, the weighted average effective interest rates on borrowings were 9.74% (2019:10.32%).

29 Trade and other payables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade payables		
– Related parties (Note 36(d))	**38,756**	27,018
– Third parties	**640,647**	141,131
	679,403	168,149
Other payables		
– Payable to related parties (Note 36(d))	**207,492**	1,001,292
– Accrued expenses	**866,893**	372,867
– Amounts collected on behalf of property owners	**542,774**	341,738
– Consideration payable arising from non-controlling shareholders' put option (Note (a))	**320,344**	19,997
– Purchase consideration (Note 35(a))	**320,295**	5,959
– Deposits	**25,621**	–
– Other payables	**24,129**	–
	2,307,548	1,741,853
Interest payable	**–**	3,050
	2,986,951	1,913,052

29 Trade and other payables *(CONTINUED)*

(a) There are several put options guaranteed to the non-controlling shareholders of some subsidiaries of the Group which they have the right to sell the remaining equity interests to the Group.

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller 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 recognized 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 in profit or loss. As at 31 December 2020, the put option is valued as RMB32,744,000.

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 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 2020 is RMB205,211,000.

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 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 in profit or loss. The initial amount of the put opinion is valued at RMB82,389,000 and fair value has not changed as at 31 December 2020.

(b) At 31 December 2020 and 2019, the ageing analysis of the trade payables based on invoice date were are follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**670,056**	148,753
1 to 2 years	**6,065**	13,967
2 to 3 years	**1,826**	1,965
3 to 4 years	**723**	2,422
4 to 5 years	**733**	19
Over 5 years	**–**	1,023
	679,403	168,149

At 31 December 2020, trade and other payables were denominated in RMB.

30 Leases liabilities

(a) Amounts recognized in the consolidated balance sheets

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Leased in properties for operation		
– Buildings	**20,705**	15,518
Lease liabilities		
Current	**12,809**	6,896
Non-Current	**7,896**	8,622
	20,705	15,518

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation charge		
– Buildings	**9,111**	3,408
Finance costs on leases	**1,348**	374

(c) Amounts recognized in the consolidated statements of cashflows

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cashflow from financing activities		
Payments of interest element of lease liabilities	**1,348**	374
Payments of principal element of lease liabilities	**13,954**	5,082
	15,302	5,456

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Leases are payable:		
Within one year	**13,452**	7,487
Later than one year but not later than two years	**6,462**	6,020
Later than two years but not later than five years	**1,531**	2,112
Minimum lease payments	**21,445**	15,619
Future finance charge	**(740)**	(101)
Total lease liabilities	**20,705**	15,518

31 Deferred income tax

The analysis of deferred tax assets in the consolidated statements of balance sheet was as follows:

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**–**	–
– Deferred tax asset to be recovered within 12 months	**93,265**	32,718
Net-off with deferred tax liability	**(25,732)**	(8,099)
	67,533	24,619
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(128,736)**	(19,459)
– Deferred tax liability to be recovered within 12 months	**(19,158)**	(2,994)
Net-off with deferred tax asset	**25,732**	8,099
	(122,162)	(14,354)

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

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
At beginning of the year	**10,265**	27,322
Additions from acquisition of subsidiaries (Note 35)	**16,916**	5,262
Additions from acquisition – excess of value of intangible assets identified in business combination	**(134,459)**	(23,950)
Credited to consolidated statements of comprehensive income (Note 15)	**52,649**	1,631
At end of the year	**(54,629)**	10,265

31 Deferred income tax *(CONTINUED)*

The movement in deferred tax assets and liabilities as the year ended 31 December 2020 and 31 December 2019, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision 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 2019	11,667	312	15,343	–	27,322
Additions from acquisition of a subsidiary	5,262	–	–	–	5,262
Credited/(charged) to the consolidated statements of comprehensive income	844	1,966	(2,676)	–	134
As at 31 December 2019	17,773	2,278	12,667	–	32,718
As at 1 January 2020	**17,773**	**2,278**	**12,667**	**–**	**32,718**
Additions from acquisition of subsidiaries	**16,916**	**–**	**–**	**–**	**16,916**
Credited/(charged) to the consolidated statements of comprehensive income	**1,600**	**(1,604)**	**39,049**	**4,586**	**43,631**
As at 31 December 2020	**36,289**	**674**	**51,716**	**4,586**	**93,265**

