



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



2022 中期報告
Interim Report



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Tang Fei

Independent Non-executive Directors

Gu Yunchang
Zhou Xinyi
Hui Wai Man, Lawrence

Audit Committee

Hui Wai Man, Lawrence (*Committee Chairman*)
Gu Yunchang
Zhou Xinyi

Remuneration Committee

Zhou Xinyi (*Committee Chairman*)
Gu Yunchang
Hui Wai Man, Lawrence

Nomination Committee

Gu Yunchang (*Committee Chairman*)
Zhou Xinyi
Hui Wai Man, Lawrence

Company Secretary

Chan Ka Yan

Auditor

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
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CORPORATE INFORMATION

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Principal Share Registrar and Transfer Office

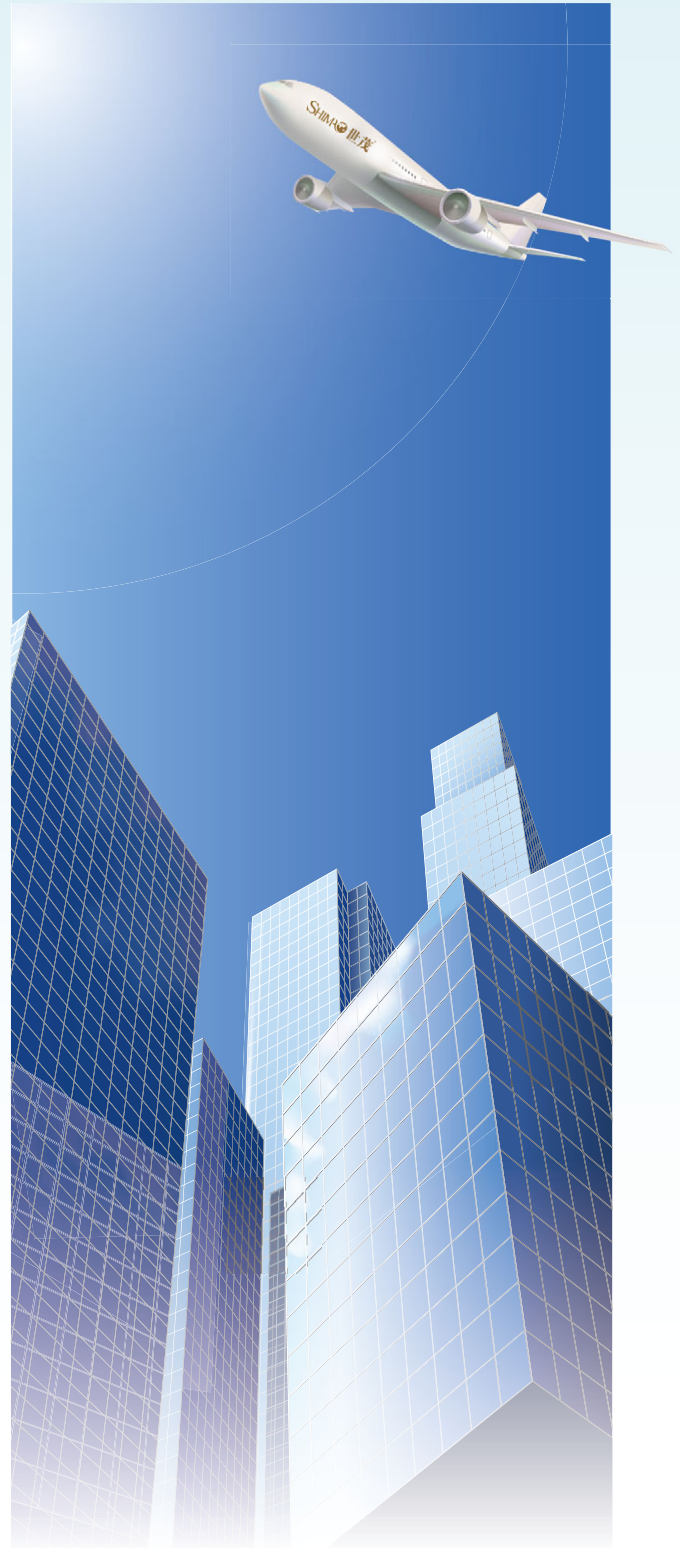
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Place of Listing

The Stock Exchange of Hong Kong Limited
Stock code: 873

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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 2022.

Market and Industry Outlook

In the first half of 2022, despite the prolonged overall volatility and downturn in 2021 continued in the real estate market, which inevitably caused certain impact on the business development of the downstream property services industry, the property services industry still showed great resilience and continued to grow steadily.

At the meetings of the Political Bureau of the CPC Central Committee held in April and July 2022, the authority reiterated the principle of "housing is for living in, not for speculation". The property services industry, as closely linked to people's livelihood, has taken a significant role in grassroots community governance and building a better life. Under the basic premise of "housing is for living in, not for speculation", it is the right time for the property services industry to give full play to its strengths and showcase its capabilities by promoting living standards, improving people's lives and enriching community functions. The property services industry, with its own service content and business characteristics, will become the best model of "housing is for living in, not for speculation".



CHAIRMAN'S STATEMENT

In the first half of 2022, the property services industry shared the anxieties of the real estate industry, and the performance of the capital market showed fluctuation. Facing the pressure from the market, leading enterprises are becoming more determined and resolute to steadily develop their business.

