HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Total revenue of the Group for the year ended 31 December 2021 increased by 84.4% to approximately RMB766.8 million from approximately RMB415.9 million for the year ended 31 December 2020.

- Gross profit of the Group for the year ended 31 December 2021 increased by 77.4% to approximately RMB264.2 million from approximately RMB148.9 million for the year ended 31 December 2020. Gross profit margin slightly decreased to 34.5% for the year ended 31 December 2021 from 35.8% for the year ended 31 December 2020.

- Profit after income tax for the year ended 31 December 2021 increased by approximately RMB48.6 million, or 81.0% from approximately RMB60.0 million for the year ended 2020 to approximately RMB108.6 million in 2021. Net profit margin remains stable at 14.2% for the year ended 31 December 2021 compared to 14.4% for the year ended 31 December 2020.

- Earnings per share attributable to equity shareholders of the Company amounted to RMB15.60 cents for the year ended 31 December 2021 (2020: RMB12.76 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of Hevol Services Group Co. Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*4*	**766,791**	415,870
Cost of sales		**(502,598)**	(266,965)
Gross profit		**264,193**	148,905
Other income	*5*	**15,496**	9,529
Expected credit losses (“**ECL**”) allowance) on trade and other receivables		**(5,810)**	(6,162)
Administrative expenses		**(134,464)**	(77,265)
Finance costs	*6(a)*	**(465)**	(187)
Profit before income tax	*6(b)*	**138,950**	74,820
Income tax expense	*7*	**(30,314)**	(14,843)
Profit for the year		**108,636**	59,977
Other comprehensive income for the year, net of nil tax			
Items that will not be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas operations		**(981)**	(5,573)
Total comprehensive income for the year		**107,655**	54,404
Profit for the year attributable to:			
Equity shareholders of the Company		**86,194**	56,357
Non-controlling interests		**22,442**	3,620
		108,636	59,977
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**85,213**	50,784
Non-controlling interests		**22,442**	3,620
		107,655	54,404
Earnings per share attributable to equity shareholders of the Company (expressed in RMB cents)			
Basic and diluted	*9*	**15.60**	12.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**20,254**	13,886
Intangible assets	*10*	**85,215**	24,869
Investment properties		**28,768**	29,817
Goodwill		**292,661**	59,626
Deposits paid for acquisition of subsidiaries	*11*	**50,735**	7,800
Deferred tax assets		**10,752**	6,573
		488,385	142,571
Current assets			
Inventories		**585**	178
Trade and other receivables	*11*	**284,204**	167,544
Financial assets at fair value through profit or loss		**–**	11,446
Restricted bank deposits	*12*	**9,845**	–
Bank balances and cash		**391,228**	291,507
		685,862	470,675
Current liabilities			
Contract liabilities	*4(a)*	**182,714**	80,444
Trade and other payables	*12*	**332,674**	178,070
Lease liabilities		**1,897**	1,970
Income tax liabilities		**43,436**	13,004
		560,721	273,488
Net current assets		**125,141**	197,187
Total assets less current liabilities		**613,526**	339,758
Non-current liabilities			
Bank borrowings		**4,000**	–
Lease liabilities		**647**	642
Deferred tax liabilities		**20,853**	11,917
		25,500	12,559
Net assets		**588,026**	327,199

	Note	2021 RMB'000	2020 RMB'000
EQUITY			
Share capital	*13*	**38**	34
Reserves		**523,748**	307,136
Equity attributable to equity shareholders of the Company		**523,786**	307,170
Non-controlling interests		**64,240**	20,029
Total equity		**588,026**	327,199

NOTES

For the year ended 31 December 2021

1. GENERAL INFORMATION

Hevol Services Group Co. Limited (the "**Company**") was incorporated in the Cayman Islands on 28 May 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**").

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors, the immediate and ultimate holding company of the Company is Brilliant Brother Group Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The controlling shareholder of the Group is Mr. Liu Jiang ("**Mr. Liu**" or the "**Controlling Shareholder**").

The functional currency of the Company is Hong Kong Dollars ("**HK$**"), while the consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated. The consolidated financial statements are presented in RMB as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 31 March 2022.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company have been prepared in accordance with applicable International Financial Reporting Standards ("**IFRSs**") which includes all applicable individual IFRS, International Accounting Standards ("**IAS**"), amendments and interpretations issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss ("**FVTPL**") which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on the management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF AMENDED IFRSs

New or amended IFRSs adopted by the Group and changes in accounting policies

In the current year, the Group has applied for the first time the following new or amended IFRSs, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

– Interest Rate Benchmark Reform – IBOR "phase 2" (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

– Covid-19-Related Rent Concessions (Amendment to IFRS 16)

None of these amended IFRSs have material impact on how the Group's results and financial position for the current or prior period. The Group has not applied any new or amended IFRSs that is not yet effective for the current accounting period.

Issued but not effective IFRSs

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

	Effective for accounting periods beginning on or after
Amendments to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023

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

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and related valued-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-maker (the "**CODM**"), being the executive directors of the Company. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group's revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from external customers and recognised over time		
Property management services	**528,510**	259,314
Community value-added services	**136,220**	74,916
Value-added services to non-property owners	**100,193**	79,480
	764,923	413,710
Leasing income (not within the scope of IFRS 15)		
Community value-added services	**1,868**	2,160
	766,791	415,870

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2021 and 2020, substantially all of the non-current assets (other than deferred tax assets) of the Group were located in the PRC.

Information about major customers

For the year ended 31 December 2021, revenue from companies controlled by the Controlling Shareholder contributed 8.3% (2020: 16.9%) of the Group's revenue. Other than companies controlled by the Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue.

a) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities	**182,714**	80,444

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Increase in contract liabilities as a result from the growth of the Group's business and more advance payments were made by the property owners.

b) ***Revenue recognised in relation to contract liabilities***

The following table shows the revenue recognised related to carried-forward contract liabilities.

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year		
Property management services	**74,202**	52,532
Community value-added services	**4,006**	3,408
	78,208	55,940

c) ***Unsatisfied performance obligations***

For property management services, the Group recognises 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 basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time and there is no unsatisfied performance obligation at the reporting date.

5. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**1,374**	954
Net exchange gain	**602**	–
Fair value gain on financial assets at FVTPL	**1,724**	–
Recovery of bad debts	**5,128**	4,416
Government subsidy income *(note)*	**5,182**	3,412
Sundry income	**1,486**	747
	15,496	9,529

Note:

During the years ended 31 December 2021 and 2020, government subsidy income mainly relate to cash subsidies granted by the PRC government in respect of value-added tax relief and operating activities which are either unconditional or with conditions that having been satisfied.

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

		2021 *RMB'000*	2020 *RMB'000*
(a)	**Finance costs**		
	Interest expenses on lease liabilities	**186**	187
	Finance costs on interest-bearing bank borrowings	**279**	–
		465	187
(b)	**Other items**		
	Auditor's remuneration		
	– audit fee	**2,400**	1,616
	– other services	**1,602**	240
	Amortisation of intangible assets *(note 10)*	**8,325**	2,397
	Depreciation of property, plant and equipment		
	– Owned assets	**3,777**	1,513
	– Right-of-use assets	**1,910**	2,176
	Depreciation of investment properties	**1,049**	1,085
	Legal and professional fees	**13,167**	9,167
	Loss on disposal of property, plant and equipment	**3**	35
	Lease charges:		
	– Short-term leases and leases with lease term shorter than 12 months	**–**	612

7. INCOME TAX EXPENSE

	2021 *RMB'000*	2020 *RMB'000*
Current tax – PRC enterprise income tax		
Current year	**34,147**	16,015
Deferred tax		
Origination and reversal of temporary differences	**(3,833)**	(826)
Effect on deferred tax balances resulting from changes in tax rates	**–**	(346)
	(3,833)	(1,172)
Total income tax expense	**30,314**	14,843

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and accordingly, is exempted from Cayman Islands income tax.

(b) BVI income tax

Pursuant to the relevant rules and regulations of BVI, the Group is not subject to any income tax in BVI for the years ended 31 December 2021 and 2020.

(c) Hong Kong profits tax

The provision for Hong Kong profits tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. For the year ended 31 December 2021, a subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis for the year ended 31 December 2020.

(d) PRC enterprise income tax

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the years ended 31 December 2021 and 2020, based on the existing legislation, interpretations and practices in respect thereof.

