世茂服務
SHIMAO SERVICE

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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：873

2021
INTERIM REPORT
中期報告


美好生活智造者

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Tang Fei
Sun Yan

Independent Non-executive Directors

Kan Lai Kuen, Alice
Gu Yunchang
Zhou Xinyi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Chan Ka Yan

AUDITOR

PricewaterhouseCoopers

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

REGISTERED OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock code: 873

INVESTOR AND MEDIA RELATIONS

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

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the interim results of Shimao Services Holdings Limited ("Shimao Services", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2021.

Market and Industry Outlook

It has been four decades for the property management industry since the first property management company was established in Shenzhen in 1981. Looking back, property management companies have been serving communities with their market-oriented and professional capabilities, creating a better life together with property owners and cooperating with the government to participate in grassroots social governance and services.

In 2020, at the Fifth Plenary Session of the 19th Communist Party of China Central Committee, General Secretary Xi Jinping proposed to "enhance and innovate social governance, promote the shift of the focus of social governance to the grassroots level, promote the upgrade of the resident service industry to deliver high quality and greater diversity, and accelerate the development of healthcare, elderly care, childcare, culture, tourism, housekeeping and property management service industries".

Since then, governments at all levels have begun to value and support the development of the property management industry. In January 2021, ten ministries and commissions including the Ministry of Housing and Urban-Rural Development ("MHURD") issued the Notice on Strengthening and Improving Residential Property Management (關於加強和改進住宅物業管理工作的通知), to encourage property management companies to extend into such fields as elderly care, childcare and express delivery. In July 2021, eight ministries and commissions including MHURD issued the Notice on Continuous Rectification and Regulation of the Order of the Real Estate Market (關於持續整治規範房地產市場秩序的通知), to facilitate industry regulation.

The government is actively promoting industry progress and encouraging industry development through various means. As a result, the leading companies have ushered in unprecedented development opportunities.

The property management industry has enjoyed a widening scope, an expanding customer base and diversifying types of customers.

From volume increments to tapping into existing markets, more and more owners recognise the value of property management services and are willing to pay for good services. The sheer size of the existing markets provides an enormous customer base for property management companies.

From residential to non-residential, property management companies have gone beyond serving traditional residential projects to the broader non-residential market, to further diversify customer types and expand customer sources.

Property management companies no longer limit themselves to serving one traditional category of customers, but broaden their horizons to tap into buildings across China. The massive Chinese market will offer the strongest assurance to the development of the property management industry.

At the same time, the property management industry in China remains highly fragmented, with only a small market share captured by leading companies. Currently, industry integration is accelerating, as leading companies have more opportunities for greater development amidst industrial revolution and progress by leveraging on their own capabilities and advantages. The property management industry will also closely follow the national strategy and continue to intensively participate in social and urban governance in China.

Interim Results

During the interim period of 2021, the Company recorded revenue of RMB4,233.8 million, representing a year-on-year increase of 170.6%. Its net profit amounted to RMB639.1 million, with a year-on-year increase of 150.9%. Net profit attributable to the parent was RMB578.2 million, representing a year-on-year increase of 135.6%. Gross floor area ("GFA") under management amounted to 175.0 million sq.m., representing a year-on-year growth of 104.2%; and contracted GFA was 239.2 million sq.m., with a year-on-year increase of 90.6%.

CHAIRMAN'S STATEMENT

New Journey, New Beginning

2021 is the first year of the "New Three-year Development Plan" for Shimao Services. Built on its track record, Shimao Services keeps breaking its own record to scale new heights and achieve outstanding results with increasing momentum.

The Group leads the industry in performance growth rate. Its revenue from property management services amounted to RMB2,321.9 million, representing a year-on-year increase of 183.3%; and the revenue from community value-added services amounted to RMB1,393.4 million, representing a year-on-year increase of 233.9%.

Business structure was further optimised. The percentage of revenue from community value-added services further increased from 31.8% in 2020 to 32.9% in the interim period of 2021; and the percentage of revenue from value-added services to non-property owners further decreased from 14.2% in 2020 to 9.1% in the interim period of 2021.

We added city services as a new segment targeting the Greater Bay Area and the Yangtze River Delta, with efforts made to quickly establish a platform and develop our own capabilities.

Shimao Group offered great support to the development of Shimao Services

The Group continued to implement its "aircraft-shaped" strategy (「大飛機」戰略) and actively strengthened its second growth curve to maintain continuous growth of revenue and profit through diversified business. Shimao Services is an important "wing" of the "aircraft-shaped" strategy of Shimao Group Holdings Limited and its subsidiaries ("Shimao Group") and a core component of the overall development strategy of Shimao Group. Shimao Services will play an important role in Shimao Group's efforts to build an asset-light platform.

In addition to the continuous provision of management projects, Shimao Group also comprehensively coordinated with Shimao Services to fuel its development on an on-going basis. Benefited from the powerful resource network of Shimao Group, Shimao Services gained strong support in its business expansion of city services, third-party bidding expansion and value-added services, and received important assurance for its long-term development.

Strong third-party services expansion through capabilities demonstrated in competitive bidding

Shimao Services has started to cultivate its capabilities in competitive bidding for third-party services expansion since the end of 2019, and has entered the first tier of the industry in less than two years. The Company quickly established its organisation and mechanism for external expansion. By dissecting the business chain, it built standard business capabilities with formulaic thinking, and established an end-to-end product system and a key city network, coupled with constant iteration of its strategies and tactics. In the first half of 2021, the contracted GFA under external expansion surpassed the level of last year, reaching 27.1 million sq.m. and achieving 87% of the annual target. Our external expansion covers a variety of business operations with major premium customers.

Focus on five key cities, with initial results from our deep engagement strategy

Shimao Services concentrated on boosting its competitiveness in single market and growing a relative advantage in regional markets. It leveraged on mergers and acquisitions and third-party bidding expansion to increase the density of its regional projects, which further bolstered its regional comprehensive strength and laid a solid foundation for furthering the development of its various businesses. As of 30 June 2021, the GFA under management of the five key cities accounted for 36%, representing an increase of 9 percentage points as compared to 27% for the full year of 2020, and indicating a significant increase in management density.

Strengthening efforts in segments

Zhejiang Zheda Sinew Property Services Group Co., Ltd.* (浙江浙大新宇物業集團有限公司) ("Zheda Sinew"), a subsidiary of Shimao Services, is a leading college and industry park services provider in the PRC. While cementing its leading position in providing college logistics services, Zheda Sinew actively worked on its horizontal expansion to cover industrial parks, to provide users with full-cycle quality services. During the first half of 2021, Zheda Sinew delivered exceptional performance, and managed to enter Guangdong, Jiangxi and Anhui Provinces, with a successful bid for the Qinyuan Campus Project (磬苑校區項目) of Anhui University, a "211 Project" university. Zheda Sinew also obtained quality projects such as Beijing Municipal Tax Service (Chaoyang District) (北京市朝陽區稅務局) of the State Taxation Administration and Zhejiang Liangzhu Laboratory (浙江良渚實驗室), achieving breakthroughs in multiple dimensions.

Establishing presence in the new field of city services

In 2021, Shimao Services successfully acquired Shenzhen Shenxiong Environmental Co., Ltd.* (深圳深兄環境有限公司) ("Shenzhen Shenxiong") and Wuxi Jinshatian Technology Co., Ltd.* (無錫市金沙田科技有限公司) ("Jinshatian"), as part of its strategic layout to cover two of the most economically developed areas in China, i.e. the Greater Bay Area and the Yangtze River Delta region. In this way, the Company quickly developed its comprehensive capabilities in city services, and equipped itself with the management foundation and talent reserves for nationwide promotion. Shimao Services has entered into strategic framework cooperation agreements with the governments of nine cities, counties and districts to jointly promote city services, and has taken the lead to materialise its projects in Sucheng District of Suqian City and Acheng District of Harbin City. With strategies, platforms and entry points in place, the city services business will continue to materialise and grow bigger and stronger.

Continuous Improvement of Comprehensive Capabilities

Shimao Services is an industry leader in refined management capabilities

Based on "Internal Marketisation", "Grid Unit Management" and "Independent Accounting for Each Grid Unit", Shimao Services is furthering its exploration, with efforts to dissect the standard actions of basic positions such as security and cleaning, collect operational data, sort out operational standards and experiment the operating model of "Work Order System", in a bid to attain lower costs and higher efficiency through refined management and technological empowerment.

Shimao Services cherishes every partner

Shimao Services empowers its partners for better development in multiple dimensions and at various levels. In the first half of 2021, 10 acquirees realised successful external expansion and new business development. All the acquirees recorded higher net profit margins. As such, Shimao Services worked with its partners to achieve win-win outcomes.

Shimao Services has developed key capabilities in the community value-added services segment

In smart scenario solutions and catering business, we have realised independent external expansion, obtained major quality contracts and kept expanding our customer base. Shimao Services will stay focused on customers, assets and spaces to provide services that cover the entire lifecycle. It will also work to enhance its business capabilities, optimise its product mix and broaden its development prospects.

* *For identification purposes only*

New Heights, New Tasks

Over the past three years, Shimao forged ahead and made substantial progress in all its business. In 2021, Shimao Services will remain dedicated to the service concept of "user-centred, product-oriented and digitisation-driven", renew its business and management upgrade, make a solid start with practical efforts and reset the benchmark for the future.

Shimao Services positions itself as the "leading full-scenario provider of city life services in China", aspiring to be a leader in the property management industry in the future

Shimao Services works to build a "1+1+X" business system comprising three business portfolios, namely basic property management services, value-added services and smart city services.

In basic property management services, we pursue scale expansion as well as higher quality and efficiency via "internal growth and external expansion". In value-added services, we cultivate professional capabilities by establishing presence in high-potential channels with a focus on users and assets. In smart city services, we cater to the government and work as a good municipal services manager, asset operation assistant and development partner.

Shimao Services will keep developing five key capabilities

Intensive development in key cities. We will regard the five key cities as our foothold to rapidly develop our capabilities of organisational management and development; and regard investment expansion as a breakthrough with a focus on systematic capability development.

A product system based on user needs. We will improve our system of understanding user demand across all business scenarios; and explore the development of a closed loop for user feedback on our products to enhance the comprehensive marketing capability.

Integrated cost management for supply chains. Efforts will be made to dissect and reconstruct the entire process of business, with pilot programmes to take place before replication and promotion, so as to develop the professional capabilities of "Three Bao (i.e. security, cleaning, gardening and greening, repairment and maintenance)" and attain higher efficiency at lower costs.

Improvement in refined management. We will maintain internal marketisation as the underlying logic of refined management, continue to regard grid unit as the smallest organisational unit to iterate our refined appraisal and incentive mechanism; and aim to build an agile organisation with quick response to customers and a better management system.

The task of developing an innovative talent system. We will improve our system to select, cultivate, deploy and retain a wide range of talents that meet the need of developing our business portfolios; and ramp up our efforts to entice talents to our innovative business.

Implementing our strategies with determination and tenacity

Our tactics for growth and upgrade are the foundation for the rapid growth of the Company. Shimao Services maintains the five core strategies, namely horizontal integration, relevant diversification, vertical integration, centralisation, and upgrade. We focus on the growth in GFA, organic extension of diversified business, as well as deepening and penetrating in key segments to improve management density. We integrate strategies and tactics into our business to develop four business segments and an array of business portfolios.

Shimao Services will work to develop its corporate culture and atmosphere; establish a suitable organisation to support its business, develop a multi-dimensional talent system; set out key tasks with determination; and ultimately achieve solid execution.

Social Responsibility

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

Amidst the ever-changing epidemic, Shimao Services strives to build a safety shield for its property owners with high-standard services. Shimao Services remains on alert and on the frontline, using its concrete action to earn compliments from governments in various locations.

When torrential rain launched an abrupt assault to Zhengzhou, Shimao Services promptly initiated emergency response measures for disaster relief, deploying emergency daily supplies and maintained its efforts to provide maximum protection for the safety of its property owners and their properties. The bravery of our frontline staff was highly praised by the property owners.

Acknowledgement

2021 represents the first year for Shimao Services since its successful listing. Owing to the high recognition by the capital market, the Company has been successfully admitted to the Hang Seng Composite Index, the MSCI China Index and the FTSE Russell Global Equity Index. On behalf of the Board, I would like to extend my heartfelt gratitude and deepest respect to our shareholders, business partners, local governments, property owners and customers for their valuable support.