Focusing more on fundamental capability building. In the past few years, property services enterprises have transformed from insignificant downstream service providers in the real estate industry into an investment segment as important as the real estate segment in the capital market, and the property services industry has received unprecedented attention. Leading enterprises have seized the opportunity to expand their business scale, and realised massive expansion in terms of management scale and business portfolios after several years of swift development. The current downturn of the real estate industry has affected the property services industry for both the delivery of management area and the developer-related value-added services. The slowdown in growth pace will free up more management space for property services enterprises to devote themselves to growing and improving their fundamental capabilities. As the saying goes, "Without the accumulation of little steps, it is impossible to travel a thousand miles", which means the level of achievement depends on the solidness of foundation.

Paying more attention to the refined operational capability. After more than 40 years of development, the property industry is still at the primary stage and the industry standard is yet to be established. When the enterprises cease to relentlessly pursue the growth rate, they could focus their attention on improving their own operational capabilities. The way to upgrade from the previous extensive management mode to a standardised and lean management mode is the topic to be explored by every outstanding enterprise. Progress never ends. No matter for the modularisation of first-line management, the standardisation of service process, the digitalisation and intelligentisation of control means, the establishment of operational and service standards, the development and control of cost models, or even the implementation of project-based policies, all require the continuous efforts of leading enterprises. The enterprises have to establish the standards and achieve higher standards to promote standardisation and advancement of the industry.

Attaching more importance to the development of business synergy. Over the past few years, leading companies have greatly expanded their business scale and categories through mergers and acquisitions ("M&A"). The increase in scale and categories does not directly bring about an increase in profit margin. There is still lots of room for enterprises to improve and enhance internal business coordination. Breaking the business boundaries and conducting comprehensive integration and promotion from a wider dimension will enable a real integration of acquirees into the acquirer and achieve a win-win situation. Enterprises are required to carry out further exploration for models between value-added services and basic property services to attain the real mixture and generate greater synergies.

Placing more emphasis on organic growth. Leading enterprises have devoted their internal resources to actively engage in market tendering and bidding and vigorously cultivate their expansion capabilities. The downturn in the real estate industry was followed by the decrease in sales and investments, and the third-party bidding expansion has proved its importance as the most important potential source of new projects. In order to acquire more management area, leading enterprises have increased their efforts to expand into non-residential properties and market segments. With the increasing recognition of residents on property services, the second-hand residential market has expanded the room for development.



CHAIRMAN'S STATEMENT

Opportunities coexist with challenges. In 2022, although the industry is facing certain difficulties, the customer base of property services enterprises is diversifying and the business foundation is still expanding. The property services industry is still a vast blue ocean and maintains the long-term development trend. When the shelter from related real estate companies gradually fades away, property services enterprises will pay more attention to the construction of their own capabilities. After the transformation and adjustment, they will be able to build up and leverage their strengths, which may usher in a great development in the real sense.

Interim Results

During the interim period of 2022, we recorded revenue of RMB4,265.7 million, representing a year-on-year increase of 12.9%. Gross floor area ("GFA") under management amounted to 255.9 million sq.m., representing a year-on-year increase of 46.2%; and contracted GFA reached 333.1 million sq.m. with a year-on-year uptick of 39.3%. Gross profit reached RMB1,113.6 million and gross profit margin was 26.1%, maintaining the industry-leading level.

Achieving Quality Growth

Steady Growth in Business Scale

In the first half of 2022, the industry faced unprecedented pressure due to the downturn in the upstream real estate industry, the resurgence of the COVID-19 pandemic, and the entering of new normal era of China's economic development. Shimao Services persists with its unwavering spirit in developing business, achieving steady growth in total revenue and contracted GFA, as well as rapid growth in new businesses. Revenue from property management services amounted to RMB2,342.2 million, representing a year-on-year increase of 16.3% and accounting for 54.9% of overall revenue, which fully demonstrated its role as a "ballast stone". Revenue from city services was RMB671.0 million, representing a year-on-year increase of 400.0% and accounting for 15.8% of overall revenue, making city services our third largest pillar business. Under the impact of the COVID-19 pandemic, revenue from community value-added services declined, while it still accounted for 21.8% of overall revenue, maintaining a high level in the industry.

Overall Improvement in Third-party Bidding

In the first half of 2022, amid the resurgence of the epidemic in the eastern coastal cities, Shimao Services overcame multiple difficulties and achieved satisfying results in third-party expansion with overall improvement in various indicators. Newly-added contracted GFA was 30.6 million sq.m., representing an increase of 12.9% as compared to the same period of last year. For the first time, the proportion of newly added contracted GFA of residential projects exceeded that of non-residential projects, and the proportion of newly-added contracted GFA of new residential projects also exceeded that of second-hand residential projects for the first time. In terms of expansion in universities and colleges, we obtained a total of 45 newly-added property management services and value-added services projects with newly-added contracted GFA of 5.7 million sq.m..



CHAIRMAN'S STATEMENT

Remarkable Achievement in Building City Services Platform

With the two city services companies, namely Shenzhen Shi Lu Yuan Environmental Co., Ltd.* (深圳世路源環境有限公司) (“Shenzhen Shi Lu Yuan”) and Wuxi Jinshatian Technology Co., Ltd.* (無錫市金沙田科技有限公司) (“Wuxi Jinshatian”), Shimao Services rapidly built business platforms and enhanced its comprehensive capabilities to expand the market by leveraging the strong alliance. In the first half of 2022, there were 33 newly-added city services projects with an aggregate winning bid amount up to RMB1,051.8 million. We have obtained a number of large-scale city services projects worth of over RMB100 million, such as the Urban and Rural Integrated Environmental Sanitation Services Project (Northeast Region) of Lantian County (藍田縣城鄉環衛一體化服務項目(東北片區)) with an aggregate winning bid amount of RMB348.0 million; the Urban and Rural Integrated Environmental Sanitation Services Project of Yang County (洋縣城鄉環衛一體化服務項目) with an aggregate winning bid amount of RMB122.0 million, and the Urban Environmental Sanitation Operation Market-Oriented Services Project of Jinhaihu New District (金海湖新區城區環衛作業市場化服務項目) with an aggregate winning bid amount of RMB119.6 million.