The preferential income tax rate applicable to certain of the Group's PRC entities within the scope of the China's Western Development Program was 15% for the years ended 31 December 2021 and 2020.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2021 and 2020. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises are entitled to a tax concession for 75% and 50% of its taxable income for the annual taxable income of less than RMB1,000,000 and the portion that exceeds RMB1,000,000 but does not exceed RMB3,000,000 (inclusive) for the years ended 31 December 2021 and 2020, respectively.

(e) PRC withholding income tax

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

8. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB Nil).

9. EARNINGS PER SHARE

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit attributable to equity shareholders of the Company *(RMB'000)*	**86,194**	56,357
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**552,439**	441,749
Basic earnings per share *(expressed in RMB cents)*	**15.60**	12.76

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2021 and 2020 equals to the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

10. INTANGIBLE ASSETS

	Customers relationships *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2020			
Cost	–	3,391	3,391
Accumulated amortisation	–	(734)	(734)
Net book amount	–	2,657	2,657
Year ended 31 December 2020			
Opening net book amount	–	2,657	2,657
Acquisition of subsidiaries	20,875	41	20,916
Additions	–	3,693	3,693
Amortisation	(1,238)	(1,159)	(2,397)
Closing net book amount	19,637	5,232	24,869
At 31 December 2020 and 1 January 2021			
Cost	20,875	7,125	28,000
Accumulated amortisation	(1,238)	(1,893)	(3,131)
Net book amount	19,637	5,232	24,869
Year ended 31 December 2021			
Opening net book amount	**19,637**	**5,232**	**24,869**
Acquisition of subsidiaries *(note 16(ii))*	**66,527**	**528**	**67,055**
Additions	**–**	**1,616**	**1,616**
Amortisation	**(6,888)**	**(1,437)**	**(8,325)**
Closing net book amount	**79,276**	**5,939**	**85,215**
At 31 December 2021			
Cost	**87,402**	**9,269**	**96,671**
Accumulated amortisation	**(8,126)**	**(3,330)**	**(11,456)**
Net book amount	**79,276**	**5,939**	**85,215**

Amortisation charges recognised is analysed as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Cost of sales	**–**	20
Administrative expenses	**8,325**	2,377
	8,325	2,397

11. TRADE AND OTHER RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade receivables	*(a)*		
– Third parties		**178,985**	71,159
– Related parties		**57,958**	50,147
		236,943	121,306
Less: ECL allowance on trade receivables		**(19,523)**	(17,009)
		217,420	104,297
Other receivables	*(b)*		
Deposits, prepayments and other receivables		**59,439**	18,213
Other deposits		**39,666**	33,495
Payment on behalf of property owners		**21,165**	18,362
Advances to employees		**545**	453
Amounts due from related parties		**–**	524
		120,815	71,047
Less: ECL allowance on other receivables		**(3,296)**	–
		117,519	71,047
Less:			
Deposits paid for acquisition of subsidiaries included in non-current assets (net of allowance of RMB1,515,000)	*15(b)*	**(50,735)**	(7,800)
		66,784	63,247
		284,204	167,544

(a) **Trade receivables**

Trade receivables mainly arise from property management services and value-added services.

Property management services income are received in accordance with the term of the relevant property service agreements. Service income is due for payment upon rendering of services.

The ageing analysis of trade receivables based on invoice date, net of ECL allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
0 – 90 days	**62,865**	66,652
91 – 180 days	**36,143**	10,232
181 – 365 days	**54,111**	14,276
1 to 2 years	**49,629**	7,445
Over 2 years	**14,672**	5,692
	217,420	104,297

The movement in the ECL allowance on trade receivables is as follows:

	2021	2020
	RMB'000	*RMB'000*
Balance at the beginning of the year	**17,009**	10,847
ECL allowance recognised	**2,514**	6,162
Balance at the end of the year	**19,523**	17,009

The Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

(b) **Other receivables**

Payment on behalf of property owners

The balance mainly represents the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Advances to employees

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business.

Other deposits

Other deposits mainly represent deposits paid to government or property developers at the inception of entering into tenders for property management services contracts.

ECL allowance on other receivables measured at amortised cost

Impairment of other receivables from third parties (excluding prepayments and advance to employees) are assessed individually and measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment on amounts due from related parties was limited to 12-month ECL since the related parties have a strong capacity to meet its contractual cash flow in the near term.

12. TRADE AND OTHER PAYABLES

	Note	2021 RMB'000	2020 RMB'000
Trade payables			
– Third parties	*(a)*	**53,540**	35,855
Other payables			
Accrued charges and other payables		**62,467**	16,483
Financial guarantee issued *(note)*		**19,000**	–
Renovation deposits collected from property owners		**46,188**	22,306
Amounts collected on behalf of property owners		**73,466**	55,982
Other tax liabilities		**15,992**	9,480
Staff costs and welfare accruals		**61,387**	35,681
Amounts due to related parties		**634**	2,283
		279,134	142,215
		332,674	178,070

Note:

In prior years, Guizhou Huaxin Financing Guarantee Co., Ltd ("**Guizhou Huaxin**"), an independent third party, which was engaged in provision of financial services, had entered into certain financial guarantee contracts to provide financial guarantees to independent third parties borrowers ("**Independent Borrower**") in relation to the bank borrowings obtained by the Independent Borrowers from certain PRC banks. A subsidiary of the Company, Guiyang Xinglong, had also entered into financial guarantee contracts with Guizhou Huaxin and the PRC banks to provide financial guarantees to Guizhou Huaxin. Pursuant to the terms of the above guarantees, upon default of bank borrowings by the Independent Borrowers, Guizhou Huaxin and Guiyang Xinglong are jointly and severally liable for the repayment of the outstanding principal together with accrued interest and penalties (the "**Default Payment**") owed by the Independent Borrowers to the PRC banks. The guarantees periods start from the date of grant of the bank borrowings to expiry of the financial guarantee contracts. Financial guarantee contracts of RMB19,000,000 (2020: RMBNil) was recognised in the consolidated statement of financial position at the date of acquisition of Guiyang Xinglong and at the end of the reporting period. The maximum exposure of the financial guarantee contracts is RMB38,000,000 (2020: RMBNil).

Restricted bank deposits include balances of RMB9,845,000 (2020: RMBNil) which have been frozen by the PRC court's pending the outcome of the legal proceedings initiated by PRC banks relating to certain bank borrowing contracts which related to the financial guarantee issued by Guiyang Xinglong. The frozen bank balances may not be used by the Group until the litigations are resolved.

(a) Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	2021 RMB'000	2020 RMB'000
0 to 30 days	**40,899**	27,319
31 to 180 days	**10,860**	7,346
181 to 365 days	**796**	532
Over 1 year	**985**	658
	53,540	35,855

13. SHARE CAPITAL

	Number of shares	Nominal value of shares *United States dollar (“**US$**”)*
Authorised:		
Ordinary shares of the Company:		
Ordinary shares at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	5,000,000,000	50,000

	Notes	Number of shares	Nominal value of shares *US$*	Equivalent nominal value of shares *RMB'000*
Issued and fully paid:				
Ordinary shares of the Company:				
As at 1 January 2020		400,000,000	4,000	28
Issue of shares upon placing of shares	*(i)*	80,000,000	800	6
As at 31 December 2020 and 1 January 2021		480,000,000	4,800	34
Issue of shares upon placing of shares	*(ii)*	80,000,000	800	4
At 31 December 2021		**560,000,000**	**5,600**	**38**

Notes:

(i) On 15 June 2020, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK$1.28 per share. On 24 June 2020, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK$1.28 per share resulting in raising proceeds, before expenses, of HK$102,400,000 (equivalents to RMB93,330,000), of which RMB6,000 was credited to the share capital account and RMB93,324,000 was credited to the share premium account. The related transaction costs amounted to RMB1,400,000 have been recorded in the share premium account.

(ii) On 14 January 2021, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK$2.00 per share. On 5 February 2021, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK$2.00 per share resulting in raising proceeds, before expenses, of HK$160,000,000 (equivalents to RMB133,404,000), of which RMB4,000 was credited to the share capital account and RMB133,400,000 was credited to the share premium account. The related transaction costs amounted to RMB2,001,000 have been recorded in the share premium account.

14. SHARE OPTION SCHEME

On 14 June 2019 (the "**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants to work towards enhancing the value of the Company and the shareholders as a whole.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the shareholders in general meeting.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue.