"Committed to original aspiration, robust in operation, courageous in expansion and ambitious in action", Shimao Services will unite as one and continue its advancement with concerted efforts and an enterprising spirit.

Going forward, Shimao Services will continue to uphold the Shimao spirit of "Pioneering, Down-to-earth and Prudent", stay diligent and progressive, and keep creating greater value for shareholders.

Hui Sai Tan, Jason
Chairman

Hong Kong, 25 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is positioned as a leading comprehensive property management and community living service provider in the PRC. We have created a "1+1+X" business system, forming three business portfolios, namely basic property management services, value-added services and smart city services. Currently, the Group has four major business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services.

As of 30 June 2021, Shimao Services provided a wide variety of services for 661 projects, covering various types of clients, including residential projects, schools, industrial parks and hospitals.

Revenue for the interim period in 2021 was RMB4,233.8 million, representing a year-on-year increase of 170.6%. Net profit was RMB639.1 million, representing a year-on-year increase of 150.9%; and net profit attributable to the parent was RMB578.2 million, representing a year-on-year increase of 135.6%. GFA under management amounted to 175.0 million sq.m., representing a year-on-year increase of 104.2%; and contracted GFA was 239.2 million sq.m., representing a year-on-year increase of 90.6%. As compared with the same period of last year, the progress of completion of 2021 interim results has significantly improved. The Group has confidence in fulfilling the 2021 annual results targets established upon the introduction of strategic investors.

➢ PROPERTY MANAGEMENT SERVICES

- ***Representing 54.8% of total revenue and 49.3% of total gross profit***

  During the period, the Group's revenue from property management services reached RMB2,321.9 million, representing a year-on-year increase of 183.3% as compared to RMB819.7 million for the same period in 2020, mainly due to the rapid growth in area under management.

  Gross profit from property management services was RMB618.8 million, representing a year-on-year increase of 177.7% as compared to RMB222.8 million for the same period in 2020. Gross profit margin was 26.6%, remaining largely stable with a marginal decline of 0.6 percentage point as compared to 27.2% for the same period in 2020.

	Six months ended 30 June	
	2021	2020
Revenue (RMB million)	**2,321.9**	819.7
Gross profit (RMB million)	**618.8**	222.8
Gross profit margin (%)	**26.6%**	27.2%

- ***Sustained swift growth in area***

  During the period, the Group recorded high growth rates in both GFA under management and contracted GFA, laying a solid foundation for the growth of the Group's consolidated revenue and creating an important foundation for the development of various value-added services. As of 30 June 2021, the Group's GFA under management amounted to 175.0 million sq.m., representing a 104.2% uptick or a net increase of 89.3 million sq.m. from 85.7 million sq.m. for the same period in 2020. There were 661 projects under our management in 117 cities across 29 provinces, municipalities directly under the Central Government and autonomous regions nationwide.

  As of 30 June 2021, the Group's contracted GFA was 239.2 million sq.m., representing a year-on-year rise of 90.6% or a net increase of 113.7 million sq.m. from 125.5 million sq.m. for the same period in 2020.

The following table sets forth the Group's GFA under management and contracted GFA, which were categorized by property developer type for the six months ended 30 June 2021 and 30 June 2020, respectively:

	Six months ended 30 June			
	2021		2020	
	(sq.m. in million)	**Percentage**	(sq.m. in million)	Percentage
GFA under management	**175.0**	**100.0%**	85.7	100.0%
Among which:				
From Shimao Group and its co-developers	**52.9**	**30.2%**	49.8	58.1%
From independent third-party developers	**122.1**	**69.8%**	35.9	41.9%
Contracted GFA	**239.2**	**100.0%**	125.5	100.0%
Among which:				
From Shimao Group and its co-developers	**73.8**	**30.9%**	69.1	55.1%
From independent third-party developers	**165.4**	**69.1%**	56.4	44.9%

As of 30 June 2021, our GFA under management of non-residential properties was 71.4 million sq.m., accounting for 40.8% of the Group's GFA under management. The share of non-residential properties in our GFA under management grew by 36.1 percentage points as compared to the same period in 2020.

The following table sets forth the Group's GFA under management, which was categorized by property type for the six months ended 30 June 2021 and 30 June 2020, respectively:

	Six months ended 30 June			
	2021		2020	
	GFA under management (sq.m. in million)	**Percentage**	GFA under management (sq.m. in million)	Percentage
Residential properties	**103.6**	**59.2%**	81.7	95.3%
Non-residential properties	**71.4**	**40.8%**	4.0	4.7%
Total	**175.0**	**100.0%**	85.7	100.0%

- ***Significant improvement in third-party bidding expansion capabilities***
  Since the end of 2019, the Group has started cultivating its third-party bidding expansion capabilities, and yielded notable results after more than one year of efforts.

  In the first half of 2021, the Group added 27.1 million sq.m. to its area from new third-party bidding expansion, representing an increase of 15.3% as compared to 23.5 million sq.m. in the full year of 2020. The average monthly property management fee for third-party bidding expansion projects grew from RMB2.1 per sq.m. at the end of 2020 to RMB2.2 per sq.m. in mid-2021.

  The Group improved the quality of its external expansion, and won a number of benchmark projects. We obtained quality bids such as Wenzhou Grand Mansion (溫州大公館), Liede Water Treatment Plant (獵德淨水廠) (the largest urban sewage treatment plant in South China), Minzu University of China and Chengdu Metro Line 2.

Such excellent expansion results were attributable to:

(1) Our development of standardized market expansion capabilities with formulaic thinking. We worked with Shimao Group and suppliers to carry out marketing to the public; and made good use of the lifetime tracking and selection instrument for marketing information;

(2) Our development of an end-to-end product system. We iterated and improved our product mix, created benchmark demonstration projects, and provided solutions to quickly respond to clients' core demands;

(3) Our establishment of a key city expansion network. We devised our deep scanning tool for cities, accumulated our property project database, and opened up key cooperation channels;

(4) Organizational and team assurance. We had the "100 Leaders Scheme" in place to organize a team of great talents to work on arduous tasks; and

(5) Digital support. We optimized and iterated our lifetime digital system tools for market expansion to achieve effective empowerment.

- ***Enhanced integration through mergers and acquisitions***
  In the first half of 2021, the Group acquired two new target companies. As of 30 June 2021, the Group acquired a total of 14 companies. Through mergers and acquisitions, the Group effectively enhanced its business scale and project density in key regions, successfully positioned itself in key business lines and developed its core capabilities.

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

- ***Improved capabilities in segments***
  In the second half of 2020, the Group successfully acquired Zheda Sinew to establish a new business line of university and campus property services, one that have broad prospects, a variety of value-added services, generous demand and high requirement on comprehensive capabilities of enterprises.

  After nearly a year of enhanced business integration and empowerment, Zheda Sinew boosted its overall capabilities. It entered three new provinces in the first half of 2021 and expanded into premium targets such as the Qingyuan Campus of Anhui University. Its overall saturated revenue from external expansion for the year increased by 40% year on year.

  In addition to continuously improving its campus operation capabilities, the Company made full use of its cumulative capabilities in campus management to actively expand into similar types such as industrial parks, so as to prevail with its competitive advantages.

➢ COMMUNITY VALUE-ADDED SERVICES

- ***Representing 32.9% of total revenue and 40.6% of total gross profit***
  During the period, the revenue amounted to RMB1,393.4 million, representing a rapid increase of 233.9% as compared to RMB417.3 million for the same period of 2020.

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

The following table sets forth the Group's revenue from community value-added services by category for the six months ended 30 June 2021 and 30 June 2020, respectively:

	Six months ended 30 June					
	2021		2020			
	Revenue (RMB million)	**Percentage**	Revenue (RMB million)	Percentage	**Change in revenue**	**Change in percentage**
Smart scenario solutions	**594.6**	**42.7%**	135.0	32.3%	340.4%	Up by 10.3 percentage points
Campus value-added services	**222.3**	**16.0%**	0.0	0.0%	N/A	N/A
Carpark asset operation services	**221.3**	**15.9%**	198.1	47.5%	11.7%	Down by 31.6 percentage points
Community asset management services	**113.9**	**8.2%**	68.0	16.3%	67.5%	Down by 8.1 percentage points
Home decoration services	**45.1**	**3.2%**	11.0	2.6%	310.0%	Up by 0.6 percentage point
New retail services	**196.2**	**14.1%**	5.2	1.3%	3,601.9%	Up by 12.8 percentage points
Subtotal of community value-added services	**1,393.4**	**100%**	417.3	100%	233.9%	N/A

- ***For smart scenario solutions, the revenue was RMB594.6 million, representing a year-on-year increase of 340.4% as compared to RMB135.0 million for the same period of last year***

  The Group proactively developed its smart scenario solutions business by providing customers with (i) a package of services, covering project design, the installation, commissioning and maintenance of facilities and equipment, as well as the installation and maintenance of application systems and software; (ii) software and programs that are highly relevant to property management scenarios to effectively satisfy customers' demands.

  Leveraging on the resources of the Company, the Shimao Group and its business partners, Shimao Services continuously built up its capacity to improve product attractiveness, meet customers' needs and achieve effective external expansion:

  (1) Establishing strategic partnership with a number of conglomerates for inclusion into their supplier database, such as China Mobile, Tencent Cloud, CRCC and China Resources, to broaden revenue sources; and

  (2) Successfully developing premium customers, such as SenseTime and Inspur, by providing them with quality and affordable products and thus serving as part of their integrated solutions.

- ***For campus value-added services, the revenue was RMB222.3 million, with no such business during the same period of last year***
  Leveraging on Zheda Sinew and based in universities and colleges, we provided teachers and students with various value-added services on campus study and life, including catering, accommodation and retail services.

  Meanwhile, Zheda Sinew also leveraged on its rich experience gained in colleges, to vigorously drive external expansion to provide various services for industrial parks and other office clusters, as well as premium clients such as Hangzhou International Airport and Jiaxing Smart Industry Innovation Park (嘉興智慧產業創新園).

- ***For carpark asset operation services, the revenue was RMB221.3 million, representing a year-on-year increase of 11.7% as compared to RMB198.1 million for the same period of last year***
  In 2021, the Group took the initiative to rein in its cyclical business and strove to develop its non-cyclical business by providing property owners with various services such as carpark management, lease and transformation as well as vehicle maintenance. As a result, the proportion of non-cyclical business continued to rise. The declining carpark sales business (as a cyclical business) as a share of the revenue from carpark asset operation and management services stood at 66.9% and further plunged to 3.6% of total revenue, indicating a continuously optimized business structure.

- ***For community asset management services, the revenue was RMB113.9 million, representing a year-on-year increase of 67.5% as compared to RMB68.0 million for the same period of last year***
  Community asset management services consisted of indoor services, community venue operations and others. The revenue of the community venue operations business amounted to RMB101.7 million, representing a minimal share of merely 2.4% of total revenue.

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

- ***For home decoration services, the revenue was RMB45.1 million, representing a year-on-year increase of 310.0% as compared to RMB11.0 million for the same period of last year***
  Shimao Services provided its property owners with such services as refined decoration, home improvement, turnkey furnishing, and promotion of home furnishing products.

  In the first half of 2021, the Group improved its product attractiveness with vigor, to provide the property owners with highly competitive products along with consummate aftersales service to address the concerns of customers. As a result, the revenue recorded rapid growth.

- ***For new retail services, the revenue was RMB196.2 million, representing a year-on-year increase of 3,601.9% as compared to RMB5.3 million for the same period of last year***
  Shimao Services satisfied its property owners with superior services, which serves as an important foundation for its new retail business. In the first half of 2021, the Group was active in exploring customer needs, providing distinctive products with quality assurance to its property owners and gradually opening up community markets.

  In an effort to build the "SUNIT" brand, Shimao Services opened offline flagship stores at its Shanghai Shimao Riverside and Nanjing Shimao Riverside projects, where a range of operations were introduced such as community libraries, beauty spas, neighborhood kitchens and fitness centers, etc. to create a neighborhood center and public space for community exchanges for property owners. In addition to bringing cultural life to the community, Shimao Services worked actively to achieve online-offline synergy and the diversity of its merchandise sales.