Promising Results from Development in Key Cities

Shimao Services strengthened the regional comprehensive capabilities through centralisation strategies and continuously increased its management efforts and business coverage. Key cities are subdivided into first-tier and second-tier according to their function levels in order to improve our business capacities with emphasis and differentiation, thereby enhancing the values of the cities. In the first half of 2022, among the annualised contract amount newly recorded by third-party bidding expansion, 19.0% was contributed by first-tier key cities and 46.0% was contributed by second-tier key cities. As of the first half of 2022, the total contracted GFA of the top four branches in first-tier key cities reached 67.1 million sq.m.. Among which, contracted GFA of key city Hangzhou branch further increased to 21.6 million sq.m. from 15.4 million sq.m. at the end of 2021, making it the city with the highest project coverage and service density.

Continuous Enhancement in Customers' Satisfaction and Stickiness

In the first half of 2022, Shimao Services continued the construction of “benchmark projects”. Through classification and upgrade, Shimao Services has built “quality benchmark”, “improvement benchmark” and “star benchmark” projects based on various inspection standards with well-structured hierarchy and effective coverage. Committing to the brand philosophy of “Better Smart Life” and adhering to the idea of “Better 100+1, Services Beyond Satisfaction (美好100+1 · 服務不止滿意)”, the Company paid more attention to business quality, so as to create a more pleasurable living environment, more caring service experience and better community life for property owners. With its high quality services, Shimao Services was awarded the “TOP 1 Property Services Satisfaction in the First Half of 2022 (2022年上半年物業服務滿意度TOP 1)”.



CHAIRMAN'S STATEMENT

Sustaining “High Quality Growth”**The Company's Vision**

The vision of Shimao Services is to establish itself as a “Leading Full-scenario Provider of City Life Services in China” so as to create a better life for its users. The Company has positioned itself as a “Leading Comprehensive Property Management and Community Living Service Provider in China”. Shimao Services developed its “Four Business Portfolios”, and continuously refined its three business portfolios, namely comprehensive property management services, diversified value-added services and city services, with appropriate innovative development in digital and intelligent technology business.

Future Outlook

In 2022, owing to the overall downturn in the real estate industry, the entering of new normal era of China's overall economic development, coupled with the impact of the recurring COVID-19 pandemic, the business development of the Company has been under certain pressure.

Strategies with Determination, Management with Perseverance, Operation with Tenacity

Shimao Services will further enhance its operational capacity, consolidate its front-line foundation, refine its management procedure, improve its business quality and explore more intrinsic values. We will strive to materialise “high quality growth” from four aspects, namely strategies, operation, organisational mechanism and manpower.

Comprehensive Property Management Services

Firstly, we will strengthen our project management capacity to maintain constant quality. We will deepen “lean” operational management for higher operational efficiency, focus on business volume and structure to improve quality in all aspects, and give full play to the role of “ballast stone” to create conditions for the development of other businesses. Secondly, for third-party bidding expansion, we will continue to target on residential properties as the main development direction to expand the space for derivative services. We will constantly increase the key cities' contribution to the number of projects and the proportion of annualised contract amount by intensively engaging in city development, actively acquire projects by promoting strategic cooperation through setting up joint ventures and joint projects, and create benchmark projects to optimise the portfolio of all businesses and the whole ecology.

Diversified Value-added Services

Firstly, in terms of community value-added services, we will further adjust the allocation of community resources to improve sales per management area and concentrate on projects, and develop and upgrade merchant resources. We will cater to the needs of property owners by constantly improving the product attractiveness and proceeding external expansion of services. We will increase investment in non-cyclical business and control the cyclical property development in association with the real estate. Secondly, we will take the initiative in cultivating innovative business, and maintain the balance between profit and cash flow as well as current and future affairs. Thirdly, for our business lines, we will expand and strengthen the university service platform of Zhejiang Zheda Sinew Property Services Group Co., Ltd.* (浙江浙大新宇物業集團有限公司) (“Zheda Sinew”) and the elderly care service platform of Shanghai Chunqiji Elderly Care Services Co., Ltd.* (上海椿祺集養老服務有限公司) (“Healthtop”) by taking advantage of the Company's strategic control business model. We will seek for closer cooperation with strategic control-based companies to enhance synergies through continuous empowerment. Fourthly, in terms of value-added services to non-property owners, we will upgrade from providing “marketing space” services under the joint marketing structure of the real estate segment to “public space” services by tapping into the third-party market, thereby exploring space operation and logistics services in a broader extent.



CHAIRMAN'S STATEMENT

Smart City Services

We will further integrate and improve two major platforms for city services, simulate and replicate the comprehensive city services capabilities to develop ourself into the “city manager”, and enhance the synergies with the comprehensive property management.

Digital and Intelligent Technology Services

We will further deepen the governance on major data, explore internal and external business models, conduct small-scale trail run, and emphasise on targeted business cultivation.