Deductible tax loss expiration date

	As at 31 December	
	2020 RMB'000	2019 RMB'000
2023	**–**	2
2024	**263**	2,276
2025	**411**	–
	674	2,278

Deferred income 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 2019			
Additions from acquisition of subsidiaries	(23,950)	–	(23,950)
Credited to the consolidated statements of comprehensive income	1,497	–	1,497
As at 31 December 2019	(22,453)	–	(22,453)
As at 1 January 2020	**(22,453)**	**–**	**(22,453)**
Additions from acquisition of subsidiaries	**(133,486)**	**(973)**	**(134,459)**
Credited to the consolidated statements of comprehensive income	**8,699**	**319**	**9,018**
As at 31 December 2020	**(147,240)**	**(654)**	**(147,894)**

32 Dividends

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Dividend payables to the then shareholders of Shimao Tiancheng (Note (a))	**–**	559,247
Proposed final dividends of HK11 cents (2019: Nil) per ordinary share (Note (b))	**217,695**	–
	217,695	559,247

(a) During the year ended 31 December 2019, Shimao Tiancheng declared RMB559,247,000 to its then parent company, Shanghai Shiying. The balance has been settled in February 2020.

(b) At a meeting held on 15 March 2021, the Directors proposed a final dividend of HK11 cents per ordinary share for the year ended 31 December 2020. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2020 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

33 Cash flow information

(a) Net cash generated from operating activities

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**904,787**	506,051
Adjustments for:		
– Depreciation and amortization	**84,818**	17,098
– Provision for impairment of receivables	**70,526**	3,372
– Net (gain)/loss on disposal of property, plant and equipment (Note 10)	**(1,580)**	70
– Net loss on disposal of investment properties (Note 10)	**13,489**	–
– Net gain on disposal of financial assets at fair value through profit or loss (Note 10)	**(2,062)**	–
– Finance expense (Note 12)	**14,587**	51,833
– Finance income (Note 12)	**(11,407)**	(37,935)
– Fair value loss on put option (Note 10)	**18,343**	–
– Net gain on disposal of a subsidiary (Note 10)	**(511)**	–
– Net exchange differences (Note 10)	**2,690**	17
– Share of results of associates accounted for using the equity method (Note 13)	**(10,915)**	1,208
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
– Increase in restricted cash	**(2,045)**	–
– Decrease/(increase) in inventories	**16,922**	(276,775)
– Increase in trade receivables	**(817,265)**	(204,228)
– Decrease in other operating assets	**1,169,414**	23,263
– Increase in trade payables	**425,649**	134,248
– Increase in contract liabilities	**287,053**	102,707
– (Decrease)/increase in other operating liabilities	**(1,022,693)**	248,753
	1,139,800	569,682

33 Cash flow information *(CONTINUED)*

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Net debt:		
Cash and cash equivalents (Note 24)	**5,830,046**	849,591
Borrowings (Note 28)	**(30,000)**	(239,789)
Advance from related parties	**–**	(97,172)
Lease liabilities (Note 30)	**(20,705)**	(15,518)
Net cash	**5,779,341**	497,112

	Cash and cash equivalents	**Borrowings due after one year**	**Borrowings due within one year**	**Advance from related parties**	**Lease liabilities**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 31 December 2019	849,591	–	(239,789)	(97,172)	(15,518)	497,112
Addition of acquisition	–	(5,000)	(33,700)	–	–	(38,700)
Reclassification	–	600	(600)	–	–	–
Addition of lease liabilities	–	–	–	–	(19,141)	(19,141)
Accrued interest expenses (Note 12)	–	–	–	–	(1,348)	(1,348)
Foreign exchange adjustments	(169,195)	–	–	–	–	(169,195)
Cash flows	5,149,650	–	248,489	97,172	15,302	5,510,613
Net debt as at 31 December 2020	**5,830,046**	**(4,400)**	**(25,600)**	**–**	**(20,705)**	**5,779,341**

34 Commitments

(a) Operating lease commitments

Lease commitments – as lessee

As at 31 December 2020 and 2019, the Group did not have any material lease commitments which are not recognized as right-of-use assets.