➢ VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

- ***Representing 9.1% of total revenue and 8.5% of total gross profit***
  During the period, the revenue amounted to RMB384.3 million, representing a year-on-year increase of 17.3% from RMB327.6 million for the same period of 2020. Its percentage in total revenue experienced a continuous decline to 9.1% in 2021 from 20.9% in the interim period of 2020, which led to an optimized revenue structure.

  In the first half of 2021, Shimao Services was engaged in proactive external development on top of continuing to undertake sales office management services for the projects developed by Shimao Group, and managed to sign 48 contracts for sales office management projects. With its high-end positioning, the team for sales office management services kept enhancing its capabilities to provide differentiated products for customers, with a view to enhancing their corporate style, optimizing their corporate image and supporting their business development while meeting their demand.

➢ CITY SERVICES

- ***Representing 3.2% of total revenue and 1.6% of total gross profit***
  In the first half of 2021, the revenue reached RMB134.2 million, providing a good start for such business operation.

  During the period, Shimao Services successfully acquired Shenzhen Shenxiong, to cater to the Greater Bay Area, one of the most developed regions in the PRC. Shenzhen Shenxiong is a Shenzhen-based company providing integrated environmental sanitation services for urban and rural areas. Its projects under management won many accolades. Among such projects is the Longcheng Street Project, which has retained its first place in the Shenzhen Environmental Assessment Index Ranking (深圳環評指數榜) for 13 consecutive times. The firm's business cover urban environmental sanitation, classified garbage treatment, road facilities installation, landscape engineering and smart blocks, etc.

  The acquisition enabled Shimao Services to quickly develop its comprehensive capabilities in city services and enter the core market, establishing its business management foundation and talent reserves for nationwide promotion. With the advantageous position of Shenzhen Shenxiong in the city services and sanitation business, the Group can expand its market share, quickly roll out relevant development strategies and grow bigger and stronger with its city services business.

FINANCIAL REVIEW

During the period, the Group realized:

Revenue

Revenue was RMB4,233.8 million, representing a year-on-year increase of 170.6% as compared to RMB1,564.6 million for the same period of last year. The Group generated revenue from four business segments: (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owners; and (iv) city services. During the period: (i) revenue from property management services was approximately RMB2,321.9 million, representing a year-on-year increase of 183.3% as compared to RMB819.7 million for the same period of last year and accounting for approximately 54.8% of the total revenue; (ii) revenue from community value-added services amounted to RMB1,393.4 million, accounting for 32.9% of the overall revenue and representing a year-on-year increase of 233.9% as compared to RMB417.3 million for the same period of last year; (iii) revenue from value-added services to non-property owners amounted to RMB384.3 million, accounting for 9.1% of the overall revenue and representing a year-on-year increase of 17.3% as compared to RMB327.6 million for the same period of last year; and (iv) revenue from city services amounted to RMB134.2 million, which was principally attributable to the layout of a new business line and the acquisition of Shenzhen Shenxiong during the period.

Cost of Sales

Cost of sales of the Group primarily includes staff costs, subcontracting costs, utilities and facility operating costs, cost of selling carpark spaces, cost of smart scenario solutions and others. During the period, the cost of sales was approximately RMB2,978.4 million, representing an increase of approximately 188.4% as compared to approximately RMB1,032.8 million for the six months ended 30 June 2020. The increase in the cost of sales was mainly due to the increase in staff number and various costs following the Group's continuous expansion of GFA under management and business scale.

Gross Profit and Gross Profit Margin

During the period, the overall gross profit grew by approximately RMB723.5 million from approximately RMB531.8 million for the six months ended 30 June 2020 to approximately RMB1,255.3 million, representing an increase of approximately 136.1%. The gross profit margin was 29.7%, representing a decrease of 4.3 percentage points as compared to 34.0% for the same period of last year.

Gross profit margin for property management services was 26.6%, representing a decrease of 0.6 percentage point as compared to 27.2% for the same period of last year, primarily due to the relatively high proportion of public building projects of some companies we acquired and merged and the slightly lower gross profit margin of relevant properties than that of residential properties, which reduced the gross profit margin of our property management services.

Gross profit margin for community value-added services was 36.6%, representing a decrease of 12.8 percentage points as compared to 49.4% for the same period of last year, primarily due to the higher proportion of retail and catering service business and the lower gross profit of relevant business than that of other community value-added business.

Gross profit margin for value-added services to non-property owners was 27.8%, representing a decrease of 3.6 percentage points as compared to 31.4% for the same period of last year and going flat as compared to 28.1% for 2020, primarily due to the Group's improvement in the quality of its sales office management services during the period, which resulted in higher manpower and other costs.

City services business, a new business line established by the Company, recorded a gross profit margin of 14.9% during the period.

Selling and Marketing Expenses

During the period, selling and marketing expenses were approximately RMB48.2 million, representing an increase of approximately 143.9% as compared to approximately RMB19.8 million for the six months ended 30 June 2020. The increase in selling and marketing expenses was primarily due to the Group's focus on promoting the third-party bidding expansion business and implementation of the "100 Leaders Scheme" for market development during the period. This led to an increase in the number of market development employees from approximately 50 people at the beginning of the year to approximately 150 people in the middle of the year, which lifted the staff cost of market development. In addition, the Group's community value-added business continued to develop, resulting in an increase in relevant marketing and promotional expenses.

Administrative Expenses

During the period, administrative expenses were approximately RMB416.1 million, representing an increase of approximately 105.0% as compared to approximately RMB203.0 million for the six months ended 30 June 2020. The share of revenue attributable to administrative expenses declined by 3.2 percentage points to approximately 9.8% for the period from approximately 13.0% for the same period of 2020, primarily due to the Group's continuous business expansion which generated higher administrative expenses during the period; meanwhile, the Group continued to optimize its organizational structure and implemented the key city strategy to strengthen intensive management. In addition, the Group kept developing and upgrading its information systems such as data middle office, project-full-cycle system and procurement system during the period, in order to help the Group enhance its efficiency at lower costs. Furthermore, the Group carried out measures such as resource coordination and centralized procurement for its equity cooperations, to effectively reduce management expenses ratio.

Impairment Loss on Financial Assets

The impairment loss on financial assets of the Group mainly includes the expected loss on bad debts. During the period, impairment loss on financial assets amounted to RMB125.8 million, representing an increase of approximately 1,631.1% as compared to approximately RMB7.3 million for the six months ended 30 June 2020. It was mainly due to the increase in trade receivables resulted from the significant increase in operating revenue during the period, which led to the increase in the provision for bad debts. Moreover, with the substantial increase in the number of owners and the payment collection mode for new business types such as public facility property services, city services newly expanded by the Company during the period changed from mainly advance collection for traditional property business to both advance collection and credit sale, the overall payment collection period of the Company has been extended compared with traditional residential properties, resulting in an increase in the Company's expected loss on bad debts during the period.

Operating Profit

During the period, operating profit was RMB732.9 million, representing an increase of 133.3% as compared to approximately RMB314.1 million for the six months ended 30 June 2020. Operating profit margin was 17.3%, representing a decrease of 2.8 percentage points as compared to 20.1% for the same period of last year.

Net Finance Income/(Costs)

During the period, net finance income amounted to approximately RMB1.6 million, representing an increase of approximately 115.4% as compared to net finance cost of approximately RMB10.6 million for the six months ended 30 June 2020. The increase in net finance income was mainly due to (i) the higher cash level and more effective treasury management, with higher deposit interest income as compared to the same period of last year; and (ii) lower interest expenses on the securitization of some assets as compared to the same period of last year.

Profit before Income Tax Expense

During the period, profit before tax amounted to RMB736.6 million, representing an increase of RMB433.0 million or a year-on-year uptick of 142.6% from RMB303.6 million for the six months ended 30 June 2020, primarily due to the rapid growth of the Group's management scale and the significant improvement of its community value-added services.

Income Tax Expense

During the period, income tax expense amounted to approximately RMB97.5 million, representing an increase of approximately 99.2% from RMB49.0 million for the six months ended 30 June 2020. The increase in income tax expense was primarily due to the increase in the Group's total profit before tax for the six months ended 30 June 2021, which resulted in the corresponding increase in income tax expenses.

The effective tax rate was 13.2%, representing a decrease of 2.9 percentage points from 16.1% for the same period of last year, primarily due to the Group remained entitled to certain preferential tax policies: (i) the IoT technology companies under our Group were entitled to the preferential tax policy of tax exemption for the first two years and 50% tax reduction for the following three years; (ii) part of the Group's businesses located in Central and Western China enjoyed the 15% tax preferential policies; and (iii) the companies acquired by the Group during the period were recognized as national high-tech enterprises and enjoyed the 15% tax preferential policies.

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

The income tax rate applicable to the Group's entities incorporated in Hong Kong was 16.5% on the income subject to Hong Kong profits tax for the period. No provision was made for Hong Kong profits tax over the 6 months from 1 January 2021 to 30 June 2021, as the Group did not derive any income subject to Hong Kong profits tax.

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

Profit for the Period

During the period, the Group's net profit amounted to approximately RMB639.1 million, representing an increase of approximately 150.9% as compared to approximately RMB254.7 million for the six months ended 30 June 2020. Profit attributable to the Group's shareholders was approximately RMB578.2 million, representing an increase of 135.6% as compared to approximately RMB245.4 million for the six months ended 30 June 2020.

Net profit margin for the period was 15.1%, representing a decrease of approximately 1.2 percentage points as compared to 16.3% for the six months ended 30 June 2020.

Property, Plant and Equipment

During the period, the net book value of the Group's property, plant and equipment amounted to RMB293.2 million, representing an increase of 42.2% as compared to RMB206.1 million as at 31 December 2020, primarily due to the increase in fixed asset such as sanitation vehicles and mechanical equipment as the Group acquired Shenzhen Shenxiong during the period.

Intangible Assets

The Group's intangible assets primarily include goodwill generated from equity acquisition, customer relationship, software assets such as proprietary software and various business information systems including data middle office and project-full-cycle system, etc. As of 30 June 2021, the Group's intangible assets were approximately RMB2,444.0 million, representing an increase of approximately 30.5% as compared to approximately RMB1,873.3 million as of 31 December 2020, primarily due to the goodwill generated by companies we acquired and the growth in customer relationship.

As of 30 June 2021, the Group's goodwill amounted to RMB1,590.2 million, representing an increase of 31.0% as compared to RMB1,213.8 million as of 31 December 2020. The Group's goodwill mainly arises from the expected future development of the acquired companies, the improvement of market coverage, the expansion of service portfolio, the integration of value-added services and the enhancement of management efficiency.

Trade and Other Receivables

As at 30 June 2021, the Group's net trade receivables amounted to approximately RMB3,348.7 million, representing an increase of approximately 50.0% as compared to approximately RMB2,232.8 million as at 31 December 2020. In particular, trade receivables amounted to RMB2,741.2 million, representing an increase of 47.1% as compared to approximately RMB1,863.2 million as of 31 December 2020, primarily due to (i) the increase in the number of property owners brought by the rapid growth of the Group's businesses during the period, and the provision of city services, which according to industrial practices, has relatively longer credit terms as compared to those of traditional property business and (ii) the Group's acquisition of some property management companies that are mainly engaged in public facility services in the second half of 2020 and the first half of 2021. The credit terms of these companies are closely related to their clients' capital planning, and hence are relatively longer.

During the period, the turnover days of the Group's trade receivables increased from 99 days for the same period of last year to 105 days. The increase was relatively in line with the business growth and customers' credit terms.

Trade and Other Payables

As at 30 June 2021, the Group's trade and other payables amounted to RMB3,689.2 million, representing a year-on-year increase of 23.5% from approximately RMB2,987.0 million as at 31 December 2020, mainly due to the increase in business scale and the expansion in procurement scale brought by the new business during the period.

Liquidity, Reserves and Capital Structure

During the period, the Group maintained a strong financial position. Current assets amounted to RMB9,369.0 million as at 30 June 2021, representing an increase of 11.3% from approximately RMB8,416.9 million as at 31 December 2020. The Group's cash and cash equivalents amounted to RMB5,621.6 million as at 30 June 2021, representing a decrease of approximately 3.6% from approximately RMB5,830.0 million as at 31 December 2020, mainly due to the Group's payments for equity transfer consideration during the period for the acquired companies of prior years and the newly acquired companies during the period.