Social Responsibility

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

In the first half of 2022, the serious outbreak of COVID-19 pandemic took place in a number of cities. Shimao Services endeavoured to secure property owners' lives by meeting their various basic needs during quarantine at home despite difficulties.

Shimao Services continued to apply the latest technology to energy consumption management, environmental construction and other services, implemented energy saving and emission reduction measures, and vigorously advocated a green and low-carbon lifestyle in the community to actively create a strong atmosphere of energy saving and carbon reduction. For example, the Hefei Jade Mansion Project (合肥翡翠府邸項目) has achieved a 50% reduction in energy consumption of elevator and air conditioning, and Jinjiang Dragon Bay (晉江御龍灣) has realised a water saving of 6,358.3 tons per year, through which contributions have been made to promote the green transformation of the overall economic and social development.

Acknowledgement

In 2022, the capital market experienced fluctuations. On behalf of the Board, I would like to extend my heartfelt gratitude and deepest respect to our shareholders, business partners, local governments, property owners and customers for their valuable support. Thank you for the support and perseverance by joining hands with Shimao Services.

Shimao Services will spare no effort in its development with clear determination. We will continue to uphold the Shimao spirit of “Pioneering, Down-to-earth and Prudent”, act in a practical and realistic manner, stay diligent and progressive, and keep creating value for shareholders.

Hui Sai Tan, Jason

Chairman

Hong Kong, 31 August 2022



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

As of 30 June 2022, Shimao Services provided a wide variety of services for 915 projects, covering various types of clients, including residential projects, public facilities, industrial parks and schools.

For the interim period in 2022, revenue was RMB4,265.7 million, representing a year-on-year increase of 12.9%; and gross profit was RMB1,113.6 million, representing a year-on-year decrease of 11.3%. The GFA under management amounted to 255.9 million sq.m., representing a year-on-year increase of 46.2%; and contracted GFA was 333.1 million sq.m., representing a year-on-year increase of 39.3%.

➤ PROPERTY MANAGEMENT SERVICES

- **Representing 54.9% of total revenue and 55.3% of total gross profit**

During the period, the Group's revenue from property management services reached RMB2,342.2 million, representing a year-on-year increase of 16.3% as compared to RMB2,014.2 million for the same period of 2021, mainly due to the steady growth in GFA under management.

During the period, gross profit from property management services of the Group was RMB616.3 million, representing a year-on-year decrease of 0.4% as compared to RMB618.7 million for the same period in 2021. Gross profit margin was 26.3%, representing a decline of 4.4 percentage points as compared to 30.7% for the same period in 2021. Such decline was mainly due to firstly, the fast growing proportion of third-party projects with lower gross profit margin than that of Shimao Group Holdings Limited ("Shimao Group")'s projects, and secondly, the rapid increasing proportion of public facilities projects which have a lower gross profit margin than that of residential projects.

The following table sets forth the Group's revenue, gross profit and gross profit margin from property management services for the six months ended 30 June 2022 and 30 June 2021, respectively:

	For the six months ended 30 June	
	2022	2021
Revenue (RMB million)	2,342.2	2,014.2
Gross profit (RMB million)	616.3	618.7
Gross profit margin (%)	26.3%	30.7%



MANAGEMENT DISCUSSION AND ANALYSIS

- ***Sustained and steady growth in GFA***

During the period, the Group recorded steady growth rates in both GFA under management and contracted GFA. The sustained growth in GFA has laid a foundation for the development of all businesses of the Group, which can not only directly contribute revenue for property management services, but also provide customer sources for value-added services, creating business opportunities.

As of 30 June 2022, the Group's GFA under management amounted to 255.9 million sq.m., representing a 46.2% uptick or a net increase of 80.9 million sq.m. from 175.0 million sq.m. for the same period of 2021. There were 915 projects under our management in 98 cities across 29 provinces, municipalities and autonomous regions nationwide.

As of 30 June 2022, the Group's contracted GFA was 333.1 million sq.m., representing a year-on-year rise of 39.3% or a net increase of 93.9 million sq.m. from 239.2 million sq.m. for the same period of 2021.

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property developer type for the six months ended 30 June 2022 and 30 June 2021, respectively:

	For the six months ended 30 June			
	2022		2021	
	Area (sq.m. in million)	Percentage (%)	Area (sq.m. in million)	Percentage (%)
GFA under management	255.9	100%	175.0	100%
Among which:				
From Shimao Group and its co-developers	60.0	23.4%	52.9	30.2%
From independent third-party developers	195.9	76.6%	122.1	69.8%
Contracted GFA	333.1	100%	239.2	100%
Among which:				
From Shimao Group and its co-developers	79.0	23.7%	73.8	30.9%
From independent third-party developers	254.1	76.3%	165.4	69.1%

As of 30 June 2022, the Group's GFA under management of non-residential projects was 110.7 million sq.m., accounting for 43.3% of the Group's total GFA under management. The share of non-residential projects in our GFA under management increased by 2.5 percentage points compared with the same period of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property type for the six months ended 30 June 2022 and 30 June 2021, respectively:

	For the six months ended 30 June			
	2022		2021	
	Area (sq.m. in million)	Percentage (%)	Area (sq.m. in million)	Percentage (%)
GFA under management	255.9	100%	175.0	100%
Among which:				
Residential properties	145.2	56.7%	103.6	59.2%
Non-residential properties	110.7	43.3%	71.4	40.8%
Contracted GFA	333.1	100%	239.2	100%
Among which:				
Residential properties	194.2	58.3%	151.5	63.3%
Non-residential properties	138.9	41.7%	87.7	36.7%

• *Significant improvement in the quality of projects from third-party bidding expansion*

In the first half of 2022, the Group added 30.6 million sq.m. to its contracted GFA from third-party bidding expansion, representing an increase of 12.9% as compared to 27.1 million sq.m. for the same period of last year. The average monthly property management fees for third-party bidding expansion was RMB2.0 per sq.m., which remained largely stable as compared to RMB2.2 per sq.m. for the same period of last year.