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	
	2020 **RMB'000**	2019 RMB'000
No later than 1 year	**111**	5,906
Later than 1 year and no later than 5 years	**18**	45,617
Later than 5 years	**–**	89,959
	129	141,482

(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	
	2020 **RMB'000**	2019 RMB'000
Assets under construction	**148,500**	–

35 Business combination

(a) Summary of acquisition

(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.

35 Business combination *(CONTINUED)*

(a) Summary of acquisition (continued)

(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.

(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.

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:

Purchase consideration	Sinew Subgroup RMB'000	Yantai Kangqiao RMB'000	Xian Fangrui RMB'000	Others RMB'000	Total RMB'000
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

35 Business combination *(CONTINUED)*

(a) Summary of acquisition (continued)

	Zhejiang Sinew RMB'000	Yantai Kangqiao RMB'000	Xi'an Fangrui RMB'000	Others RMB'000	Total RMB'000
Consideration	614,704	292,000	139,825	469,301	1,515,830
Recognized 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 17)	20,160	–	–	–	20,160
Property, plant and equipment (Note 18)	119,606	8,500	3,097	15,190	146,393
Right-of-use assets (Note 19)	2,216	–	–	–	2,216
Intangible assets (Note 20)	519	–	–	2,508	3,027
Customer relationship (Note 20)	195,000	89,000	55,000	200,000	539,000
Deferred income tax assets	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 income tax liabilities	(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. Intangible assets including identified customer relationships of RMB539,000,000 in relation to the acquisitions have been recognised by the Group (Note 20).

35 Business Combination *(CONTINUED)*

(b) Purchase consideration – cash outflow

	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)

36 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 65.88% 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	
	2020 **RMB'000**	2019 RMB'000
Services provided to related parties		
– Shimao group	**795,035**	640,110
– Joint ventures and associates of Shimao Group	**198,946**	166,645
	993,981	806,755
Services received from related parties		
– Shimao Group	**174**	27,018
Rental expenses		
– Shimao Group	**6,713**	3,042

36 Related party transactions *(CONTINUED)*

(b) Transactions with related parties (continued)

(ii) Discontinued transactions

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Services received from related parties		
– Shimao Group	**1,072**	6,217
Carpark spaces purchased from related parties		
– Shimao Group	**–**	39,788
Interest expenses on loans from related parties		
– Associates of Shimao Group	**–**	14,840
Interest income on loans to related parties		
– Shimao Group	**–**	33,569
Purchase of investment properties		
– Joint venture of Shimao Group	**–**	99,000
Sales of investment properties		
– Shimao Group	**130,610**	–
Distribution and deemed distribution		
– Shimao Group	**10,465**	607,877
Cash advance from related parties		
– Shimao Group	**–**	315,000
Repayment of Cash advance from related parties		
– Shimao Group	**97,172**	793,571
Advance to related parties		
– Shimao Group	**366,819**	859,700
Receipt of advance to and interest from related parties		
– Shimao Group	**1,472,917**	1,758,480

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

36 Related party transactions *(CONTINUED)*

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 37 is set out below.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**3,758**	2,468

(d) Balances with related parties – trade

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Receivables from related parties		
Trade Receivables (Note 22)		
– Shimao Group	**322,686**	484,341
– Joint ventures and associates of Shimao Group	**48,403**	27,663
	371,089	512,004
Prepayments, deposits and other receivables		
– Shimao Group	**167,011**	–
– Joint ventures and associates of Shimao Group	**9,124**	–
	176,135	–
Total receivables from related parties	**547,224**	512,004
Payables to related parties		
Contract liabilities		
– Shimao Group	**13,589**	–
– Joint ventures and associates of Shimao Group	**4,553**	–
	18,142	–
Trade and other payables		
– Shimao Group	**215,449**	80,400
– Joint ventures and associates of Shimao Group	**30,799**	10,738
	246,248	91,138
Total payables to related parties	**264,390**	91,138