During the period, net cash generated from operations amounted to RMB249.6 million, representing a decrease of 39.9% as compared to the net cash generated from operations of RMB415.5 million for the same period of 2020, mainly due to the increase in the Group's net trade receivables during the period.

As of 30 June 2021, the Group's net current assets amounted to approximately RMB4,222.4 million, whereas the net current assets were approximately RMB4,390.5 million as of 31 December 2020. The current ratio was 1.8, representing a drop of approximately 0.3 from 2.1 as at 31 December 2020, mainly due to the business expansion during the period which resulted in an increase of approximately RMB191.0 million in contract liabilities as compared to that as at 31 December 2020, an increase of approximately RMB534.6 million in trade payables as compared to that as at 31 December 2020, and an increase of approximately RMB213.3 million in dividends payables as compared to that as at 31 December 2020.

The Group's borrowings amounted to RMB13.2 million as at 30 June 2021, which were all bank borrowings of the acquired companies.

Proceeds from Listing

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2020. Excluding underwriting fees and related expenses, the gross proceeds from the initial public offering was approximately RMB5,125.9 million. As of 30 June 2021, among which, (i) approximately RMB960.6 million was used to continue to expand business scale through multiple channels; (ii) approximately RMB73.1 million was used to diversify people-oriented and property-oriented value-added service offerings; (iii) approximately RMB10.0 million was used to improve the information technology system and smart technologies; and (iv) approximately RMB10.8 million was used to attract and nurture talent; and approximately RMB4,071.4 million was not utilized. Such proceeds will be used for the following purposes as set out in the prospectus of the Company dated 20 October 2020:

- Approximately 65% will be used to continue to expand business scale through multiple channels;
- Approximately 15% will be used to diversify people-oriented and property-oriented value-added service offerings;
- Approximately 5% will be used to improve the information technology system and smart technologies;
- Approximately 5% will be used to attract and nurture talent;
- Approximately 10% will be used for working capital and other general corporate purposes.

Acquisitions

During the period, the Group sustained its focus on merger and acquisition opportunities on the market and carefully considered the extent of alignment of each target company to the Group's business synergy and strategic planning. In April 2021, the Group entered into an equity transfer agreement relating to the acquisition of Shenzhen Shenxiong, to acquire 67% of the equity interest in Shenzhen Shenxiong at the consideration of approximately RMB511 million. Both parties will work together to expand their coverage of city services. Rooted in Shenzhen, Shenzhen Shenxiong is a company providing integrated environmental sanitation services for urban and rural areas, with business covering urban environmental sanitation, classified garbage treatment, road facilities installation, landscape engineering and smart blocks. The equity cooperation will be complementary to the Group's existing operation and business layout and beneficial to generate synergies, and accelerate the Company's development.

In May 2021, the Group seized the market opportunity and successfully acquired Zhejiang Yefeng Property Services Co., Ltd.* (浙江野風物業服務有限公司) ("Yefeng Property"). The cooperation materialized Shimao Service's strategy of intensive engagement in key cities. Located in Greater Hangzhou and its surrounding areas, the projects under management of Yefeng Property feature a high degree of project concentration.

In August 2021, the Group successfully acquired 60% of the equity interests in Jinshatian at a consideration of approximately RMB842 million, as part of its strategic presence in the key areas for the Group's future city services in the Yangtze River Delta. Headquartered in Wuxi, Jinshatian provides clients with city services regarding smart environmental protection integrated solutions. Its business covers the research, development and manufacturing of sanitation equipment, the operation and management services of urban sanitation, sewage treatment and the recycling of renewable resources, etc.

By virtue of this acquisition, Shimao Services can quickly develop its comprehensive capabilities in city services and enter the core market, establishing its business management foundation and talent reserves for nationwide promotion. With the advantageous position of Shenzhen Shenxiong and Jinshatian in the city services and sanitation business, the Group can expand its market share, quickly roll out relevant development strategies and grow bigger and stronger with its city services business.

Foreign Exchange Risk

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

Employees and Compensation Policy

As at 30 June 2021, the Group had a total of 28,597 employees, representing an increase of 106.3% as compared to 13,864 employees as at 30 June 2020. Total staff costs amounted to RMB1,243.3 million, representing an increase of 106.9% from RMB600.8 million for the same period of last year. The increase in staff costs was mainly due to (i) the growth brought by equity cooperations; and (ii) the increased demand for high-quality talents in areas of value-added services, investment and market expansion following the Group's business development.

The salary paid to the employees by the Group was determined according to their duties, performance and contribution as well as market levels. Bonuses were also paid to the employees based on their performance. In addition, the Group offered its employees a variety of training and personal development schemes, together with employee benefits, including pension fund, medical insurance and provident fund.

The board of directors of the Company (the "Board") adopted a share award scheme (the "Share Award Scheme") of the Company on 28 June 2021. The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

Contingent Liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities.

Financial Policy

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

* *For identification purposes only*

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors and Senior Management Profiles

Executive Directors

Hui Sai Tan, Jason (Chairman)

Mr. Hui Sai Tan, Jason, aged 44, has been the Chairman and an Executive Director of Shimao Services Holdings Limited (the "Company", together with its subsidiaries, the "Group") since 1 June 2020 and is primarily responsible for the overall strategic planning and business management of the Group. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He has more than 22 years of experience in property development and management. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference and the president of New Home Association, Hong Kong. Mr. Jason Hui is currently an executive director, the vice chairman and president of Shimao Group Holdings Limited ("Shimao Group Holdings", together with its subsidiaries, the "Shimao Group"), the ultimate holding company of the Company listed on The Stock Exchange of Hong Kong Limited (the "HKEx"). Mr. Jason Hui is also a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and Shanghai Shimao Co., Ltd. ("Shanghai Shimao", a subsidiary of Shimao Group Holdings listed on the Shanghai Stock Exchange). Mr. Jason Hui is the son of Mr. Hui Wing Mau, the ultimate controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the HKEx) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Ye Mingjie (President)

Mr. Ye Mingjie, aged 43, was appointed as an Executive Director of the Company on 1 June 2020 and is primarily responsible for the overall strategic planning and operations of the Group. Mr. Ye joined the Group in July 2009 and was appointed as the President of the Company in April 2020. Mr. Ye is currently a non-executive director of Shimao Group Holdings. Mr. Ye joined the Shimao Group in February 2004 and successively served as an assistant president of the Shimao Group as well as the head of the engineering management center of the Shimao Group and was promoted to the position of vice president of the Shimao Group in January 2018, where he was responsible for overseeing the engineering management of the Shimao Group and the business operations of the Group. Mr. Ye graduated from Tongji University (同濟大學) in the PRC and specialized in engineering management. Mr. Ye has over 15 years of experience in the property management and related industry. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產業協會) for the years from June 2019 to June 2023 and was elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on 30 March 2021.

Cao Shiyang

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 47, was appointed an Executive Director of the Company on 1 June 2020 and has been the vice president of the Group since January 2020. Mr. Cao is primarily responsible for the overall operations and management of the Group in the Yangtze River Delta Region. Mr. Cao joined the Group in July 2009 and served as an assistant president and the general manager for Shanghai and Jiangsu regions of the Group from January 2018 to December 2019. Mr. Cao has over 14 years of experience in the property management industry. Mr. Cao successively served various positions in the Group from July 2009 to December 2019, including project leader, the head of business management department and regional leader in Suzhou, Jiangsu Province. Prior to joining the Group, Mr. Cao had worked at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司) from October 1995 to May 2003 and at Nanjing Vanke Property Management Co., Ltd. (南京萬科物業管理有限公司) from May 2003 to July 2009 respectively, both of which are wholly-owned subsidiaries of China Vanke Co., Ltd. (萬科企業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange and the HKEx respectively, where he served in various positions including the head of business management department and project leader. Mr. Cao obtained a Diploma in Industrial and Civil Architecture from Beijing Jingqiao University (北京京橋大學) through correspondence learning program in the PRC in July 2008 and a Bachelor's Degree in Engineering Management (economic management) from People's Liberation Army Army Officer Academy (中國人民解放軍陸軍軍官學院) in the PRC in June 2013. Mr. Cao is pursuing an EMBA selected courses program in Nanjing University (南京大學) in the PRC.

Directors and Senior Management Profiles *(CONTINUED)*

Executive Directors (continued)

Cai Wenwei

Mr. Cai Wenwei, aged 46, was appointed as an Executive Director of the Company on 18 September 2020. Mr. Cai has been serving as an assistant president and the chief financial officer of the Group since February 2020 and is responsible for accounting management, tax planning and internal control management of the Group. Mr. Cai has over 22 years of experience in accounting and financial management. Mr. Cai joined the Group in February 2020, prior to that, he had served as an auditor at Ernst & Young and a senior manager at KPMG. Mr. Cai worked in Weldtech Technology (Shanghai) Co., Ltd (濠信節能科技(上海)有限公司) from July 2011 to October 2015, with his last position as the chief financial officer. Mr. Cai was an executive director of The Hong Kong Building and Loan Agency Limited (香港建屋貸款有限公司) from September 2014 to October 2015 and served as the chief financial officer of S-Enjoy Service Group Co., Ltd. (新城悅服務集團有限公司) (formerly known as Xinchengyue Holdings Limited (新城悅控股有限公司) from July 2016 to April 2019, both companies of which are listed on the main board of the HKEx. From October 2015 to June 2016 and from April 2019 to January 2020, he worked at Seazen Group Limited (新城發展控股有限公司) (formerly known as Future Land Development Holdings Limited (新城發展控股有限公司)), a company listed on the main board of the HKEx, in its Shanghai branch. Mr. Cai obtained a Bachelor's Degree in International Finance from International Business School of Shanghai University (上海大學國際商學院) in the PRC in July 1997 and a Master's Degree in Economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2020. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2000 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Tang Fei

Ms. Tang Fei, aged 50, was appointed as a Non-executive Director of the Company on 1 June 2020 and is primarily responsible for providing guidance for the overall development of the Group. Ms. Tang is currently an executive director of Shimao Group Holdings, vice president of the Shimao Group and a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 27 years' experience in financial management and internal audit. Prior to joining the Group and the Shimao Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager of the International Financial Management Association and an associate member of The Association of International Accountants (the "AIA"). She was also awarded as one of the Top 10 International Accountants of AIA in China in 2018.

Sun Yan

Mr. Sun Yan, aged 41, was appointed as a Non-executive Director of the Company on 1 June 2020 and is primarily responsible for providing guidance for the overall development of the Group. Mr. Sun joined the Group in April 2011. He also joined the Shimao Group in January 2011 and has been serving as an assistant president and the leader of the internal audit and information management center of the Shimao Group. Mr. Sun also serves as a supervisor in various subsidiaries of the Shimao Group. Mr. Sun has been a supervisor of Shanghai Shimao since April 2012 and is responsible for supervising the overall management of Shanghai Shimao. Prior to joining the Shimao Group, he worked in the audit department at PricewaterhouseCoopers Zhong Tian LLP in 2008 and has been an independent director of Shanghai Phichem Material Co., Ltd. (上海飛凱光電材料股份有限公司), a company listed on the Shenzhen Stock Exchange, since March 2017. Mr. Sun obtained a Bachelor's Degree in International Accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2002 and a Master's Degree in Business Administration from Shanghai Jiaotong University (上海交通大學) in the PRC in December 2018. Mr. Sun was admitted as a certified public accountant granted by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in March 2011 and was appointed as a deputy president of the Association of Guangdong Enterprise Institute for Internal Controls (廣東企業內部控制協會) in September 2018.