No option of the Company was granted to the Company's employees and other eligible participants since the Adoption Date and up to the date of these consolidated financial statements.

15. COMMITMENTS

(a) Lease commitments

As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**686**	686
After one year but within two years	**686**	686
After two years but within three years	**686**	686
After three years but within four years	**686**	686
After four years but within five years	**343**	685
After five years	**–**	343
	3,087	3,772

As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**–**	270

(b) Capital commitments

Capital commitments outstanding at 31 December 2021 not provided for were as follows:

	2021	2020
	RMB'000	*RMB'000*
Acquisition of subsidiaries *(note)*	**39,200**	50,700

Note:

On 25 December 2021, Guizhou Furuiying Information Consultancy Limited ("**Guizhou Furuiying**") ((貴州福瑞盈資訊諮詢有限公司), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shanghai Laida Business Consulting Center (Limited Partnership) ("**Shanghai Laida**") (上海徠達商務諮詢中心(有限合夥)), an independent third party, pursuant to which Guizhou Furuiying agreed to acquire 68.75% equity interests of Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**") (遵義市金寧物業管理有限公司), from Shanghai Laida for a total consideration of RMB91,450,000. As at 31 December 2021, the Group paid a deposit of RMB52,250,000 to Shanghai Laida, and accordingly, the Group had capital commitment of RMB39,200,000 for the acquisition of Zunyi Jinning.

On 3 November 2020, Guizhou Furuiying Information Consultancy Limited ("**Guizhou WFOE**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Huang Jiahong (黃加紅) ("**Seller A**"), Mr. Yang Xuepeng (楊學鵬) ("**Seller B**") and Mr. Song Yunhan (宋運漢) ("**Seller C**" and together with Seller A and Seller B, the "**Sellers**"), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 51% equity interests of Zhongshan Zhongzheng Property Management Co., Ltd. ("**Zhongshan Zhongzheng**") (中山市中正物業管理有限公司), from the Sellers for an aggregate cash consideration of RMB15,400,000. As at 31 December 2020, the Group had paid a deposit of RMB7,700,000 to the Sellers, and accordingly, the Group had capital commitment of RMB7,700,000 for acquisition of Zhongshan Zhongzheng. The acquisition of Zhongshan Zhongzheng was completed on 4 January 2021 and the details were set out in note 16 in this announcement.

On 19 November 2020, Beijing Hevol Property Services Company Limited ("**Beijing Hevol Property Services**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Yu Hongliang (俞紅亮) (the "**Seller D**"), an independent third party, pursuant to which Beijing Hevol Property Services agreed to acquire 100% equity interests of Beijing Hongteng Real Estate Investment Consulting Co., Ltd. ("**Beijing Hongteng**") (北京紅藤房地產投資顧問有限公司), from the Seller D for an aggregate cash consideration of RMB200,000. As at 31 December 2020, the Group paid a deposit of RMB100,000 to the Seller D, and accordingly, the Group had capital commitment of RMB100,000 for the acquisition of Beijing Hongteng. The acquisition of Beijing Hongteng was competed on 4 January 2021 and the details were set out in note 16 in this announcement.

On 28 December 2020, Guizhou WFOE, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Deng Lihua (鄧利華) (the "**First Seller**"), and Mr. Rao Yunke (饒運科) (the "Second Seller", and together with the First Seller, the "**Sichuan Sellers**"), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 60% equity interests of Sichuan Wansheng Property Service Co., Ltd. ("**Sichuan Wansheng**") (四川萬晟物業服務有限公司), from the Sichuan Sellers for an aggregate cash consideration of RMB42,900,000. As at 31 December 2020, the Group had capital commitment of RMB42,900,000 for the acquisition of Sichuan Wansheng. The acquisition of Sichuan Wansheng was completed on 25 January 2021 and the details were set out in note 16 in this announcement.

16. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2021, the Group acquired seven subsidiaries from independent third parties.

(i) Subsidiaries acquired

	Principal activities	Date of acquisition	Proportion of shares acquired	Cash consideration *RMB'000*
Zhongshan Zhongzheng (中山市中正物業管理有限公司)	Provision of property management services and related value-added services	4 January 2021	51%	15,400
Sichuan Wansheng (四川萬晟物業服務有限公司)	Provision of property management services and related value-added services	25 January 2021	60%	42,900
Panjin Four Seasons City Property Management Co., Ltd. (盤錦四季城物業管理有限公司) ("**Panjin Four Seasons**")	Provision of property management services and related value-added services	25 May 2021	51%	18,360
Jiangsu Shenhua Times Property Group Co., Ltd. (江蘇深華時代物業集團有限公司) ("**Jiangsu Shenhua**")	Provision of property management services and related value-added services	16 March 2021	51%	40,800
Beijing He Zhong Zhidi Property Agency Co., Ltd. (北京和眾置地房地產經紀有限公司) ("**Beijing He Zhong**")	Provision of property agency services	16 June 2021	51%	2,000
Hunan Jinying Property Management Co., Ltd. (湖南金鷹物業管理有限公司) ("**Hunan Jinying** ")	Provision of property management services and related value-added services	18 May 2021	51%	–*
Guiyang Xinglong Property Management Co., Ltd. (貴陽興隆物業管理有限公司) ("**Guiyang Xinglong**")	Provision of property management services and related value-added services	2 August 2021	70%	156,800

* The cash consideration amount is less than RMB1,000

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese names of those companies as no English names have been registered or available.

The above subsidiaries were acquired to expand the Group's property management service portfolio and provide synergies to its existing property management business.

(ii) **Fair value of the identifiable assets and liabilities of the subsidiaries acquired at the respective acquisition dates**

	Zhongshan Zhongzheng	Sichuan Wansheng	Jiangsu Shenhua	Hunan Jinying	Panjin Four Seasons	Beijing He Zhong	Guiyang Xinglong	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	–	562	531	33	2,033	–	1,716	4,875
Intangible assets	5,202	11,808	13,775	–	4,313	–	31,957	67,055
Deferred tax assets	–	73	1,182	–	63	–	2,401	3,719
Financial assets at fair value through profit or loss	–	–	–	–	–	–	13,000	13,000
Trade and other receivables	593	59,607	43,743	596	2,796	432	96,279	204,046
Inventories	–	8	163	–	10	–	70	251
Restricted bank deposits	–	–	–	–	–	–	9,845	9,845
Bank balances and cash	12,203	5,410	2,054	213	5,936	60	5,921	31,797
Contract liabilities	(91)	–	–	(396)	–	–	(36,705)	(37,192)
Trade and other payables	(3,490)	(60,575)	(34,188)	(440)	(9,759)	2,000	(86,647)	(193,099)
Long-term borrowings	–	–	(4,000)	–	–	–	–	(4,000)
Income tax liabilities	(171)	(411)	(1,188)	(6)	(47)	(93)	(9,957)	(11,873)
Deferred tax liabilities	(1,301)	(1,771)	(3,444)	–	(1,078)	–	(4,715)	(12,309)
Total identifiable net assets acquired	12,945	14,711	18,628	–	4,267	2,399	23,165	76,115

(iii) **Non-controlling interests**

The non-controlling interests in Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong of 49%, 40%, 49%, 49%, 49%, 49% and 30% recognised at the respective acquisition dates, respectively, were measured by reference to the respective proportionate share of the recognised amounts of net assets of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong amounted to RMB6,343,000, RMB5,884,000, RMB9,127,000, RMBNil, RMB2,091,000. RMB1,176,000 and RMB8,269,000, respectively.

(iv) **Goodwill arising on acquisitions**

	Zhongshan Zhongzheng	Sichuan Wansheng	Jiangsu Shenhua	Hunan Jinying	Panjin Four Seasons	Beijing He Zhong	Guiyang Xinglong	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash considerations	15,400	42,900	40,800	–*	18,360	2,000	156,800	276,260
Fair value of identifiable net assets acquired	(12,945)	(14,711)	(18,628)	–	(4,267)	(2,399)	(23,165)	(76,115)
Non-controlling interests	6,343	5,884	9,127	–	2,091	1,176	8,269	32,890
Goodwill arising on acquisition	8,798	34,073	31,299	–	16,184	777	141,904	233,035

* The cash consideration amount less than RMB1,000.