In 2022, confronted with the industry turmoil and intensified market competition, Shimao Services attained exceptional performance in third-party expansion. The share of new residential projects in contracted GFA reached 51.7%, while the proportion of newly-added area from new and second-hand projects was approximately 1:1, representing a reasonable ratio. Among the contracted GFA in the new non-residential projects, approximately 50.0% were occupied by projects with relatively high business value, including industrial parks, schools and hospitals, etc.; and the share of universities and colleges projects in contracted GFA accounted for 32.8% of that of the non-residential projects.

In the first half of 2022, Shimao Services won a number of benchmark projects with high contract amount and strong demonstration effect, such as Beijing University of Chinese Medicine Liangxiang and Heping Street Campus Projects, Xi'an Jiaotong-Liverpool University Taicang Campus Project, Ikea Ideal City (宜家•理想城), Industrial and Commercial Bank of China Jiaxing Branch Project, China Mobile Tianjin Branch Project – Siping E-commerce Logistics Town (四平電商物流小鎮), Quxian EGO Economic Complex Project, through which the expansion of third-party projects was further promoted. After continuous growth and improvement for more than two years, Shimao Services has established a profound system, organisational structure and talent teams for third-party expansion:

- (1) We have worked with Shimao Group and suppliers and partners from different regions to open up key cooperation channels and carry out marketing to the public; we have developed standardised, modularised, replicable and professional market expansion capabilities with formulaic thinking;

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) We have provided service solutions that accurately meet the core demands of customers. We have created benchmark demonstration projects, improved product portfolios and upgraded product systems to quickly respond to customers' demands;
 - (3) We have improved the third-party expansion network. Taking key cities as our base, we have optimised the in-depth scanning tools for cities, and built Shimao Services' own "community dictionary" and project database for properties from third parties;
 - (4) "100 Leaders Scheme". We have established a team of great talents to work on and overcome arduous tasks, forming a strong organisation and facilitating targeted resource allocation; and
 - (5) Digital and intelligent empowerment. We have optimised, continuously operated and upgraded our full-life cycle information system for market expansion to achieve intelligent project analysis, automate progress tracking, and effective empowerment.
- **Enhanced integration through M&A**
In the first half of 2022, the Group successfully completed the acquisition of five companies. Through M&A, the Group further enhanced its business scale and project density in key regions such as Yangtze River Delta and Greater Bay Area, supplemented its service capabilities in the hospital and other professional fields, positioned itself in key business lines and transformed 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 to implement the internal marketisation policy, and share resources with Shimao Services to realise higher operational capability, service quality and customer satisfaction.

➤ **COMMUNITY VALUE-ADDED SERVICES**

- **Representing 21.8% of total revenue and 27.5% of total gross profit**
During the period, the revenue amounted to RMB931.0 million, representing a year-on-year decrease of 25.3% as compared to RMB1,246.5 million for the same period of 2021.

Revenue from community value-added services showed a year-on-year decline, which was mainly attributable to (1) the reduction in scale due to suspension of normal operation of smart scenario solutions business, new retail business and campus value-added services business under the impact of COVID-19 pandemic lockdown measures; and (2) the decline in trading volume due to the shrinking scale of carpark sales business affected by the fluctuations in the real estate industry.

The year-on-year decline in gross profit of community value-added services exceeded the year-on-year decline in revenue, which was mainly attributable to (1) logistics costs arising from COVID-19 lockdown measures and the significant increase in epidemic prevention expenses, which offset part of the profit; and (2) the change in gross profit mix due to the decline in the scale of two businesses with high gross profit margin, namely the smart scenario solutions and carpark sales.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's revenue from community value-added services by category for the six months ended 30 June 2022 and 30 June 2021, respectively:

	For the six months ended 30 June 2022		2021		Change in revenue (%)	Change in percentage
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
Community asset management services	116.7	12.5%	113.9	9.1%	2.5%	increase by 3.4 percentage points
Smart scenario solutions	276.8	29.7%	469.6	37.7%	-41.1%	decrease by 8.0 percentage points
Campus value-added services	190.2	20.4%	222.3	17.9%	-14.4%	increase by 2.5 percentage points
Carpark asset operation services	163.7	17.6%	199.4	16.0%	-17.9%	increase by 1.6 percentage points
Home decoration services	86.9	9.3%	45.1	3.6%	92.7%	increase by 5.7 percentage points
New retail services	47.2	5.1%	196.2	15.7%	-75.9%	decrease by 10.6 percentage points
Elderly care services	49.5	5.4%	N/A	N/A	N/A	N/A
Subtotal of community value-added services	931.0	100%	1,246.5	100%	-25.3%	N/A

- **For community asset management services, revenue was RMB116.7 million, representing a year-on-year increase of 2.5% as compared to RMB113.9 million for the same period of last year**

The Group recorded sustained and steady growth in GFA under management, laying the foundation for carrying out its community asset management business. During the period, Shimao Services effectively enhanced its business capabilities through establishing business standards, developing systems, exploring resources for merchants and setting more specified instructions. Shimao Services has enriched its business portfolios by adding new contents to its offerings. For example, in the first half of 2022, the scale of rental services has expanded rapidly, and its revenue has increased significantly.