Directors and Senior Management Profiles *(CONTINUED)*

Independent Non-executive Directors

Kan Lai Kuen, Alice

Ms. Kan Lai Kuen, Alice, aged 66, has been an Independent Non-executive Director of the Company since 13 October 2020 and has more than 30 years' experience in corporate finance. Ms. Kan is the managing director and the controlling shareholder of Asia Investment Management Limited. She is a licensed responsible officer accredited by the Securities and Futures Commission of Hong Kong. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the HKEx: Shimao Group Holdings Limited, Regal Hotels International Holdings Limited, Cosmopolitan International Holdings Limited and Jolimark Holdings Limited. Ms. Kan was formerly an independent non-executive director of Mason Group Holdings Limited from 2017 to 2019 and China Energine International (Holdings) Limited from 2008 to 2020, both of which are listed on the HKEx. She was also an independent director of AVIC International Maritime Holdings Limited, a company which was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited and was privatised and delisted on 4 March 2020, from 2011 to 2020. Ms. Kan is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

Gu Yunchang

Mr. Gu Yunchang, formerly known as Gu Yongchuang, aged 77, was appointed as an Independent Non-executive Director of the Company on 13 October 2020 and is responsible for providing independent advice on the operations and management of the Group. Mr. Gu acted as the general secretary of China Real Estate Associate (中國房地產業協會) in 1998, the vice chairman of China Real Estate and Housing Association (中國房地產及住宅研究會) in 2005 and the vice chairman of the fifth Council Committee of China Real Estate Research Association (中國房地產研究會) in 2009. He formerly held various positions of the Ministry of Urban and Rural Construction and Environmental Protection of the PRC (中華人民共和國城鄉建設環境保護部), including the deputy division head of the General Office of Urban Housing Bureau (城市住宅局綜合處) in 1982 and division head of the General Office of Housing Bureau (住宅局綜合處) in 1985 respectively, and the deputy director of the Policy Research Centre of Ministry of Construction of the PRC (中華人民共和國建設部政策研究中心) from 1988 to 1998. Mr. Gu is currently an independent non-executive director of CIFI Holdings (Group) Co., Ltd., Sunshine 100 China Holdings Ltd. and Jiayuan International Group Limited, all companies of which are listed on the main board of the HKEx. In addition, Mr. Gu served as an independent director of Grandjoy Holdings Group Co., Ltd.(大悅城控股集團股份有限公司) (formerly known as COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司) from April 2012 to June 2018 and an independent director of Zhejiang Yasha Decoration Co., Ltd. (浙江亞厦裝飾股份有限公司) from May 2013 to May 2019, both companies of which are listed on the Shenzhen Stock Exchange. Mr. Gu graduated from Tongji University (同濟大學) in the PRC and specialised in Urban Planning in July 1966. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Zhou Xinyi

Ms. Zhou Xinyi, formerly known as Zhou Xiaorong, aged 58, was appointed an Independent Non-executive Director of the Company on 13 October 2020 and is responsible for providing independent advice on the operations and management of the Group. Ms. Zhou is the chairman and president of The Qianhai Chamberlain Institute (Shenzhen) Co., Ltd. (前海勤博教育科技(深圳)有限公司). Ms. Zhou served as the dean of Shenzhen Property Management and Advanced Training College Co., Ltd. (深圳房地產和物業管理進修學院有限公司) from August 1996 to October 2017 and a deputy general manager of Shenzhen Shentou Education Co., Ltd. (深圳市深投教育有限公司), an educational institution engaged in providing educational and vocational training services, from March 2017 to January 2018. Ms. Zhou is an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會). Ms. Zhou obtained a Bachelor's Degree in English Languages and Literature from Nanjing University (南京大學) in the PRC in July 1984 and a Master's Degree in Educational Psychology from Stanford University in the United States in June 1989.

Senior Management

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

Change in Information of Directors

The change in the information of the Directors of the Company since the publication of the 2020 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of Changes
Mr. Ye Mingjie	Elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on 30 March 2021

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

Share Award Scheme

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

During the six months ended 30 June 2021, no share award was granted to any employees of the Group under the Share Award Scheme.

Disclosure of Interests in Securities

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

As at 30 June 2021, the interests and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise to be notified to the Company and the HKEx pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of the Listing Rules were as follows:

(i) Long position in the shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	57,129 (Note 1)	0.002%
Ye Mingjie	Beneficial owner	1,104,728 (Note 1)	0.047%
Cao Shiyang	Beneficial owner/ Interest of spouse	227,981 (Note 2)	0.010%
Cai Wenwei	Beneficial owner	143,062 (Note 1)	0.006%
Tang Fei	Beneficial owner	53,418 (Note 1)	0.002%
Sun Yan	Beneficial owner	21,089 (Note 1)	0.001%

Notes:

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

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

Disclosure of Interests in Securities *(CONTINUED)*

Directors' and Chief Executive's Interests and Short Position in the Company and the Associated Corporation (continued)

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

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of issued share capital
Hui Sai Tan, Jason	Beneficial owner	3,537,177 (Note 1)	0.100%
Ye Mingjie	Beneficial owner	265,086 (Note 2)	0.007%
Cao Shiyang	Beneficial owner	93,202 (Note 3)	0.003%
Tang Fei	Beneficial owner	1,241,103 (Note 4)	0.035%
Sun Yan	Beneficial owner	109,896 (Note 5)	0.003%

Notes:

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

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

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

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

5. These interests disclosed include deemed interests in 43,889 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

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

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the six months ended 30 June 2021 was the Company, any of its subsidiaries, or its holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Disclosure of Interests in Securities *(CONTINUED)*

Interests of Substantial Shareholders

As at 30 June 2021, the interests and short position of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

Name	Nature of interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
Long position			
Best Cosmos Limited ("Best Cosmos")	Note 1	1,557,352,000	65.879%
Shimao Group Holdings	Note 1	1,557,352,000	65.879%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,557,352,000	65.879%
Gemfair Investments Limited ("Gemfair")	Note 3	1,589,286,159	67.229%
Mr. Hui Wing Mau	Note 4	1,600,142,501	67.689%

Notes:

1. These interests disclosed comprise (i) 1,550,486,179 shares held by Best Cosmos (a company which is directly wholly-owned by Shimao Group Holdings, which is owned as to approximately 55.06% by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau); and (ii) 6,865,821 shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under the 2021 Shimao Group Share Award Scheme.

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

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

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

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

Corporate Governance

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

The Board

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

Brief biographical particulars of all Directors, together with information relating to the relationship among them, are set out in the "Directors and Senior Management Profiles" section under this interim report. Their diverse range of business and professional expertise ensures that the Board has the skills and experience necessary to both promote the Company's success and monitor its affairs.

The Board *(CONTINUED)*

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

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. The principal role and function of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employee and Directors, and to review the Company's compliance with the Code and disclosure in the corporate governance report under the annual report of the Company.

Audit Committee

The audit committee of the Company (the "Audit Committee") consists of three members, all of which being Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice (as the chairman of the Audit Committee), Mr. Gu Yunchang and Ms. Zhou Xinyi.

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

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

The Audit Committee meets the external auditor at least twice a year to discuss any significant items during the audits and considers any matters raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee and the auditor of the Company.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") consists of three members, all of which being Independent Non-executive Directors, namely, Ms. Zhou Xinyi (as the chairman of the Remuneration Committee), Ms. Kan Lai Kuen, Alice and Mr. Gu Yunchang.

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

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") consists of three members, all of which being Independent Non-executive Directors, namely, Mr. Gu Yunchang (as the chairman of the Nomination Committee), Ms. Kan Lai Kuen, Alice and Ms. Zhou Xinyi.

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

Company Secretary

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

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

Corporate Governance Code

The Company complied with all the code provisions set out in the Code throughout the six months ended 30 June 2021.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

Choice of Language or Means of Receipt of Corporate Communications

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

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

On behalf of the Board
Hui Sai Tan, Jason
Chairman

Hong Kong, 25 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SHIMAO SERVICES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 64 which comprises the interim condensed consolidated statement of comprehensive income of Shimao Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the six-month period ended 30 June 2021, the interim condensed consolidated balance sheet as at 30 June 2021, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2021

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**293,174**	206,143
Right-of-use assets	26	**35,027**	27,212
Investment properties	16	**19,617**	19,931
Intangible assets	17	**2,444,046**	1,873,297
Deferred tax assets	27	**100,310**	67,533
Investment in associates accounted for using the equity method	15	**36,110**	34,074
Financial assets at fair value through other comprehensive income		**356**	356
Prepayments	20	**64,970**	259,567
Total non-current assets		**2,993,610**	2,488,113
Current assets			
Inventories	18	**283,729**	267,233
Trade receivables	19	**2,741,246**	1,863,164
Financial assets at fair value through profit or loss		**23,138**	–
Prepayments, deposits and other receivables	20	**699,205**	454,422
Restricted cash	21	**100**	2,045
Cash and cash equivalents	21	**5,621,582**	5,830,046
Total current assets		**9,369,000**	8,416,910
Total assets		**12,362,610**	10,905,023
Equity			
Equity attributable to equity holders of the Company			
Share capital	22	**20,499**	20,499
Reserves		**6,633,843**	6,427,488
		6,654,342	6,447,987
Non-controlling interests		**381,487**	292,858
Total equity		**7,035,829**	6,740,845

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2021

	Note	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Liabilities			
Non-current liabilities			
Borrowings	24	**7,508**	4,400
Lease liabilities	26	**16,074**	7,896
Deferred tax liabilities	27	**153,583**	122,162
Provisions for other liabilities and charges	23	**3,060**	3,297
Total non-current liabilities		**180,225**	137,755
Current liabilities			
Trade and other payables	25	**3,689,152**	2,986,951
Contract liabilities		**1,006,370**	815,334
Dividends payables	28	**213,334**	–
Income tax liabilities		**209,842**	185,729
Borrowings	24	**5,700**	25,600
Lease liabilities	26	**22,158**	12,809
Total current liabilities		**5,146,556**	4,026,423
Total liabilities		**5,326,781**	4,164,178
Total equity and liabilities		**12,362,610**	10,905,023

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited RMB'000	2020 Audited RMB'000
Revenue	7	**4,233,757**	1,564,636
Cost of sales and services	7,8	**(2,978,412)**	(1,032,841)
Gross profit		**1,255,345**	531,795
Selling and marketing expenses	8	**(48,220)**	(19,774)
Administrative expenses	8	**(416,132)**	(202,956)
Provision of impairment losses on financial assets – net		**(125,834)**	(7,269)
Other income	9	**29,228**	20,976
Other gains/(losses) – net	10	**42,351**	(5,648)
Other operating expenses	11	**(3,809)**	(2,979)
Operating profit		**732,929**	314,145
Finance income		**12,100**	2,626
Finance costs		**(10,460)**	(13,259)
Finance income/(costs) – net	12	**1,640**	(10,633)
Share of results of associates accounted for using the equity method	15	**2,036**	117
Profit before income tax		**736,605**	303,629
Income tax expense	13	**(97,525)**	(48,958)
Profit for the period		**639,080**	254,671
Profit attributable to:			
– Equity holders of the Company		**578,156**	245,420
– Non-controlling interests		**60,924**	9,251
		639,080	254,671
Other comprehensive income for the period			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(33,396)**	–
Total other comprehensive income for the period, net of tax		**(33,396)**	–
Total comprehensive income for the period		**605,684**	254,671
Total comprehensive income attributable to:			
– Equity holders of the Company		**544,760**	245,420
– Non-controlling interests		**60,924**	9,251
		605,684	254,671
Earnings per share for profit attributable to the equity holders of the Company			
– Basic and diluted earnings per share (RMB)	14	**0.24**	0.12

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

		Unaudited							
		Attributable to equity holders of the Company							
	Note	Share Capital RMB'000 (Note 21)	Share Premium RMB'000	Statutory Reserves RMB'000	Other Reserves RMB'000	Retained Earnings RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2021		20,499	7,063,990	113,073	(1,581,284)	831,709	6,447,987	292,858	6,740,845
For the six months ended 30 June 2021									
Comprehensive income									
Profit for the period		–	–	–	–	578,156	578,156	60,924	639,080
Other comprehensive income									
Items that may be reclassified to profit or loss									
Translation reserves		–	–	–	(33,396)	–	(33,396)	–	(33,396)
Total comprehensive income		–	–	–	(33,396)	578,156	544,760	60,924	605,684
Transactions with owners in their capacity as owners									
Dividends and distributions	28	–	–	–	–	(213,334)	(213,334)	–	(213,334)
Disposal of a subsidiary	30(b)	–	–	–	–	–	–	(12,091)	(12,091)
Acquisition of non-controlling interests	30(c)	–	–	–	(132,391)	–	(132,391)	(102,374)	(234,765)
Acquisition of subsidiaries	30(a)	–	–	–	–	–	–	128,670	128,670
Capital injection from non-controlling interests		–	–	–	–	–	–	13,500	13,500
Equity-settled share-based payment – Value of employee services	22	–	–	–	7,320	–	7,320	–	7,320
Total Transactions with owners		–	–	–	(125,071)	(213,334)	(338,405)	27,705	(310,700)
Balance at 30 June 2021		20,499	7,063,990	113,073	(1,739,751)	1,196,531	6,654,342	381,487	7,035,829