Goodwill arose in the acquisitions of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong as the considerations transferred included a control premium. In addition, the considerations transferred effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

(v) Net cash inflow on acquisition of subsidiaries

	RMB'000
Total cash considerations	276,260
Cash deposit paid as at 31 December 2020	(7,800)
Deferred consideration included in other payables as at 31 December 2021 *(note)*	(52,145)
Bank balances and cash acquired	(31,797)
	184,518

Note:

Part of the consideration payable for the acquisition of Sichuan Wansheng and Guiyang Xinglong amounting to RMB2,145,000 and RMB50,000,000 were included in other payables as at 31 December 2021.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Hevol Services Group Co. Limited (the"**Company**"), I am pleased to present the annual results of the Company for the twelve months ended 31 December 2021 (the "**Reporting Period**").

The year 2021 was a milestone year in the historical process of national development and the first year of the 14th Five-Year Plan for the National Economic and Social Development of the PRC ("**14th Five-Year Plan**"). The policies promulgated in the year were favorable for property management industry development, and the state and society attached great importance to the industry's positive role in ensuring social stability and promoting social employment. A number of measures from the Notice on Strengthening and Improving Residential Property Management issued by ten departments including the Ministry of Housing and Urban-Rural Development on 5 January 2021 to the 14th Five-Year Plan on Construction of Urban and Rural Community Service System issued by the General Office of the State Council at the beginning of 2022, in which the plan on the construction of urban and rural community service system was listed as one of the key special plans during the 14th Five-Year Plan period for the first time, have promoted and supported the sound development of property enterprises. Property management services are closest to residents and play an important role in meeting people's needs for a better life. With the advancement of the urbanization process in the PRC, the property management industry and the Company will still gain a broad scope for development.

BUSINESS REVIEW

For the twelve months ended 31 December 2021, Hevol Services Group Co., Limited and its subsidiaries (together, the "**Group**") achieved revenue of of approximately RMB766.8 million, an increase of approximately 84.4% over the same period in 2020; in particular, the revenue from property management services amounted to approximately RMB528.5 million, representing a year-on-year increase of approximately 103.8%; the revenue from community value-added services amounted to approximately RMB138.1 million, representing a year-on-year increase of approximately 79.2%; the revenue from value-added services to non-property owners amounted to approximately RMB100.2 million, representing a year-on-year increase of approximately 26.1%; gross profit was approximately RMB264.2 million, an increase of approximately 77.4% over the same period in 2020.

The Group's profit for the year amounted to approximately RMB108.6 million, an increase of approximately 81.0% over the same period in 2020. Earnings per share attributable to shareholders amounted to approximately RMB15.60 cents, compared to approximately RMB12.76 cents over the same period in 2020. The Group's profitability continued to improve.

Prominent focus of scale growth with the size ranking among large and medium-sized enterprises

As of 31 December 2021, the Group managed 195 property management projects across 35 cities in 16 provinces and municipalities in China with a total contracted GFA of approximately 46.1 million sq.m., representing an increase of approximately 104.9% as compared to approximately 22.5 million sq.m. in the same period in 2020. The total GFA under management reached approximately 34.0 million sq.m., representing an increase of approximately 89.9% as compared to approximately 17.9 million sq.m. in the same period in 2020.

In 2021, we have made key breakthroughs in the Guizhou market. In August 2021, the Group successfully acquired the 70% equity interests of Guiyang Xinglong Property Management Co., Ltd. (貴陽興隆物業管理有限公司) ("**Guiyang Xinglong**") which ranked 83rd among the 2021 Top 100 Property Management Enterprises in China and is one of the most important industry leading brands in the property market of Guiyang. On 25 December 2021, the Group entered into a sale and purchase agreement to acquire the 68.75% equity interests of Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**") which is the professional property management enterprise with the largest scale in the property market of Zunyi in Guizhou province. Once the acquisition completed, the Group's total contracted GFA will reach approximately 53.7 million sq.m. and the total GFA under management will reach 40.1 million sq.m., of which the GFA under management in the market in Southwest China will reach 45.9% of the Group's overall GFA under management. In other regional markets, we strengthened external expansion efforts and continued to expand market share through project bidding, management consulting, technology empowerment and other various means. Through the efforts of more than two years since listing, the Company's total contracted GFA has increased by over 5 times, and exceeded 50 million sq.m. for the first time. It has achieved a historical leap from a small property enterprise with an area of 8.16 million sq.m. at the beginning of its listing in July 2019 to a large and medium-sized property enterprise, which is a rare example of leapfrog development in the industry. More importantly, through the realization of leapfrog development, a group of elite business teams who understand the market and business and strive for progress have been cultivated. In addition, the Group attaches great importance to the merger, acquisition and integration and has established specialized management departments and professional teams, striving to achieve business synergy, tap growth potential and create greater value.

Intensified improvement of operation quality, brand building to a new level

During the Reporting Period, the Company comprehensively strengthened the construction of operation system. On the basis of the "five enjoyment" products and services, the operation system documents were comprehensively optimized and improved, including revision of 5 original standards and preparation of 36 new standards. Through technological means, the Company created a digital display board for project operation, to realize real-time data capture, plan early warning management, and achieve the combination of online quality inspection and on-site quality inspection. With the support of background big data, the Company comprehensively supervises the implementation of quality inspection in various regions. During the year, the headquarters developed 23 pieces of professional courseware and organized 32 on-site special trainings, to summarize and promote advanced experience in respect of quality improvement in various regions. The Group's third-party customer satisfaction level exceeded the industry average by more than 10%.

The Company has built a "big customer" system, to realize the intelligent operation of the 400 customer service system and integrate customer information and project information into the online platform, to improve the business processing efficiency of 400 operators, thus to provide customers with precise services in a more professional way. It reached property owners through the robot voice of call center and multiple-scenarios of Wechat ecosystem. The integration of intelligent management and intelligent services brought better service experience to the property owners. In respect of the value-added business, real estate brokers, housekeeping services, and community e-commerce competed for development. In particular, the lease and sales business of Beijing He Zhong Property performed well, and it successively established He Zhong Property second-hand housing brokerage companies in Beijing, Tianjin, Tangshan and Zhongshan. The annual growth rate of community value-added business reached 79.2%, maintaining a rapid growth trend.

In 2021, the Company won a number of awards, which enhanced the popularity and reputation of Hevol Services and also increased the Company's industry influence. The Company's brand building has reached a new level. Hevol Services has won the honor of "Top 100 Property Management Enterprises in China", ranking 38th, and won 22 awards from authoritative industry organizations such as China Property Management Association, China Index Academy, CRIC, and Leju Finance and Economics. It has successively won the Top 100 Growth Leading Companies in Property Service Companies of China, the Top 100 Property Service Companies Brand Value in China, the Property Growth Brand Companies of China, the Property Service Market-Oriented Operation Leading Brand Companies of China, and the Leading Company in Property Service Market of Guiyang City. In the typical sample projects and benchmarking enterprises of the 2021 China Real Estate Index System, four projects under management of Hevol Services: Chengdu Lujiangfu, Kunshan Tongjin Junwangting, Neijiang Wanshengcheng · Huafu, and Sanya Holiday Sunshine won the honorary titles of "2021 Chengdu Property Management Service Benchmark Project", "2021 Suzhou Property Service Benchmark Project", "2021 Neijiang Property Service Benchmark Project" and "2021 Sanya Property Service Benchmark Project".

Distinctive features of technology-based property management, acceleration of digital transformation

The Group pays attention to the important role of technology-based property management in creating high-quality community life, and is committed to building information-based, digital and intelligent communities. Technological construction and promotion of digital transformation is the only way for quality improvement, cost reduction and efficiency enhancement, and business innovation. In respect of construction of an operation platform for community management, we have built an intelligent IoT management system to continuously upgrade and improve house files, customer portraits, intelligent traffic, intelligent access control, security monitoring, AI elevator control, intelligent order dispatch and inspection functions, and realized the information and data interconnection between business modules. In terms of construction of a service platform for property owners, we deployed and promoted smart community APP and applet, and launched many functions including opening door with mobile phone, reporting for repairs, smart payments, online housekeeping and convenient services, which facilitated the contact between property owners and property management personnel, deepened the communication and interaction between property owners and property management personnel and among property owners, and created rooms for the development of value-added services with the technology platform. For the digital internal management of the middle and back offices of Group, a system covering all business scenarios of internal management including business operation, customer relationship, financial charging, human resources, asset management, and OA system has been established. The digital transformation of the Group has been accelerated through the establishment of a platform for data exchange, analysis and visual management. The above measures will not only reduce the costs and increase the efficiency of the Group, but also improve the quality of services and enhance property owner's experience.