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

- **For smart scenario solutions, revenue was RMB276.8 million, representing a year-on-year decrease of 41.1% as compared to RMB469.6 million for the same period of last year**

Smart scenario solutions business is positioned as a comprehensive solution service provider with multiple products and scenarios. The range of products includes: smart campus, smart parks, smart buildings, smart hotels and smart car parking spaces etc., which improve building performance and enhance user experience, so as to realise the preservation and appreciation of properties.



MANAGEMENT DISCUSSION AND ANALYSIS

We provide customers with: (1) a package of services, covering project design, the installation, commissioning and maintenance based on different customers' demands of facilities and equipment, as well as the installation and maintenance of application systems and software; and (2) software and programs that are highly relevant to property management scenarios to effectively satisfy customers' demands.

In the first half of 2022, the outbreak of COVID-19 pandemic across the country caused severe impact on the normal operation of the Group, which delayed the commencement of both business promotion and installation; meanwhile, amid the COVID-19 pandemic, the economy was hit hard, which decreased the demand of customers on building improvements, leading to lower revenue from businesses.

In the second half of 2022, Shimao Services will overcome the difficulties by:

- (1) developing products that better suit customers' needs, and providing comprehensive solutions with multiple product portfolios and scenarios to meet the demands from different customers;
 - (2) leveraging on benchmark projects to promote and systematically replicate the business model of each product lines;
 - (3) deepening full life cycle service capabilities of our business to provide customers with more back-end services, and supporting business expansion with a package of comprehensive services; and
 - (4) sustaining innovation and intensively engaging in the fields of digital technology and intelligence, through which we may develop our own proprietary products, enhance the product competitiveness and facilitate the innovation of the industry.
- ***For campus value-added services, the revenue was RMB190.2 million, representing a year-on-year decrease of 14.4% as compared to RMB222.3 million for the same period of last year***
Leveraging on Zheda Sinew platform and based in universities and colleges, the Group provided teachers and students with various value-added services on campus study and life, including catering, accommodation, retail services and campus entertainment.

In the first half of 2022, due to the recurrence of COVID-19 pandemic across the country, together with the more stringent pandemic prevention and control management in campuses than in general premises, the Company's normal operation was affected. For example, winter camps, interest groups, food festivals and other activities are put on hold, resulting in a year-on-year decrease in revenue.

- ***For carpark asset operation services, the revenue was RMB163.7 million, representing a year-on-year decrease of 17.9% as compared to RMB199.4 million for the same period of last year***
The Group focused on the growth of non-cyclical carpark-related business, such as carpark management, lease and transformation as well as vehicle maintenance, and made efforts in developing its non-cyclical business. The Group has been taking the initiative to monitor and develop its carpark sales business development into a cyclical business, and continuously optimised its business structure.

The turmoil in the real estate industry affected the carpark sales business, resulting in a decrease in supply and thus a decline in transaction volume, which led to a significant year-on-year decrease in revenue in the first half of 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

- ***For home decoration services, the revenue was RMB86.9 million, representing a year-on-year increase of 92.7% as compared to RMB45.1 million for the same period of last year***

In the first half of 2022, Shimao upgraded its home decoration business and launched its new brand of “Shimao Smart Home (茂品智家)”. It provided property owners with highly competitive products by building product strength; enhanced operational capability and improved business operation standards through home decoration digital and intelligent platform (美居數智平台); procured more investments to empower suppliers and improve the conversion rate; offered full after-sales service guarantee to give our customer peace of mind, so as to achieve faster growth in income and create a better life for property owners.

- ***For new retail services, the revenue was RMB47.2 million, representing a year-on-year decrease of 75.9% as compared to RMB196.2 million for the same period of last year***

In an effort to build the “SUNIT” brand, Shimao Services positions itself as a local lifestyle service platform, providing differentiated and targeted products for property owners. Based on the high customer satisfaction of property services, it continued to explore customer demands, expand its market coverage, and nurture customer stickiness.

By building offline community flagship stores, the Company worked to establish its online platform and offline space, where a range of life service operations such as parent-child, education, health, food and beverage, life and retail were aggregated to create special service spaces including libraries, shared rooms for parties and meetings (匯客廳) and X-space, and actively carried out offline and online joint services through the operation of activities, contents, communities and users.

During the pandemic, the “SUNIT” team overcame difficulties and provided material support for property owners of the communities subject to lockdown. In particular, during the lockdown of Shanghai, Shimao Services connected the supply chain and logistics and provided various group purchasing services for property owners of the communities, which offered great convenience for the living of property owners and was well recognised by the property owners.

Meanwhile, the recurrence of COVID-19 pandemic significantly affected the normal operation of the Company. A number of operation sites were closed for a long time and various sales promotion campaigns were suspended under the requirements of epidemic prevention and control, resulting in a sharp year-on-year decline in revenue.

- ***For elderly care services, the revenue was RMB49.5 million***

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

Currently, Healthtop’s business has covered in such developed cities as Shanghai, Nanjing, Wuxi, Changzhou, Suzhou and Ningbo in the Yangtze River Delta region. In addition, it has run 325 community elderly care service sites, 10 elderly care service institutions and 50 fixed-site service centres for home-based long-term elderly care insurance service, serving around 200,000 elderly people.