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021

	Audited								
	Attributable to equity holders of the Company								
	Share Capital RMB'000 (Note 22)	Share Premium RMB'000	Statutory Reserves RMB'000	Other Reserves RMB'000	Retained Earnings RMB'000	Convertible Redeemable RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2020	–	–	73,131	(28,500)	189,164	–	233,795	–	233,795
For the six months ended 30 June 2020									
Comprehensive income									
Profit for the period	–	–	–	–	245,420	–	245,420	9,251	254,671
Transactions with owners in their capacity as owners									
Deemed distribution arising from reorganization	–	–	–	(11,510)	–	–	(11,510)	–	(11,510)
Reorganization	–	212,275	–	(212,275)	–	–	–	–	–
Waive of payable to related party	–	–	–	1,358	–	–	1,358	–	1,358
Issuance of ordinary shares	1	–	–	–	–	–	1	–	1
Issuance of and re-designation into convertible redeemable preferred shares	–	–	–	(864,500)	–	1,729,000	864,500	–	864,500
Dividends declared by Mudanjiang Maoju Household Products Co., Ltd.	–	–	–	–	(720)	–	(720)	–	(720)
Dividends declared by Super Rocket Limited	–	–	–	–	(9,745)	–	(9,745)	–	(9,745)
Acquisition of subsidiaries	–	–	–	–	–	–	–	(53,863)	(53,863)
Total Transactions with owners	1	212,275	–	(1,086,927)	(10,465)	1,729,000	843,884	(53,863)	790,021
Balance at 30 June 2020	1	212,275	73,131	(1,115,427)	424,119	1,729,000	1,323,099	(44,612)	1,278,487

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

		Six months ended 30 June	
	Note	**2021 Unaudited RMB'000**	2020 Audited RMB'000
Cash flows from operating activities			
Cash generated from operations		**346,352**	432,999
Interest received on bank deposits		**13,475**	2,626
Income tax paid		**(110,215)**	(20,114)
Net cash generated from operating activities		**249,612**	415,511
Cash flows (used in)/from investing activities			
Payments for acquisition of subsidiaries of current period, net of cash acquired	30(a)	**(95,570)**	(107,484)
Payments for acquisition of subsidiaries of prior period		**(240,777)**	–
Purchase of financial assets at fair value through profit or loss		**(470,460)**	(68,789)
Proceeds from disposal of financial assets at fair value through profit or loss		**494,460**	–
Net cash inflow/(outflow) from disposal of a subsidiary	30(b)	**91,383**	(71)
Payments for property, plant and equipment		**(58,737)**	(7,001)
Proceeds from disposal of property, plant and equipment		**(332)**	–
Payments of software development costs		**(1,113)**	(9,632)
Loans to related parties	31(b)	**–**	(362,140)
Receipts of advance to related parties	31(b)	**–**	1,251,547
Net cash (used in)/generated from investing activities		**(281,146)**	696,430
Cash flows used in financing activities			
Payments for acquisition from non-controlling interests		**(117,274)**	–
Capital injection from non-controlling interests of subsidiaries		**13,500**	–
Interest paid on borrowings		**(5,778)**	(12,746)
Repayments of borrowings		**(20,000)**	(159,352)
Payments for leased liabilities		**(10,769)**	(3,625)
Interest paid on leased liabilities		**(183)**	(513)
Listing expense paid		**–**	(1,546)
Proceeds from issuance of convertible redeemable preferred shares		**–**	864,500
Capital injection from owners before initial public offering		**–**	1
Dividends paid to the then shareholders of Shimao Tiancheng		**–**	(569,712)
Payments for consideration of reorganization		**–**	(221,510)
Repayments of cash advance from related parties	31(b)	**–**	(97,172)
Net cash used in financing activities		**(140,504)**	(201,675)
Net (decrease)/increase in cash and cash equivalents		**(172,038)**	910,266
Cash and cash equivalents at beginning of the period		**5,830,046**	849,591
Effects of exchange rate changes on cash and cash equivalents		**(36,426)**	(6,276)
Cash and cash equivalents at end of the period		**5,621,582**	1,753,581

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

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

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

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

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

This interim condensed consolidated financial information has not been audited and are presented in Renminbi ("RMB"), unless otherwise stated.

2 Basis of preparation

This interim condensed consolidated financial information for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard IAS 34 "Interim Financial Reporting". The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

3 Significant accounting policies

Except for the newly effective standards, amendments and interpretations that became applicable to the Group first time for the six months ended 30 June 2021 and note 3.1(iii) below, the accounting policies adopted are consistent with those of the annual report for the year ended 31 December 2020 as described therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Group

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

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021

3 Significant accounting policies *(CONTINUED)*

3.1 Changes in accounting policies and disclosures (continued)

(ii) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 28 (Amendments)	Presentation of financial statements, accounting policies, changes in accounting estimates and errors	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

(iii) ***Equity-settled share-based payment transactions***

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as costs of assets or expenses to whichever the employee services is attributable.

Under the long term incentive scheme, the fair value of shares granted to eligible employees for their services is based on the share price at the grant date.

Under the share option scheme, the fair value of the options granted to the eligible employees for their services rendered is determined by reference to:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any services and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total cost/expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares/options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When shares are vested, the Company issues shares from treasury shares or existing shares. When the options are exercised from treasury shares, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.When the options are exercised from existing shares, any directly attributable transaction costs are credited from reserves to share premium.

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual report for the year ended 31 December 2020.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: fair value interest rate risk, credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2020.

There have been no significant changes in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

As at 30 June 2021 and 31 December 2020, the Group maintained at net cash position.

5 Financial risk management *(CONTINUED)*

5.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities measured at fair value at 30 June 2021 and 31 December 2020.

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
As at 30 June 2021 (Unaudited)				
Assets				
Financial assets at fair value through profit or loss	**–**	**–**	**23,138**	**23,138**
Financial assets at fair value through other comprehensive income	**–**	**–**	**356**	**356**
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	**–**	**–**	**347,351**	**347,351**
As at 31 December 2020 (Audited)				
Assets				
Financial assets at fair value through other comprehensive income	–	–	356	356
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	–	–	320,344	320,344

Financial assets at fair value through other comprehensive income included in Level 3 as at 30 June 2021 is 13% equity investment in an unlisted entity, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

Financial assets at fair values through profit or loss included in Level 3 as at 30 June 2021 are wealth management products, the fair value of which are estimated based on unobservable inputs.

Consideration payable arising from non-controlling shareholders' put option in Level 3 as at 30 June 2021 are put options under which the non-controlling shareholders have the right to sell the remaining equity interests to the Group, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

5 Financial risk management *(CONTINUED)*

5.4 Fair value estimation (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2021 and for the year ended 31 December 2020:

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Consideration payable arising from non-controlling shareholders' put option RMB'000
As at 1 January 2020	–	–	19,997
Additions	68,789	–	282,004
Additions from acquisition of subsidiaries	50,483	356	–
Change in fair value	2,062	–	18,343
Disposals	(121,334)	–	–
As at 31 December 2020 (Audited)	–	356	320,344
Net gains/(losses) for the year	2,062	–	(18,343)
As at 1 January 2021	**–**	**356**	**320,344**
Additions	**470,460**	**–**	**–**
Additions from acquisition of subsidiaries	**47,074**	**–**	**–**
Change in fair value	**64**	**–**	**27,007**
Disposals	**(494,460)**	**–**	**–**
As at 30 June 2021 (Unaudited)	**23,138**	**356**	**347,351**
Net gains/(losses) for the period	**64**	**–**	**(27,007)**

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

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

The Group manages the valuation of Level 3 instruments for financial reporting purpose on a case-by-case basis. At least once every reporting year, the Group would assess the fair value of the Group's Level 3 instruments by using valuation techniques.

There were no changes in Level 3 instruments for the six months ended 30 June 2021.

6 Segment information

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

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

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the period ended 30 June 2021.

As at 30 June 2021 and 31 December 2020, all of the non-current assets of the Group were located in the PRC.

7 Revenue and cost of sales and services

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales and services by category for the six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June			
	2021 Unaudited RMB'000		2020 Audited RMB'000	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Revenue from customer and recognized over time:				
Property management services	**2,321,876**	**1,703,122**	819,707	596,882
Community value-added services	**396,292**	**92,346**	66,798	33,527
Value-added services to non-property owners	**384,312**	**277,464**	327,637	224,919
City services (Note (a))	**134,178**	**114,198**	–	–
	3,236,658	**2,187,130**	1,214,142	855,328
Revenue from customer and recognized at a point in time:				
Community value-added services	**997,099**	**791,282**	350,494	177,513
	4,233,757	**2,978,412**	1,564,636	1,032,841
Revenue recognized on gross basis/net basis:				
Revenue recognized on gross basis	**3,865,461**	**2,721,918**	1,427,031	982,331
Revenue recognized on net basis	**368,296**	**256,494**	137,605	50,510
	4,233,757	**2,978,412**	1,564,636	1,032,841

(a) The Group provides city services such as integrated environment sanitation services, classic garbage treatment, road facilities installation for urban and rural areas. The Group recognizes revenue on a gross basis when the services are rendered.

For the six months ended 30 June 2021, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 11.33% (six months ended 30 June 2020: 29.54%) of the Group's revenue, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2021 and 2020.

8 Expenses by Nature

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Employee benefit expenses (Note (a))	**1,243,281**	600,813
Maintenance and engineering costs	**674,817**	148,682
Greening and gardening costs	**57,984**	25,309
Cleaning costs	**276,764**	134,971
Office expenses	**165,807**	72,017
Security costs	**197,738**	89,764
Utilities	**130,510**	50,254
Cost of selling parking lots	**67,213**	60,008
Community activities expenses	**5,595**	4,293
Taxes and surcharges	**15,473**	10,006
Depreciation and amortization charges	**87,634**	21,735
Raw materials used in catering services	**64,994**	–
Cost of goods sold	**441,962**	9,747
Auditors' remuneration		
– Annual services	**2,100**	644
– Non-audit services	**3,050**	–
Listing expenses	**–**	15,605
Others	**7,842**	11,723
	3,442,764	1,255,571

(a) Share based compensation as the amount of 7,321,000 is included in employee benefit expenses (Note 22).

9 Other income

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Government grants (Note (a))	**22,332**	11,305
Value-added tax deductibles (Note (b))	**6,847**	4,077
Others	**49**	5,594
	29,228	20,976

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

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

10 Other gains/(losses) – net

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Net gain on disposal of a subsidiary	**69,059**	511
Net fair value losses of put option	**(27,007)**	(7,192)
Fair value gain on financial asset at fair value through profit or loss	**64**	–
Gain on disposal of financial assets at fair value through profit or loss	**2,346**	1,079
Net loss on disposal of property, plant and equipment	**(74)**	(20)
Net foreign exchange (losses)/gains	**(3,028)**	1,745
Others	**991**	(1,771)
	42,351	(5,648)

11 Other operating expenses

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Depreciation of investment properties	**314**	2,471
Compensation expenses	**3,495**	14
Others	**–**	494
	3,809	2,979

12 Finance income/(costs) – net

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Interest income on bank deposits	**12,100**	2,626
Finance income	**12,100**	2,626
Interest expense on Asset-Backed Securities	**–**	(12,746)
Interest expense on borrowings	**(1,515)**	–
Interest and finance charges payable for lease liabilities	**(8,945)**	(513)
Finance costs expensed	**(10,460)**	(13,259)
Finance income/(costs) – net	**1,640**	(10,633)

13 Income tax expense

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax and withholding income tax	**135,606**	61,791
Deferred income tax credit (Note 27)		
– PRC corporate income tax	**(38,081)**	(12,833)
	97,525	48,958

(a) Cayman Island income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax for the six months ended 30 June 2021.

(c) PRC corporate income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the six months ended 30 June 2021.

The corporate income tax rate applicable to the entities located in Mainland China out of in western regions is 25% according to the Corporate Income Tax Law of the PRC.

Certain subsidiaries of the Group in PRC are located in western cities of the PRC, and they are subjected to a preferential income tax rate of 15% in certain years.