PROSPECT

The year of 2022 is the 20th anniversary of the establishment of Hevol Services Group. Over the past 20 years, we have worked hard to forge ahead. Our original aspiration remains unchanged and we always adhere to the core value of "Serving people with a shared passion" and the "Living a happy life with Hevol" service concept. Standing at a new historical starting point, we will seize the precious opportunities arising from the current industry development and strive to build a third-party property service cooperation platform in the PRC with stable operation and distinctive features. In terms of market expansion, more attention will be paid to the development of third-party entrustment business and equity cooperation with key high-quality property companies to appropriately extend the Company's upstream and downstream industry chains, so as to maintain further growth in scale and broader types of business. The "Six Requirements and Six Feelings" will be subject to in-depth implementation to achieve orderly expansion of scale and steady improvement of service quality. More investments will be made in technology business and more community value-added services will be provided to achieve faster growth and higher quality development of the Group.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, business partners, customers and suppliers for their strong support and trust, as well as to the management and all employees for their contributions and efforts in the past year.

Liu Jiang
Chairman of the Board of Directors

Hong Kong, 31 March 2022

BUSINESS REVIEW AND PROSPECTS

Industry Review

The year of 2021 was the opening year of the national 14th Five-Year Plan. The country and society attached great importance to the positive role of property management companies in safeguarding social stability and promoting social employment. Various policies at all levels and localities have been introduced to constantly mention properties and communities. "Property + living services", "property + elderly care services" and the renovation of old communities are becoming trends. With the development of society and economy, the needs of property owners are also changing, and more and more services will be moved to community scenarios in the future. Overall, the property management industry will continue to develop in a positive manner, especially in the current situation where epidemic prevention and control is facing complexity and recurrence. Prevention and control of the epidemic is still testing property management companies and property service providers all the time. It is also the guarding of all property service providers on the front line of the epidemic that ensures the safety and daily needs of community residents. As one of the important participants in community governance, property management companies will undertake more social responsibilities in the future with the support of policies.

At the same time, in the second half of 2021, the capital market valuation level of the property industry was significantly adjusted due to the impact of numerous factors such as the economic downturn in the real estate industry. Changes in the capital market and the real estate industry helped accelerate the consolidation of the property management industry. The industry's leading companies have carried out mergers, acquisitions and integration of listed and quasi-listed property companies, and market concentration has been increasing, and it further intensifying the degree of competition in the industry. Seizing the opportunities of industry development and actively responding to market challenges, the Group will actively respond to national policies, based on the present and look to the future, explore and innovate around community services, and build the Group into a third-party property service cooperation platform with sound operation and distinctive features in China.

BUSINESS REVIEW

The Group is a reputable market player in the property management industry in China and has been providing property management services, community value-added services and value-added services to non-property owners in the PRC for more than 20 years. According to the China Index Academy, we were ranked 38th among the "2021 Top 100 Property Management Enterprises", and we were considered as a fast-growing China Top 100 Property Management Company from 2015 to 2021 in terms of overall strength of property management based on certain key factors such as property management scale, business performance, service quality, development potential and social responsibility. As at 31 December 2021, the Group managed 195 property management projects, across 35 cities in the PRC with a total contracted gross floor area ("**GFA**") of approximately 46.1 million sq.m. (2020: 22.5 million sq.m.) and total GFA under management of approximately 34.0 million sq.m. (2020: 17.9 million sq.m.).

In 2021, the Group achieved relatively fast growth in management scale, with total revenue increased by 84.4% to approximately RMB766.8 million in 2021 compared to approximately RMB415.9 million in 2020. The Group's total GFA under management reached approximately 34.0 million sq.m. in 2021 from approximately 17.9 million sq.m. in 2020. During the year, the Group has completed several material equity acquisitions, including (i) 51% equity interests of Zhongshan Zhongzheng Property Management Co., Ltd.* ("**Zhongshan Zhongzheng**") with a consideration of RMB15.4 million, (ii) 60% equity interests of Sichuan Wansheng Property Service Co., Ltd.* ("**Sichuan Wansheng**") with a consideration of RMB42.9 million, (iii)51% equity interests of Jiangsu Shenhua Times Property Group Co., Ltd.* ("**Jiangsu Shenhua**") with a consideration of RMB40.8 million, (iv) 51% equity interests of Panjin Four Seasons City Property Management Co., Ltd.* ("**Panjin Four Seasons**") with a consideration of RMB18.4 million, (v) 70% equity interests of Guiyang Xinglong Property Management Co., Ltd. ("**Guiyang Xinglong**") with a consideration of RMB156.8 million and (vi) 51% equity interests of Beijing He Zhong Zhidi Property Agency Co., Ltd.* ("**Beijing He Zhong**") with a consideration of RMB2.0 million. All of the above acquisitions were completed in 2021. As a result, the Group's GFA under management has increased rapidly. Together with external expansion projects by bidding, projects co-operation with other third party property developers and property management projects developed by Hevol Real Estate Group, our aggregate GFA under management reached approximately 34.0 million sq.m. as at 31 December 2021. Furthermore, the Group entered into a sale and purchase agreement to acquire 68.75% equity interests of Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**") with a consideration of RMB91.5 million and the acquisition is complete the once the conditions stated in the sale and purchase agreement are fulfilled. After this acquisition, the Group's total GFA under management has further increased by approximately 6.1 million sq.m. and execeeded 40.1 million sq.m.. Our geographical coverage in China has expanded to 35 cities and our coverage of geographical regions in China now include the northern region, southwestern region, northeastern region, southern region and eastern region.

* The English names of the PRC companies represent managements best effort in translating the Chinese names of those companies as no English names have been registered or available.

PROPERTY MANAGEMENT SERVICES

Property Management Services

The Group provides a range of property management services to property owners and residents, as well as property developers, including security, cleaning, greening, gardening services as well as repair and maintenance services, with a focus on residential communities. The Group's property management portfolio also covers other types of properties such as commercial properties. As at 31 December 2021, the Group managed 195 property management projects with a total GFA under management of 34.0 million sq.m., covering 35 cities in the PRC across five geographical regions in China, including northern region, southwestern region, northeastern region, southern region and eastern region.

Geographical Coverage

The table below sets out the breakdowns of: (i) revenue from property management services; and (ii) GFA under management by geographic regions which the Group has property management operation, for the year ended 31 December 2021:

	31 December 2021				31 December 2020			
	Revenue		**GFA under management**		Revenue		GFA under management	
	RMB'000	***%***	***'000 sq.m.***	***%***	*RMB'000*	*%*	*'000 sq.m.*	*%*
Northern China[1]	**116,861**	**22.1**	**6,181**	**18.2**	79,817	30.8	5,460	30.6
Northeastern China[2]	**31,949**	**6.1**	**2,551**	**7.5**	14,437	5.6	894	5.0
Southwestern China[3]	**180,823**	**34.2**	**12,802**	**37.7**	70,594	27.2	5,911	33.1
Southern China[4]	**81,373**	**15.4**	**4,050**	**11.9**	27,759	10.7	2,175	12.2
Eastern China[5]	**117,504**	**22.2**	**8,392**	**24.7**	66,707	25.7	3,416	19.1
Total	**528,510**	**100.0**	**33,976**	**100.0**	259,314	100.0	17,856	100.0

Notes:

(1) "Northern China" includes Beijing, Tianjin, Tangshan, Qinhuangdao and Hohhot.

(2) "Northeastern China" includes Harbin, Shenyang, Panjin, Fushun and Dandong.

(3) "Southwestern China" includes Chongqing, Chengdu, Neijiang, Guiyang, Zunyi, Anshun and Qiannanzhou.

(4) "Southern China" includes Changsha, Yiyang, Yueyang, Huaihua, Dongguan, Zhongshan, Foshan, Jiangmen, Sanya and Lingshui.

(5) "Eastern China" includes Shanghai, Hangzhou, Kunshan, Wuxi, Xuzhou, Jingjiang, Huaian and Huangshan.