36 Related party transactions *(CONTINUED)*

(e) Balances with related parties – non-trade

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Receivables from related parties		
Prepayments, deposits and other receivables		
– Shimao Group	–	1,093,739
– Joint ventures and associates of Shimao Group	–	12,359
	–	1,106,098
Total receivables from related parties	–	1,106,098
Payables to related parties		
Trade and other payables		
– Shimao Group	–	936,589
– Joint ventures and associates of Shimao Group	–	583
	–	937,172
Dividend payables (Note 32)		
– Shimao Group	–	559,247
	–	559,247
Total payables to related parties	–	1,496,419

(f) Guarantees provided by related parties

As at 31 December 2019, the Group's ABS was guaranteed by Shanghai Shimao Jianshe Co., Ltd, a subsidiary of Shimao Group Holdings. As at 31 December 2020, such guarantee was released as the Group repaid all the remaining balance of ABS as mentioned in Note 28.

37 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))

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))

37 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 2020 as follows:

Name	Fees HKD'000	Salaries RMB'000	Bonus RMB'000	Housing allowances and contributions to a retirement scheme RMB'000	Total RMB'000
Executive Directors					
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

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 2019 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. Ye Mingjie	–	1,713	674	115	2,502
Mr. Cao Shiyang	–	914	249	85	1,248
	–	2,627	923	200	3,750

37 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 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.

(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.

(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 years ended 31 December 2020 and 2019, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC.

(c) Termination benefits of directors

During the year ended 31 December 2020, there were no termination benefits received by the directors.

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

During the year ended 31 December 2020, no consideration was paid for making available the services of the directors or senior management of the Company.

(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 2020, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year ended 2020 or at any time During the year ended 31 December 2020.

38 Contingencies

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

39 Balance sheet and reserve movement of the Company

39.1 Balance sheet of the Company

	Note	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Assets			
Non-current assets			
Prepayments, deposits and other receivables		**5,802,096**	–
Investment in subsidiaries		**212,275**	–
Total non-current assets		**6,014,371**	–
Current assets			
Cash and cash equivalents		**1,899**	–
Total current assets		**1,899**	–
Total assets		**6,016,270**	–
Liabilities			
Current liabilities			
Other payables		**41,200**	29
Total current liabilities		**41,200**	29
Total liabilities		**41,200**	29
Equity attributable to owners of the Company			
Share capital	25	**20,499**	–
Reserves		**5,954,571**	(29)
Total equity		**5,975,070**	(29)
Total equity and liabilities		**6,016,270**	–

The balance sheet of the Company was approved by the Board of Directors on 15 March 2021 and was signed on its behalf.

Ye Mingjie
Director

Cai Wenwei
Director

39 Balance sheet and reserve movement of the Company *(CONTINUED)*

39.2 Reserve movement of the Company

	Share Capital RMB'000	Share Premium RMB'000	Other Reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	–	–	–	–	–
Comprehensive income					
Loss for the year	–	–	–	(29)	(29)
Balance at 31 December 2019	–	–	–	(29)	(29)
Balance at 1 January 2020	**–**	**–**	**–**	**(29)**	**(29)**
Comprehensive income					
Loss for the year	**–**	**–**	**–**	**(15,271)**	**(15,271)**
Issuance of ordinary shares	**1**	**–**	**–**	**–**	**1**
Reorganization	**–**	**212,275**	**(212,275)**	**–**	**–**
Issuance of and re-designation into convertible redeemable preferred shares	**–**	**–**	**(864,500)**	**–**	**(864,500)**
Conversion of convertible redeemable preferred shares to ordinary shares	**–**	**1,729,000**	**–**	**–**	**1,729,000**
Capitalization Issue	**17,344**	**–**	**(17,344)**	**–**	**–**
Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option	**3,154**	**5,122,715**	**–**	**–**	**5,125,869**
Balance at 31 December 2020	**20,499**	**7,063,990**	**(1,094,119)**	**(15,300)**	**5,975,070**

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