Shanghai Shimao Wulianwang Technology Co., Ltd. is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2020 after utilizing all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

Preferential tax treatment is available to Shenzhen Shenxiong Environmental Co., Ltd. ("Shenzhen Shenxiong"), since it was recognised as High and New Technology Enterprise in 2020, respectively, and entitled to a preferential tax rate of 15% for a three-year period beginning from 2020 to 2022.

(d) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

14 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the six months ended 2021 and 2020 and including convertible redeemable preferred shares ("CPS") during the six months ended 2020.

The weighted average number of ordinary shares used for the six months ended 30 June 2020 has been retrospectively adjusted for the effects of the issue of 94,999 shares (Note 22(i)(a)) and the 1,999,900,000 shares issued in connecting with the Capitalization issue, these were deemed to have been in issue since 1 January 2020.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2021 and 2020. Diluted earnings per share is equal to basic earnings per share.

	Six months ended 30 June	
	2021 Unaudited	2020 Audited
Profit attributable to equity holders of the Company (RMB'000)	**578,156**	245,420
Weighted average number of equity shares (in thousands)	**2,363,973**	1,999,996
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)	**0.24**	0.12

15 Investment in associates accounted for using the equity method

Set out below is the associates of the Group as at 30 June 2021:

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest %**	**Carrying amount RMB'000**
Zhejiang Xinyu Trade Co., Ltd.	The PRC	**40**	**21,692**
Shanghai Maoyuan Property Management Co., Ltd.	The PRC	**49**	**5,999**
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	**30**	**5,355**
Kunming Ruixin City Operation Management Co., Ltd.	The PRC	**33**	**3,064**
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd.	The PRC	**49**	**–**
			36,110

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
At the beginning of the period	**34,074**	3,692
Addition from acquisition of subsidiaries	**–**	2,328
Share of profits – net	**2,036**	117
At the end of the period	**36,110**	6,137

16 Capital expenditure

	Property, plant and equipment RMB'000	Investment properties RMB'000	Total RMB'000
As at 1 January 2020 (audited)			
Cost	30,569	108,005	138,574
Accumulated depreciation	(16,540)	(5,002)	(21,542)
Net book amount	14,029	103,003	117,032
Six months ended 30 June 2020			
Opening net book amount	14,029	103,003	117,032
Additions from acquisition of subsidiaries	13,073	–	13,073
Additions	6,196	–	6,196
Disposals	(108)	–	(108)
Depreciation charge	(3,942)	(2,471)	(6,413)
Disposal of a subsidiary	(8)	–	(8)
Closing net book amount	29,240	100,532	129,772
As at 30 June 2020 (audited)			
Cost	57,657	108,005	165,662
Accumulated depreciation	(28,417)	(7,473)	(35,890)
Net book amount	29,240	100,532	129,772
As at 1 January 2021 (unaudited)			
Cost	**242,573**	**34,562**	**277,135**
Accumulated depreciation	**(36,430)**	**(14,631)**	**(51,061)**
Net book amount	**206,143**	**19,931**	**226,074**
Six months ended 30 June 2021			
Opening net book amount	**206,143**	**19,931**	**226,074**
Additions from acquisition of subsidiaries (Note 30(a))	**106,556**	**–**	**106,556**
Additions	**52,035**	**–**	**52,035**
Depreciation charge	**(32,569)**	**(314)**	**(32,883)**
Disposal of a subsidiary	**(38,862)**	**–**	**(38,862)**
Disposals	**(129)**	**–**	**(129)**
Closing net book amount	**293,174**	**19,617**	**312,791**
As at 30 June 2021 (unaudited)			
Cost	**431,869**	**34,562**	**466,431**
Accumulated depreciation	**(138,695)**	**(14,945)**	**(153,640)**
Net book amount	**293,174**	**19,617**	**312,791**

16 Capital expenditure *(CONTINUED)*

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

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Cost of sales and services	**27,398**	1,650
Administrative expenses	**5,171**	2,292
Other operating expenses	**314**	2,471
	32,883	6,413

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

As at 30 June 2021 and 31 December 2020, none of property, plant and equipment and investment properties were pledged.

17 Intangible assets

	Computer Software RMB'000	Goodwill (Note(a)) RMB'000	Customer relationship RMB'000	Total RMB'000
As at 1 January 2020 (audited)				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
Six months ended 30 June 2020				
Opening net book amount	17,164	176,318	89,812	283,294
Additions	2,400	175,754	114,000	292,154
Additions from acquisition of subsidiaries	8,525	–	–	8,525
Disposals	(14)	–	–	(14)
Amortization charge	(3,590)	–	(9,300)	(12,890)
Closing net book amount	24,485	352,072	194,512	571,069
As at 30 June 2020 (audited)				
Cost	29,965	352,072	209,800	591,837
Accumulated amortization	(5,480)	–	(15,288)	(20,768)
Net book amount	24,485	352,072	194,512	571,069
As at 1 January 2021 (unaudited)				
Cost	**71,948**	**1,213,779**	**634,800**	**1,920,527**
Accumulated amortization	**(6,046)**	**–**	**(41,184)**	**(47,230)**
Net book amount	**65,902**	**1,213,779**	**593,616**	**1,873,297**
Six months ended 30 June 2021				
Opening net book amount	**65,902**	**1,213,779**	**593,616**	**1,873,297**
Additions from acquisition of subsidiaries (Note 30(a))	**–**	**376,459**	**230,000**	**606,459**
Additions	**1,112**	**–**	**–**	**1,112**
Amortization charge	**(5,063)**	**–**	**(39,850)**	**(44,913)**
Capitalization	**8,091**	**–**	**–**	**8,091**
Closing net book amount	**70,042**	**1,590,238**	**783,766**	**2,444,046**
As at 30 June 2021 (unaudited)				
Cost	**81,151**	**1,590,238**	**864,800**	**2,536,189**
Accumulated amortization	**(11,109)**	**–**	**(81,034)**	**(92,143)**
Net book amount	**70,042**	**1,590,238**	**783,766**	**2,444,046**

17 Intangible assets *(CONTINUED)*

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

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Cost of sales and services	**43,206**	–
Administrative expenses	**1,707**	12,890
	44,913	12,890

(a) Goodwill

As there were no indicators for impairment of the cash-generating units ("CGUs") of the subsidiaries acquired in prior years as at 30 June 2021, management has not updated any impairment calculations for them.

Goodwill of RMB376,459,000 has been allocated to the CGUs of these subsidiaries acquired this period for impairment testing. Management performed an impairment assessment on the goodwill as at 30 June 2021. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation. The following table sets forth each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate during the forecast period	8%-18%
Gross profit margin during the forecast period	22%-35%
Pre-tax discount rate	17%-20%

Based on management's assessment during the period, no impairment provision was considered necessary to provide as at 30 June 2021.

18 Inventories

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Carparks purchased from third parties	**276,810**	263,653
Other inventories	**6,919**	3,580
	283,729	267,233

19 Trade receivables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables (Note (a))		
– Related parties (Note 31(c))	**351,335**	197,094
– Third parties	**2,479,674**	1,595,208
	2,831,009	1,792,302
Note receivables		
– Related parties (Note 31(c))	**137,174**	173,995
– Third parties	**5,250**	13,039
	142,424	187,034
Less: allowance for impairment of trade receivables	**(232,187)**	(116,172)
	2,741,246	1,863,164

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

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	**2,408,567**	1,666,064
1 to 2 years	**305,517**	76,843
2 to 3 years	**68,618**	18,909
3 to 4 years	**16,429**	10,416
4 to 5 years	**9,987**	7,292
Over 5 years	**21,891**	12,778
	2,831,009	1,792,302

As at 30 June 2021, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For the six months ended 30 June 2021, a provision of RMB232,187,000 (2020: RMB116,172,000) was made against the gross amounts of trade receivables. The provision for impairment increased during the six months ended 30 June 2021 was mainly due to the increase of trade receivables.

As at 30 June 2021, RMB5,000,000 trade receivables of the Group was pledged to secure borrowings granted to the Group (2020: RMB5,000,000) (Note 24).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

20 Prepayments, deposits and other receivables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Prepayments		
Non-current prepayments		
– Prepayments to customers (Note (a))	**64,970**	74,075
– Prepayment for acquisition of subsidiaries (Note (b))	**–**	185,492
Current prepayments		
– Prepayments to customers (Note (a))	**309**	257
– Utilities	**31,453**	14,342
– Raw materials for value added services	**13,333**	3,996
– Other prepayments	**46,699**	66,224
Subtotal	**156,764**	344,386
Other receivables		
– Advance to related parties (Note 31(c))	**155,591**	175,639
– Advance to employees	**11,526**	8,483
– Payments on behalf of property owners (Note (c))	**296,792**	130,898
– Other receivable arising from acquisition (Note (d))	**65,263**	–
– Deposits	**47,887**	34,054
– Others	**44,567**	24,925
Subtotal	**621,626**	373,999
Total	**778,390**	718,385
Less: Allowance for impairment of other receivables	**(14,215)**	(4,396)
	764,175	713,989

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

(b) On 29 December 2020, Shimao Tiancheng came into an agreement with a third-party minority shareholder of a subsidiary to acquire 19% equity interests with a total consideration of RMB234,984,000. As at 30 June 2021, the deal has been completed.

(c) As at 30 June 2021 and 31 December 2020, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

(d) As at 30 June 2021, this receivable was due from a third party for it was an advance before the acquisition. According to the acquisition agreement, it would be refunded by the end of 2021.

21 Cash and cash equivalents and term deposits

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Cash on hand	**3,748**	4,052
Cash at bank	**5,617,934**	5,828,039
	5,621,682	5,832,091
Restricted cash (Note (a))	**(100)**	(2,045)
	5,621,582	5,830,046

(a) Restricted cash were cash deposits of performance security as at 30 June 2021 and 31 December 2020.

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

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
RMB	**2,669,355**	1,409,306
HKD	**2,841,714**	4,311,331
USD	**110,613**	111,454
	5,621,682	5,832,091

22 Share capital

(i) Details of share capital of the Company are as follows:

	Number of ordinary shares	Share capital HKD	Share capital RMB
Authorized			
As at 30 June 2021 and 31 December 2020	**3,500,000,000**	**35,000,000**	**30,350,583**
Issued and fully paid			
As at 1 January 2021 and 30 June 2021 (Unaudited)	**2,363,973,000**	**23,639,730**	**20,499,417**
As at 1 January 2020 (Audited)	1	–	–
Issue of shares (Note a)	94,999	950	869
Re-designated into convertible redeemable preferred shares (Note b)	(5,000)	(50)	(45)
As at 30 June 2020 (Audited)	90,000	900	824

(a) The shares issued on 7 May 2020 rank pari passu with the then existing share in issue.

(b) Pursuant to the Convertible redeemable preferred share agreement, 5,000 ordinary shares were re-designated into convertible redeemable preferred shares.

22 Share capital *(CONTINUED)*

(ii) Share Award Scheme

(a) Under the Share Award Scheme of the Shimao Group adopted on 3 May 2021 (the "Shimao Group Share Scheme"), the maximum number of shares of the Company can be awarded by the Shimao Group is 0.3% (i.e. 7,091,919 shares of the Company) of the issued share capital of the Company as at the date of adoption.

The board of directors of Shimao Group (the "Group Board") may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Group Board from time to time), select such employee(s) for participation in the Shimao Group Share Scheme and determine the number of awarded shares.

During the six months ended 30 June 2021, 6,865,821 shares of the Company were granted to certain directors and selected employees of the Shimao Group under the Shimao Group Share Scheme, including 4,866,137 were granted to certain directors and selected employees of the Group. None of the awarded share has been vested during the six months ended 30 June 2021.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by Best Cosmos before being transferred to the employees when vesting conditions are fully met. For the shares granted under the Shimao Group Share Scheme are existing shares, there is no diluted impact on earnings per share.

Movements in the number of unvested shares granted during the period are as follows:

	Number of unvested shares granted Six months ended 30 June 2021
Unvested shares, beginning	**–**
Granted	**4,866,137**
Unvested shares, ending	**4,866,137**

The weighted average fair value of the unvested shares granted during the period ended 30 June 2021 is HKD76,374,020, equivalent to RMB63,359,050 (2020: Nil).

(b) The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 28 June 2021 (the "Group Share Scheme"). Unless terminated earlier by the Board, the Group Share Scheme is valid and effective for a term of 10 years commencing on 28 June 2021. The maximum number of shares which can be awarded must not exceed 70,919,190 shares (i.e. 3% of the total number of issued shares of the Company as at 28 June 2021).