The Group managed a diverse portfolio of properties, comprising primarily residential properties and to a lesser extent, non-residential properties. Non-residential properties include commercial properties and other types of public facilities. During the year, the Group generated the majority of its property management services revenue from residential properties, which will continue to account for a significant portion of our revenue stream in the near future. The table below sets out the breakdowns of its: (i) revenue generated from property management services by type of properties, and (ii) total GFA under management by type of properties for the periods indicated:

	31 December 2021				31 December 2020			
	Revenue generated from property management services		**GFA under management**		Revenue generated from property management services		GFA under management	
	RMB'000	***%***	***'000 sq.m.***	***%***	*RMB'000*	*%*	*'000 sq.m.*	*%*
Residential properties	**475,577**	**90.0**	**31,915**	**93.9**	225,985	87.1	16,747	93.8
Non-residential properties	**52,933**	**10.0**	**2,061**	**6.1**	33,329	12.9	1,109	6.2
Total	**528,510**	**100.0**	**33,976**	**100.0**	259,314	100.0	17,856	100.0

The table below sets out the breakdowns of the Group's GFA under property management the Group's and revenue generated from property management services by property developer for the periods indicated:

	31 December							
	2021				2020			
	Revenue		**GFA under management**		Revenue		GFA under management	
	(RMB'000)	***(%)***	***('000 sq.m.)***	***(%)***	*(RMB'000)*	*(%)*	*('000 sq.m.)*	*(%)*
Hevol Real Estate Group	**233,401**	**44.2**	**7,405**	**21.8**	160,926	62.1	7,151	40.0
Other property developers	**295,109**	**55.8**	**26,571**	**78.2**	98,388	37.9	10,705	60.0
Total	**528,510**	**100.0**	**33,976**	**100.0**	259,314	100.0	17,856	100.0

Community value-added services

As an extension of the Group's property management services business, it provides community value-added services to property owners and residents for the property management projects under the Group's management. The Group's community value-added services help to address the lifestyle and daily needs of the property owners and residents, to enhance their customer experience, satisfaction and loyalty, as well as to create a healthier and more convenient living community. The community value-added services, mainly includes home-living services, real estate agent, leasing of car parking space, and leasing of common facilities.

The Group provides home-living services such as property repair and maintenance services, cleaning, interior decoration, collection of electricity tariffs, purchase assistance, as well as accommodation and catering services to property owners upon request. The Group also leases out common areas such as swimming pools, car parking spaces and advertising spaces to third party contractors to generate stable revenue stream for its business. The Group is devoted to cultivate a harmonious and closely-knitted community culture. The Group organises a wide range of community cultural activities on a regular basis, including community sports events, community carnivals, elderly care and community festival celebrations for residents in its property management projects.

As of 31 December 2021, the Group's revenue from community value-added services reached approximately RMB138.1 million, representing an increase of approximately RMB61.0 million, or approximately 79.2% as compared to approximately RMB77.1 million in the same period in 2020, mainly due to an increase in projects under management, resulting in an increase in revenue from home-living services, real estate agency services, leasing of car parking space, etc.

Value-added services to non-property owners

The Group is committed to expanding its value-added services to non-property owners and diversifying its sources of revenue. Centering to the needs of property developers, it mainly provides site services and diverse auxiliary property management services for property developers, and provides full-cycle and full-process services before property sales and delivery. Based on the professional service standards of the Group in the property management industry, it assists property developers to enhance brand value in an all-round way.

As of 31 December 2021, the Group's revenue from value-added services to non-property owners reached approximately RMB100.2 million, representing an increase of approximately RMB20.7 million, or approximately 26.1% as compared to approximately RMB79.5 million in the same period in 2020, mainly due to the fact that more properties under construction of the Hevol Real Estate Group and other property developers reached the sales stage in 2021 and required the Group's sales assistance services, as well as an increase in the ancillary property management services provided to the Hevol Real Estate Group and other property developers.

PROSPECT

Future Outlook

The year of 2022 is the 20th anniversary of the establishment of Hevol Services Group. In the past two years since its listing, leveraging the power of the capital market, Hevol Services has developed from a small property management listed company to a medium and large-scale property management company with a scale and volume exceeding 50 million square meters, achieving leap-forward development and historical changes of the Group. Looking forward to the future from the new historical starting point of the development of the Group, we will always adhere to the core value and initial vision of "Serving people with a shared passion" and the service concept of "Living a happy life with Hevol" to build the Group into a third-party property service cooperation platform in China with sound operation and distinctive features.

In terms of scale expansion, we will adhere to the principles of "the centralization of investment and expansion areas, the integration of projects under management and seeking quality new projects" and insist on the combination of independent third-party market expansion and strategic equity cooperation for key projects. We will strengthen the construction of market expansion capacity in each region. By relying on existing projects under management, we will radiate to the surrounding areas in a concentrated and contiguous market. While expanding the scale of the market, we will explore the potential of synergy and give full play to the advantages of scale effect, so as to achieve a high speed of development and maintain high quality of operation.

In terms of digital construction, relying on the existing operation platform for community management, the service platform for owners and the digital middle and back office for the Group's management, we will further promote the digital transformation process of the Company. At the level of equity cooperation with enterprises, we are empowered by technologies to promote evolution and upgrading in business, management, branding and supply chain, etc. and to shape a new post-investment management system with the help of the technological system, thereby forming a higher level of business system integration and personnel culture integration.

In terms of community value-added, we will take the direction of professional branding and industrialised operation to expand and strengthen the existing traditional community value-added business, such as the real estate agent business under the Hezhong brand and will rely on more projects under management in more cities to achieve scale expansion and business upgrading. For other value-added community businesses, taking into account social development trends and actual community needs, we will actively develop community elderly care and childcare, and build low-carbon green residential communities, etc.

FINANCIAL REVIEW

Revenue

The Group derived revenue from: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. Overall revenue increased by approximately RMB350.9 million, or approximately 84.4% from approximately RMB415.9 million in 2020 to approximately RMB766.8 million in 2021, such growth was primarily attributable to: (i) an increase in revenue resulted from financial effects of the acquisition of six major subsidiaries which contributed revenue in aggregate of approximately RMB239.8 million in 2021 (ii) an increase in revenue from home-living services and leasing of car parking space in the segment of community value-added services due to the growth in the number of property management projects from 121 in 2020 to 195 in 2021; and (iii) an increase in ancillary property management services to Hevol Real Estate Group and an increasing in revenue from provision of sales assistance services to other property developers.

The following table sets out a breakdown of the Group's total revenue by business segment for the years indicated:

	Year ended 31 December					
	2021		2020		**Change**	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**528,510**	**68.9**	259,314	62.4	269,196	103.8
Community value-added services (including leasing income)	**138,088**	**18.0**	77,076	18.5	61,012	79.2
Value-added services to non-property owners	**100,193**	**13.1**	79,480	19.1	20,713	26.1
Total	**766,791**	**100.0**	415,870	100.0	350,921	84.4

Property management services

Property management services primarily include property management fees paid for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities. Revenue increased by approximately RMB269.2 million, or 103.8%, from approximately RMB259.3 million in 2020 to approximately RMB528.5 million in 2021. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth and acquisitions of six major subsidiaries which contributed approximately RMB162.2 million of revenue in aggregate from property management services in 2021. The Group's total GFA under management increased by approximately 89.9% from approximately 17.9 million sq.m. in 2020 to approximately 34.0 million sq.m. in 2021, and the number of property management projects increased from 121 to 195, respectively.

Community value-added services

Revenue from community value-added services increased by approximately RMB61.0 million or approximately 79.2% from approximately RMB77.1 million in 2020 to approximately RMB138.1 million in 2021. Such revenue is divided into three segments, including (i) home-living services, (ii) leasing of car parking space and (iii) leasing of common facilities, which amounted to approximately RMB68.2 million, RMB48.8 million and RMB21.1 million, respectively in 2021. Revenue from home-living services, leasing of car parking space and leasing of common facilities amounted to approximately RMB35.9 million, RMB21.8 million and RMB17.4 million, respectively, in 2020. Such increase was mainly due to an increase in the number of property management projects from 121 in 2020 to 195 in 2021 through bidding and acquisitions of six major subsidiaries during the year. In addition, the Group actively developed and expanded value-added services to the existing residential communities which also contributed to the increase.