MANAGEMENT DISCUSSION AND ANALYSIS

➤ **VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS**• **Representing 7.5% of total revenue and 7.6% of total gross profit**

During the period, the revenue amounted to RMB321.6 million, representing a year-on-year decrease of 16.3% from RMB384.3 million for the same period of 2021. Its percentage of total revenue experienced a continuous decline to 7.5% for the interim period of 2022 from 10.2% for the same period of 2021, achieving an optimised revenue mix.

In the first half of 2022, the sales of commodity housing decreased as a result of the downturn in the real estate industry, resulting in the increase in shrinkage of the Group's sales office management business as compared with that of last year. Meanwhile, the gross profit margin of the business decreased due to lesser high-end sales offices and higher epidemic prevention expenses, and the decline in gross profit exceeded the decline in revenue.

Shimao Services has been focusing on upgrading its existing business from "sales office operation" to "space operation". It turned to explore business opportunities from a broader extent of marketing space such as company clubs, exhibition halls, private banquets instead of only targeting on the marketing space of commodity housing in the real estate industry. It has developed in-house club operation, administrative reception, administrative logistics and other services.

Meanwhile, the Company lifted the limitations of its own thinking, reorganised the strategic planning, adjusted its team composition, and shifted its offering from "marketing space" services to "public space" services. It also developed the business of hospitals, schools, state-owned enterprises, public institutions, office buildings and other public space services.

➤ **CITY SERVICES**• **Representing 15.8% of total revenue and 9.6% of total gross profit**

During the period, the revenue reached RMB671.0 million, representing a year-on-year increase of 400.0% from RMB134.2 million for the same period of 2021. Its percentage of total revenue increased to 15.8% for the interim period of 2022 from 3.6% for the same period of last year. City services has overtaken the value-added services to non-property owners and became the third largest source of revenue and profit of the Group.

In 2021, Shimao Services successfully acquired two city services companies, namely Shenzhen Shi Lu Yuan and Wuxi Jinshatian. Upon completion of the acquisition, Shimao Services immediately carried out organisational integration, business consolidation and operational enhancement on the two companies.

Through the integration and improvement in 2021, Shimao Services quickly developed its comprehensive capabilities in city services and entered the core market.

Leveraging the operation and management foundation, talent pool and business expansion advantages of the two platforms, the Group won several bids of large-scale city service projects in the first half of 2022. For example, the bidding amount of the Urban and Rural Integrated Environmental Sanitation Services Project (Northeast Region) of Lantian County (藍田縣城鄉環衛一體化服務項目(東北片區)) amounted to approximately RMB348.0 million in total, with a service term of 10 years.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the period, the Group realised:

Revenue

Revenue was RMB4,265.7 million, representing a year-on-year increase of 12.9% as compared to RMB3,779.1 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 RMB2,342.2 million, representing a year-on-year increase of 16.3% as compared to RMB2,014.2 million for the same period of last year and accounting for approximately 54.9% of the total revenue; (ii) revenue from community value-added services amounted to RMB931.0 million, accounting for 21.8% of the overall revenue and representing a year-on-year decrease of 25.3% as compared to RMB1,246.5 million for the same period of last year; (iii) revenue from value-added services to non-property owners amounted to RMB321.6 million, accounting for 7.5% of the overall revenue and representing a year-on-year decrease of 16.3% as compared to RMB384.3 million for the same period of last year; and (iv) revenue from city services amounted to RMB671.0 million, accounting for 15.8% of the overall revenue and representing a year-on-year increase of 400.0% as compared to RMB134.2 million for the same period of last year.

Cost of Sales and Services

Cost of sales and services of the Group primarily include staff costs, subcontracting costs, utilities and facility operating costs, cost of selling carpark spaces, cost of smart scenario solutions and others. During the period, cost of sales and services was approximately RMB3,152.1 million, representing an increase of approximately 24.9% as compared to approximately RMB2,523.8 million for the six months ended 30 June 2021. The increase in cost of sales and services was mainly due to the increase in staff number and various costs associated with the Group's continuous expansion of GFA under management and business scale.

Gross Profit and Gross Profit Margin

During the period, overall gross profit decreased by approximately RMB141.7 million from approximately RMB1,255.3 million for the six months ended 30 June 2021 to approximately RMB1,113.6 million, representing a decrease of approximately 11.3%. Gross profit margin was 26.1%, representing a decrease of 7.1 percentage points as compared to 33.2% for the same period of last year.

Gross profit margin for property management services was 26.3%, representing a decrease of 4.4 percentage points as compared to 30.7% for the same period of last year, primarily due to the relatively high proportion of public facilities projects of some companies we acquired 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 32.9%, representing a decrease of 8.0 percentage points as compared to 40.9% for the same period of last year, primarily due to (1) the increase in service costs due to the pandemic; and (2) disruptions in the operation of businesses with high gross profit such as smart scenario solutions and carpark sales caused by the pandemic, which affected the gross profit structure.

Gross profit margin for value-added services to non-property owners was 26.5%, representing a decrease of 1.3 percentage points as compared to 27.8% for the same period of last year, which remained largely stable.



MANAGEMENT DISCUSSION AND ANALYSIS

City services business, a new business line established by the Company in 2021, recorded a gross profit margin of 15.8% during the period, representing a slight increase as compared to 14.9% for the same period of last year.