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Group Share Scheme and determine the number of awarded shares.

Under the Group Share Scheme, a trust was constituted to manage the Group Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as trustee to hold awarded shares upon trust until they are vested. Up to 30 June 2021, no shares were granted under the Group Share Scheme.

23 Provisions for other liabilities and charges

	30 June 2021 Unaudited RMB'000		31 December 2020 Audited RMB'000	
	Current	**Non-current**	Current	Non-current
Claim provisions	**–**	**3,060**	–	3,297

As at 30 June 2021, The Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB3,060,000 (2020: RMB3,297,000).

24 Borrowings

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	**8,208**	5,000
Less: Portion of long-term bank borrowings due within one year	**(700)**	(600)
	7,508	4,400
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured (Note (a))	**5,000**	9,000
– unsecured	**–**	16,000
Current portion of non-current borrowings	**700**	600
	5,700	25,600

(a) As at 30 June 2021, RMB5,000,000 trade receivables of the Group have been pledged for total bank borrowings of RMB5,000,000 (31 December 2020: 5,000,000) for the Group companies (Note 19).

The maturity date of the borrowings was analysed as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	**5,700**	25,600
Between 1 and 2 years	**4,300**	4,400
Between 2 and 3 years	**3,208**	–
	13,208	30,000

For the six months ended 30 June 2021, the weighted average effective interest rates on borrowings were 9.74% (six months ended 30 June 2020: 9.76%).

25 Trade and other payables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade payables (Note (b))		
– Related parties (Note 31(c))	**26,646**	38,756
– Third parties	**1,187,387**	640,647
Subtotal	**1,214,033**	679,403
Other payables		
– Payable to related parties (Note 31(c))	**90,333**	207,492
– Accrued expenses	**596,237**	866,893
– Amounts collected on behalf of property owners	**687,562**	542,774
– Consideration payable arising from non-controlling shareholders' put option (Note (a))	**347,351**	320,344
– Purchase consideration	**646,381**	320,295
– Deposits	**71,658**	25,621
– Other payables	**35,597**	24,129
Subtotal	**2,475,119**	2,307,548
Total	**3,689,152**	2,986,951

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

(b) As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	**1,056,970**	670,056
1 to 2 years	**153,456**	6,065
2 to 3 years	**1,247**	1,826
3 to 4 years	**2,036**	723
4 to 5 years	**255**	733
Over 5 years	**69**	–
	1,214,033	679,403

As at 30 June 2021, trade and other payables were denominated in RMB.

26 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the consolidated balance sheets

The balance sheet shows the following amounts relating to leases:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Right-of-use assets		
– Land use rights	–	1,786
– Properties	35,027	25,426
	35,027	27,212
Lease liabilities		
Current	22,158	12,809
Non-current	16,074	7,896
	38,232	20,705

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

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Depreciation charge		
– Land use rights	401	–
– Properties	9,751	4,903
	10,152	4,903
Finance costs on leases	8,945	1,348
Expenses related to short-term lease and low-value assets (included in administrative expenses)	7,582	840

The total cash outflow for leases during the period was RMB10,769,000.

27 Deferred income tax

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

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**122,164**	93,265
Net-off with deferred tax liability	**(21,854)**	(25,732)
	100,310	67,533
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(157,044)**	(128,736)
– Deferred tax liability to be recovered within 12 months	**(18,393)**	(19,158)
Net-off with deferred tax asset	**21,854**	25,732
	(153,583)	(122,162)

The movement in deferred tax assets and liabilities for the six months ended 30 June 2021, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision RMB'000	**Deductible tax loss** RMB'000	**Accrued expense** RMB'000	**Put Option Fair Value Change** RMB'000	**Total** RMB'000
As at 1 January 2021	36,289	674	51,716	4,586	93,265
Additions from acquisition of a subsidiary (Note 30(a))	159	–	–	–	159
Credited to the consolidated statements of comprehensive income	17,453	51	4,484	6,752	28,740
As at 30 June 2021	**53,901**	**725**	**56,200**	**11,338**	**122,164**

27 Deferred income tax *(CONTINUED)*

Deferred income tax liabilities

	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Depreciation RMB'000	Fair value adjustments on financial assets at fair value through profit or loss RMB'000	Total RMB'000
As at 1 January 2021	(147,240)	(654)	–	(147,894)
Additions from acquisition of subsidiaries	(38,700)	–	–	(38,700)
Reductions from disposal of a subsidiary	1,816	–	–	1,816
Credited/(charged) to the consolidated statements of comprehensive income	9,197	160	(16)	9,341
As at 30 June 2021	**(174,927)**	**(494)**	**(16)**	**(175,437)**

28 Dividends

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Final dividends payable of HK11 cents (2020: Nil) per ordinary share (Note (a))	**213,334**	–
Proposed interim dividends of Nil (2020: Nil) per ordinary share (Note (b))	**–**	217,695
	213,334	217,695

(a) A final dividend in respect of the year ended 31 December 2020 of HK11 cents per ordinary share, amounting to approximately HKD260,037,030 (equivalent to RMB213,344,379) was proposed at the Company's board meeting held on 15 March 2021, and was approved at the annual general meeting of the Company held on 26 May 2021.

(b) The Company's board did not recommend the payment of any interim dividends for the six months ended 30 June 2021 (30 June 2020: Nil).

29 Commitments

(a) Operating lease commitments

Lease commitments – as lessee

As at 30 June 2021 and 31 December 2020, the Group did not have any material lease commitments which were not recognized as right-of-use assets.

Operating lease commitments – as lessor

The Group had contracted with lessees for leasing buildings under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
No later than 1 year	**27**	111
Later than 1 year and no later than 5 years	**12**	18
	39	129

(b) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Assets under construction	**214,000**	148,500

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests

(a) Acquisition of subsidiaries

(i) On 22 April 2021, Shimao Tiancheng completed its acquisition of 67% of the equity interests in Shenzhen Shenxiong at a cash consideration of RMB511,028,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired is recorded as goodwill.

(ii) On 31 May 2021, Shimao Tiancheng completed its acquisition of 100% of the equity interests in Zhejiang Yefeng Property Service Co., Ltd. ("Zhejiang Yefeng") at a cash consideration of RMB168,170,000. The excess of the consideration transferred over the fair value of identified net assets acquired is recorded as goodwill.

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests *(CONTINUED)*

(a) Acquisition of subsidiaries (continued)

(iii) The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

The acquired businesses contributed total revenues of RMB87,022,000 and net profits of RMB9,153,000 to the Group for the period from their respective acquisition dates to 30 June 2021.

Details of the purchase considerations, the net assets acquired and goodwill are as follows:

Purchase consideration	**Shenzhen Shenxiong** Unaudited RMB'000	**Zhejiang Yefeng** Unaudited RMB'000	**Total** Unaudited RMB'000
Consideration			
– Cash paid	87,877	24,458	112,335
– Payable	423,151	143,712	566,863
	511,028	168,170	679,198

a) Summary of acquisition

	Total Unaudited RMB'000
Consideration	679,198
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	16,765
Trade receivables	85,630
Prepayments, deposits and other receivables	186,683
Other current assets	47,505
Property, plant and equipment (Note 16)	106,556
Intangible assets: customer relationship (Note 17)	230,000
Deferred income tax assets (Note 27)	159
Other non-current assets	510
Less: Trade and other payables	(197,879)
Borrowings	(3,392)
Contract liabilities	(2,428)
Deferred income tax liabilities (Note 27)	(38,700)
Identifiable net assets acquired	431,409
Less: Non-controlling interests	(128,670)
Add: Goodwill (Note 17)	376,459
Net assets acquired	679,198

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose. Intangible assets including identified customer relationships of RMB230,000,000 in relation to the acquisitions have been recognised by the Group (Note 17).

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests *(CONTINUED)*

(a) Acquisition of subsidiaries (continued)

b) Purchase consideration – cash outflow

	Total Unaudited RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	112,335
Less: balance acquired – cash and cash equivalents	(16,765)
Net cash outflow on acquisitions	95,570

(b) Disposal of a subsidiary with loss of control

For the six months ended 30 June 2021, the Group disposed equity interest of a subsidiary. The disposal resulted in a net cash inflow of RMB91,383,000 and a net gain of RMB69,059,000.

Net assets disposed with reconciliation of disposal gains and cash inflow on disposal are as follow:

	Unaudited RMB'000
Cash and cash equivalents	3,602
Trade and other receivables and prepayments	6,463
Property and equipment (Note 16)	38,862
Right-of-use assets	1,385
Trade and other payables	(3,191)
Contract liabilities	(288)
Deferred income tax liabilities	(1,816)
Total identifiable net assets	45,017
Non-controlling interests	(12,091)
Net assets attribute to the equity holders of the Company	32,926
Total consideration	101,985
Disposal gains (Note 10)	69,059
Total consideration	101,985
Less: Cash and cash equivalents in the entities disposed	(3,602)
Consideration receivable from the purchaser	(7,000)
Net cash inflow due to disposal	91,383

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests *(CONTINUED)*

(c) Transaction with non-controlling interests

For the six months ended 30 June 2021, the Group acquired additional interests in a subsidiary for a total consideration of RMB234,765,000. The Group recognized a decrease in non-controlling interests of RMB102,374,000 and a decrease in equity attributable to the equity holders of the Company of RMB132,391,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the period is summarized as follows:

	The date of acquisition Unaudited RMB'000
Consideration: prepaid in prior period to non-controlling interests	117,491
paid in current period to non-controlling interests	117,274
Carrying amount of non-controlling interests acquired	(102,374)
Excess of carrying amount acquired recognized in equity	132,391

31 Related party transactions

(a) Names and relationships with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in the Cayman Islands which owns 65.59% of the Company's shares). The directors consider Gemfair Investments Limited as the ultimate holding company, and the ultimate controlling shareholder of the Group is Mr. Hui Wing Mau.

(b) Transactions with related parties

(i) Continuing transactions

	Six months ended 30 June	
	2021 **Unaudited** **RMB'000**	2020 Audited RMB'000
Services provided to related parties		
– Shimao group	**395,512**	375,577
– Joint ventures and associates of Shimao Group	**84,079**	86,650
	479,591	462,227
Services received from related parties		
– Shimao Group	**–**	174
Rental expenses		
– Shimao Group	**3,698**	2,608

31 Related party transactions *(CONTINUED)*

(b) Transactions with related parties (continued)

(ii) Discontinued transactions

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Services received from related parties		
– Shimao Group	–	1,072
Distribution and deemed distribution		
– Shimao Group	–	10,465
Repayment of Cash advance from related parties		
– Shimao Group	–	97,172
Advance to related parties		
– Shimao Group	–	362,140
Receipts of advance to related parties		
– Shimao Group	–	1,251,547

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

31 Related party transactions *(CONTINUED)*

(c) Balances with related parties – trade

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Receivables from related parties		
Trade Receivables (Note 19)		
– Shimao Group	**408,041**	322,686
– Joint ventures and associates of Shimao Group	**80,468**	48,403
	488,509	371,089
Prepayments, deposits and other receivables		
– Shimao Group	**132,800**	167,011
– Joint ventures and associates of Shimao Group	**23,287**	9,124
	156,087	176,135
Total receivables from related parties	**644,596**	547,224
Payables to related parties		
Contract liabilities		
– Shimao Group	**42,038**	13,589
– Joint ventures and associates of Shimao Group	**10,325**	4,553
	52,363	18,142
Trade and other payables		
– Shimao Group	**54,402**	215,449
– Joint ventures and associates of Shimao Group	**62,577**	30,799
	116,979	246,248
Total payables to related parties	**169,342**	264,390

(d) Balances with related parties – non-trade

Saved as disclosed elsewhere in the consolidated financial statements, as at 30 June 2021 and 31 December 2020, the Group has no non-trade balances to related parties.

32 Contingencies

As at 30 June 2021 and 31 December 2020, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

33 Events after the balance sheet date

On 20 August 2021, the Group entered into an equity transfer agreement with third parties to purchase, subject to certain conditions, 60% of the equity interests in Wuxi Jinshatian Technology Co., Ltd., at a consideration of RMB842,400,000.

美好生活智造者

BETTER SMART LIFE