Value-added services to non-property owners

The Group provides a wide range of value-added services to non-property owners including sales assistance services and management consultation services. Revenue from value-added services to non-property owners increased by approximately RMB20.7 million, or approximately 26.1% from approximately RMB79.5 million in 2020 to approximately RMB100.2 million in 2021. The increase in revenue was due to Hevol Real Estate Group and other property developers having more properties under development which reached the selling stages and required the Group's sales assistance services in 2021 compared to 2020 and an increase in ancillary property management services to Hevol Real Estate Group and other property developers.

Cost of Sales

Cost of sales of the Group primarily comprises staff costs, sub-contracting costs, utility expenses, repairs and maintenance costs, cost of providing ancillary property management services, material costs and sales taxes. Cost of sales increased by approximately RMB235.6 million or 88.3% from approximately RMB267.0 million in 2020 to approximately RMB502.6 million in 2021. Such increase was mainly attributable to: (i) increase of the Group's sub-contracting costs by approximately RMB54.3 million to approximately RMB156.3 million in 2021 compared to approximately RMB102.0 million in 2020, due to an increase in its total GFA under management resulting from the expansion of property management services, (ii) increase of the Group's staff costs by approximately RMB106.0 million from approximately RMB73.5 million in 2020 to approximately RMB179.5 million in 2021 due to the increasing number of service employee headcount as a result of business expansion and acquisition of subsidiaries, (iii) an increase of utilities and repairs and maintenance expenses of approximately RMB50.1 million resulted from an increase in the number of property management projects, and (iv) an increase of costs of ancillary property management services of approximately RMB11.4 million due to an increasing of ancillary services and sales assistance services provided to Hevol Real Estate Group and other property developers. The increase of cost of sales was substantially in line with the growth rate of revenue, primarily due to the parallel increase in the cost resulted from the Group's business expansion.

Gross Profit and Gross Profit Margin

The table below sets forth the Group's gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December					
	2021		2020			
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**152,759**	**28.9**	76,769	29.6	75,990	99.0
Community value-added services (including leasing income)	**72,644**	**52.6**	40,387	52.4	32,257	79.9
Value-added services to non-property owners	**38,790**	**38.7**	31,749	39.9	7,041	22.2
Total	**264,193**	**34.5**	148,905	35.8	115,288	77.4

Overall gross profit of the Group increased by approximately RMB115.3 million, or 77.4% from approximately RMB148.9 million in 2020 to approximately RMB264.2 million in 2021. The increase in gross profit of each segment is in line with the increase in revenue of each segment, primarily due to the increase in gross profit resulted from the expansion of the Group's business scale. Overall gross profit margin of the Group slightly decreased from approximately 35.8% in 2020 to approximately 34.5% in 2021. Such decrease was primarily attributable to: (i) an increase in staff costs resulted from an increasing salary rate; and (ii) newly acquired subsidiaries with lower gross profit margin in the segment of property management services.

Property management services

Gross profit for the Group's property management services increased by approximately RMB76.0 million, or 99.0% from approximately RMB76.8 million in 2020 to approximately RMB152.8 million in 2021. The increase of gross profit is primarily attributable to: (i) an increase in total GFA under management as a result of an increasing number of property management projects; and (ii) an increasing level of the average charging rate of the Group's property management services. Gross profit margin slightly decreased from 29.6% in 2020 to 28.9% in 2021 as a result of an increase in staff cost resulted from an increasing salary rate and the impact of lower gross profit margin on newly acquired subsidiaries.

Community value-added services

Gross profit for the Group's community value-added services increased by RMB32.2 million, or 79.9% from approximately RMB40.4 million in 2020 to approximately RMB72.6 million in 2021, The increase was mainly due to an increase of revenue from community value-added services such as home-living and other services, management and leasing of car parking spaces and leasing of common facilities etc., which in aggregate increased by approximately RMB61.0 million due to an increase in the number of property management projects from 121 in 2020 to 195 in 2021. Gross profit margin remains stable at 52.4% in 2020 to 52.6% in 2021.

Value-added services to non-property owners

Gross profit of value-added services to non-property owners increased by approximately RMB7.1 million, or 22.2% from approximately RMB31.7 million in 2020 to approximately RMB38.8 million in 2021. Such changes were attributable to the increase in the number of property development projects under development by Hevol Real Estate Group and other property developers, which reached the selling phases and required the Group's sales assistance services during the year. In addition, an increase of ancillary property management services to Hevol Real Estate Group that contributed revenue of approximately RMB37.8 million and considerable gross profit in 2021. Gross profit margin slightly decreased from approximately 39.9% in 2020 to approximately 38.7% in 2021, which was mainly attributable to an increase of cost of materials and manpower of ancillary property management services.

Other Income

Other income amounted to approximately RMB15.5 million in 2021, representing an increase of approximately RMB6.0 million, or approximately 63.2% compared to approximately RMB9.5 million in 2020. The increase was mainly due to an increase in income on investment, government grant received, recovery of bad debts, interest on deposits at banks and exchange gain.

Administrative Expenses

Administrative expenses of the Group mainly include staff costs, travelling and entertainment expenses, professional fees, conference and training costs for its employees, telecommunication and utilities expenses and depreciation and amortization. Administrative expenses of the Group increased by approximately RMB57.2 million, or approximately 74.0% from approximately RMB77.3 million in 2020 to approximately RMB134.5 million in 2021, primarily due to: (i) an increase in staff costs resulting from the expansion in the business scale of the Group; (ii) an increase in professional fees in relation to acquisition of subsidiaries, (iii) the inclusion of administrative expenses of newly acquires subsidiaries, and (iv) an increase of amortisation of intangible assets and depreciation of property, plant and equipment resulted from the acquisition of subsidiaries.

Income Tax Expenses

Income tax expenses of the Group increased by approximately RMB15.5 million, or 104.7% from approximately RMB14.8 million in 2020 to approximately RMB30.3 million in 2021, primarily due to the increase of our taxable income resulted from an increase in operation profit and inclusion of income tax of newly acquired subsidiaries.

Profit for the Year

Profit for the year increased by approximately RMB48.6 million, or 81.1% from approximately RMB60.0 million in 2020 to approximately RMB108.6 million in 2021, primarily due to: (i) the expansion of business scale and an increasing number of property management projects; (ii) the inclusion of net profit of newly acquired subsidiaries, and (iii) an increase in ancillary services provided to Hevol Real Estate Group and other property developers.

Intangible Assets

Intangible assets increased from approximately RMB24.9 million in 2020 to approximately RMB85.2 million in 2021. The increase was mainly due to additions of intangible assets of approximately RMB67.0 million, which resulted from the acquisition of subsidiaries and the addition of computer software of approximately RMB1.6 million, offset by amortisation and depreciation for the year with aggregate amount of approximately RMB8.3 million.

Investment Properties

Investment properties which consisted of certain carparking spaces and shop premises, decreased from RMB29.8 million in 2020 to RMB28.8 million in 2021 mainly due to depreciation.

Goodwill

Goodwill increased from approximately RMB59.6 million as at 31 December 2020 to approximately RMB292.7 million as at 31 December 2021, due to the acquisitions of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong. Further details as to the goodwill arising from the acquisitions are set out in note 16(iv) to the financial statements in this announcement.

Other Deposits

Other deposits represented deposits paid to property developers or owners' committee at the inception of entering into property management services contracts.

Deposits Paid for Acquisition of a Subsidiary

Deposits paid for acquisition of a subsidiary of approximately RMB50.7 million (original amount of RMB52.2 million, net of allowance of RMB1.5 million) as at 31 December 2021 mainly represented the deposit paid for acquisition of 68.75% equity interests of Zunyi Jinning. The acquisition will complete when the conditions stated in the sale and purchase agreement are fulfilled. Further details are set out in note 11 to the financial statements in this announcement.

Trade and Other Receivables

Trade and other receivables include trade receivables, prepayments and other receivables. Trade receivables are mainly related to property management services as well as value-added services. Trade receivables of the Group increased from approximately RMB104.3 million as at 31 December 2020 to approximately RMB217.4 million as at 31 December 2021, primarily due to the inclusion of trade receivables of newly acquired subsidiaries of approximately RMB90.0 million and organic growth of trade receivables after expansion of scale. Other receivables mainly consist of deposits, prepayment and other receivables and payment on behalf of property owners. Other receivables increased from approximately RMB63.2 million as at 31 December 2020 to approximately RMB66.8 million as at 31 December 2021, mainly due to an increase in other deposits resulted from deposits paid for entering into property management services contracts.

Contract Liabilities

The Group's contract liabilities mainly arise from advance payments made by customers while the underlying property management services are yet to be provided. Contract liabilities of the Group increased from approximately RMB80.4 million as at 31 December 2020 to approximately RMB182.7 million as at 31 December 2021, representing an increase of approximately RMB102.3 million, primarily due to: (i) the managing of an increasing number of property management projects, and (ii) the inclusion of contract liabilities of newly acquired subsidiaries which amounted to approximately RMB37.2 million.

Trade and Other Payables

Trade payables of the Group increased from approximately RMB35.9 million as at 31 December 2020 to approximately RMB53.5 million as at 31 December 2021, primarily due to an increase in purchase of subcontracting services, materials and utilities for the Group's business expansion and inclusion of trade payables of newly acquired subsidiaries of approximately RMB7.7 million. Other payables mainly consist of accrued staff costs, deposits received and amounts collected on behalf of property owners. The increase of other payables of the Group from approximately RMB142.2 million as at 31 December 2020 to approximately RMB279.1 million as at 31 December 2021 was primarily due to an increase of: (i) accrued charges and other payables of approximately RMB46.0 million resulting from an increasing number of property management projects; (ii) the net effect of litigation provisions of RMB19.0 million for financial guarantees provided to several third parties for borrowings from two banks in Guizhou province, as a result of acquisition of 70% equity interests of Guiyang Xinglong; (iii) amounts collected on behalf of property owners to pay utilities of approximately RMB17.5 million; (iv) renovation deposits collected from property owners of approximately RMB23.9 million; and (v) staff costs and welfare accruals of approximately RMB25.7 million, all of which were resulted from an increasing number of property management projects and inclusion of balances of newly acquired subsidiaries for the year ended 31 December 2021.

Liquidity, Capital Structure and Financial Resources

As at 31 December 2021, the Group's bank balances and cash increased by approximately RMB99.7 million from approximately RMB291.5 million as at 31 December 2020 to approximately RMB391.2 million as at 31 December 2021, primarily due to (i) the issuance of 80,000,000 ordinary shares on 5 February 2021 at an issue price of HK$2.0 per share with net proceeds amounted to approximately RMB133.4 million, and (ii) inclusion of bank balance of those newly acquired subsidiaries. The Group's financial position remained solid. As at 31 December 2021, the Group's net current assets decreased from approximately RMB197.2 million as at 31 December 2020 to approximately RMB125.1 million as at 31 December 2021. As at 31 December 2021, the Group's current ratio was approximately 1.22 times compared to 1.72 times as at 31 December 2020. Such decrease was due to (i) payment for acquisition of subsidiaries resulted in an increase the amounts of goodwill and intangible assets in non-current assets, and (ii) inclusion of the balances of trade and other payables and contract liabilities of newly acquired subsidiaries. The Group has a borrowings of RMB4.0 million as at 31 December 2021 resulted from an acquisition of Jiangsu Shanhua and no any assets pledged for the borrowings.

Proceeds from the Listing

With the Shares of the Company listed on the Stock Exchange on 12 July 2019, the net proceeds from the Global Offering were approximately HK$75.8 million (equivalent to approximately RMB66.6 million), which will be utilised for the purposes as set out in the Company's prospectus dated 27 June 2019 (the "**Prospectus**"). As at 31 December 2021, RMB59.8 million, or 89.8%, of the net proceeds from the listing have been utilised. As at the date of this announcement, the Directors of the Company anticipate that such proceeds will be applied in the manner consistent with that in the Prospectus.

Set out below is the actual utilisation of net proceeds as at 31 December 2021:

Net proceeds (in RMB million)

Item	Percentage	Available	Utilised	Unutilised	Expected time of use of unutilised proceeds
1 Acquisition of other property management companies	51.8%	34.5	34.5	–	–
2 Bidding for new property management projects	7.7%	5.1	3.9	1.2	On or before 31 December 2022
3 Investment in advanced technologies and smart communities	23.1%	15.4	9.8	5.6	On or before 31 December 2022
4 Expansion of value-added services business segment	14.4%	9.6	9.6	–	–
5 Working capital and general corporate purpose	3.0%	2.0	2.0	–	–
	100.0%	66.6	59.8	6.8	

Proceeds from the placing of shares

On 24 June 2020, the Company issued 80,000,000 ordinary shares (the "**First Share Placing**") at an issue price of HK$1.28 per share. As a result, the Company received net proceeds of approximately HK$100.9 million (equivalent to RMB91.9 million) after deduction of the placing commission and other related expenses. As at 31 December 2021, all net proceeds from the First Share Placing have been utilised. Approximately HK$96.2 million (equivalent to RMB87.7 million), representing approximately 95.4% of the net proceeds from the First Share Placing, was utilised for the acquisition of other property management companies and the remaining amount of approximately HK$4.7 million (equivalent to RMB4.2 million), representing approximately 4.6% of the net proceeds from the First Share Placing, was utilised for the Group's general working capital.

On 5 February 2021, the Company issued 80,000,000 ordinary shares (the "**Second Share Placing**") at an issue price of HK$2.00 per share. As a result, the Company received net proceeds of approximately HK$157.6 million (equivalent to RMB131.4 million) after deduction of the placing commission and other related expenses. Such proceeds are intended to be fully applied towards the acquisition of other property management companies. As at 31 December 2021, all net proceeds from the Second Share Placing have been utilised.

Asset Charges

As at 31 December 2021, none of the assets of the Group were pledged (2020: Nil).

Material Acquisitions and Disposals of Assets

The Group plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. During the year, the Group has completed several material equity acquisitions (details are set out in note 16 to this announcement). These acquisitions will enable the Group to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries. On 25 December 2021, the Group entered into a sale and purchase agreement ("**S&P Agreement**") to acquire 68.75% equity interests in Zunyi Jinning with a consideration of approximately RMB91.5 million, a deposit of approximately RMB52.3 million was paid. The acquisition is complete once the conditions as stated in the S&P Agreement are fulfilled.

Significant Investment Held and Future Plans for Material Investment and Capital Assets

Save as disclosed elsewhere in this announcement, during the year 2021, the Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this announcement.

Gearing Ratio

As at 31 December 2021 and 2020, the gearing ratio of the Group maintained at net cash position.

Contingent Liabilities

As at 31 December 2021, the Group did not have any contingent liabilities (2020: Nil).

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign Exchange Risk

The Group's exposures to currency risk mainly arise from its bank balance of RMB359.7 million (2020: RMB242.9 million) denominated in RMB placed with banks in the PRC. The conversion of RMB into foreign currencies in subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group does not hedge its foreign currency risk. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees and Benefits Policies

The Group had approximately 4,957 employees as at 31 December 2021 compared to 2,154 employees as at 31 December 2020. For the year ended 31 December 2021, the Group's total staff costs were approximately RMB277.2 million (2020: RMB116.5 million). The remuneration package of the employees included salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of the employees, a monthly social insurance fund covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, the housing provident fund, or other mandatory provident fund schemes on behalf of the employees. The Group hosted comprehensive internal staff training programmes for our staff 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. The Group provided orientation training to new hires and introduce them to our corporate culture to understand our service standards and procedures. The Group also provided training courses and regular seminars on various aspects of our business operations, such as quality control and customer relationship management, to our employees. The Group had also adopted a share option scheme, details of which are set out in note 14 to the financial statements in this announcement.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. Details of the corporate governance practices will be disclosed in the Company's report for the year. The Board is of the view that, during the year ended 31 December 2021, the Company has complied with all the code provisions on the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its codes of conduct regarding securities transactions by its Directors and employees (the "**Securities Dealing Code**").

The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2021 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period.

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

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

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group. The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 December 2021 and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Mr. Fan Chi Chiu, Dr. Chen Lei and Mr. Qian Hongji, who are independent non-executive Directors.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (For the year ended 31 December 2020: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR THE 2021 AGM

The register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Tuesday, 31 May 2022 (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 for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716. 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 pm on Wednesday, 25 May 2022.

NOTICE OF ANNUAL GENERAL MEETING

The AGM will be held on 31 May 2022 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's auditor, BDO Limited (the "**Auditor**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

By order of the Board
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Hu Hongfang and Mr. Wang Wenhao, two non-executive Directors, namely Mr. Liu Jiang and Mr. Zhou Wei, and four independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu, Dr. Li Yongrui and Mr. Qian Hongji.