Selling and Marketing Expenses

During the period, selling and marketing expenses were approximately RMB107.2 million, representing an increase of approximately 122.4% as compared to approximately RMB48.2 million for the six months ended 30 June 2021. The increase in selling and marketing expenses was primarily due to the increase in staff costs in relation to market expansion as the Group increased its number of staff to implement the “100 Leaders Scheme” for market development with a focus on promoting the third-party bidding expansion business during the period. 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 RMB470.2 million, representing an increase of approximately 13.0% as compared to approximately RMB416.1 million for the six months ended 30 June 2021. During the period, the share of revenue attributable to administrative expenses was approximately 11.0%, which remained stable as compared to 11.0% for the same period of last year.

Provision of Impairment Losses on Financial Assets – Net

Provision of impairment losses on financial assets – net of the Group mainly includes the expected loss on bad debts. During the period, net impairment loss on financial assets amounted to RMB380.2 million, representing an increase of approximately 202.2% as compared to approximately RMB125.8 million for the six months ended 30 June 2021. It was mainly due to the increase in trade receivables in relation to the Group’s related parties and the increase in expected credit loss rates of related parties during the period.

Operating Profit

During the period, operating profit was RMB318.4 million, representing a decrease of 56.6% as compared to approximately RMB732.9 million for the six months ended 30 June 2021. Operating profit margin was 7.5%, representing a decrease of 11.9 percentage points as compared to 19.4% for the same period of last year, primarily due to a significant provision for impairment on financial assets during the period.

Finance (Costs)/Income – Net

During the period, finance costs – net amounted to approximately RMB99.4 million, representing a decrease of approximately 6,312.5% as compared to finance income – net of approximately RMB1.6 million for the six months ended 30 June 2021. The increase in finance cost – net was mainly due to the interest accrued in relation to convertible bonds at effective interest rate during the period.

Profit before Income Tax

During the period, profit before income tax amounted to RMB222.1 million, representing a decrease of RMB514.5 million or a year-on-year decrease of 69.8% from RMB736.6 million for the six months ended 30 June 2021, primarily due to a significant provision for impairment on financial assets and an increase in the interest on convertible bonds during the period.



MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

During the period, income tax expense amounted to approximately RMB36.3 million, representing a decrease of approximately RMB61.2 million from RMB97.5 million for the six months ended 30 June 2021. The decrease in income tax expense was primarily due to the decrease in the Group's profit before income tax for the six months ended 30 June 2022, which resulted in the corresponding decrease in income tax expense.

The effective tax rate was 16.3%, representing an increase of 3.1 percentage points from 13.2% for the same period of last year, primarily because of an increase in effective tax rate caused by non-deductible items for tax purposes such as impairment loss on goodwill and interest on convertible bonds during the period. 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 recognised 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 subject to any income tax of the 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 as the Group did not derive any income subject to Hong Kong profits tax during the six months from 1 January 2022 to 30 June 2022.

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

Profit for the Period

The Group's profit for the period amounted to approximately RMB185.8 million, representing a decrease of approximately 70.9% as compared to approximately RMB639.1 million for the six months ended 30 June 2021. Profit attributable to equity holders of the Company was approximately RMB139.6 million, representing a decrease of 75.9% as compared to approximately RMB578.2 million for the six months ended 30 June 2021.

Net profit margin for the period was 4.4%, representing a decrease of approximately 12.5 percentage points as compared to 16.9% for the six months ended 30 June 2021.

Property, Plant and Equipment

During the period, the net book value of the Group's property, plant and equipment amounted to RMB555.2 million, representing an increase of 8.5% as compared to RMB511.7 million as of 31 December 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Intangible Assets

The Group's intangible assets primarily include goodwill arising from equity acquisition, customer relationship, software assets such as proprietary software, and various business information systems including data middle office and full-life cycle system, etc. As of 30 June 2022, the Group's intangible assets were approximately RMB3,681.9 million, representing an increase of approximately 12.4% as compared to approximately RMB3,276.9 million as of 31 December 2021, primarily due to the goodwill arising from companies we acquired and the growth in customer relationship.

As of 30 June 2022, the Group's goodwill amounted to RMB2,422.8 million, representing an increase of 13.8% as compared to RMB2,129.5 million as of 31 December 2021. The Group's goodwill mainly arises from the expected future development, the improvement of market coverage, the expansion of service portfolio, the integration of value-added services and the enhancement of management efficiency of the acquired companies.

Trade Receivables

As at 30 June 2022, the Group's net trade receivables amounted to approximately RMB3,386.0 million, representing an increase of approximately 7.3% as compared to approximately RMB3,154.9 million as at 31 December 2021. It was primarily due to (i) the increase in the number of property owners brought by the rapid growth of the Group's businesses and the provision of city services during the period, according to industrial practices which 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 facilities services in the first half of 2022. The credit terms of these companies are closely related to their clients' capital planning, and hence are relatively longer in terms of collection.

During the period, the turnover days of the Group's trade receivables increased from 110 days for the same period of last year to 138 days. It was due to (1) the extension of credit terms for related parties; and (2) the relatively longer credit terms of public facilities services business and city services business.

Trade Payables and Deposits Received, Accruals and Other Payables

As at 30 June 2022, the Group's trade payables and deposits received, accruals and other payables amounted to RMB3,545.1 million, representing an increase of 0.1%, remaining basically stable as compared to approximately RMB3,542.1 million as at 31 December 2021.

Liquidity, Reserves and Capital Structure

During the period, the Group maintained a strong financial position. Current assets amounted to RMB12,498.9 million as at 30 June 2022, representing a decrease of 10.3% from approximately RMB13,933.9 million as at 31 December 2021. The Group's cash and cash equivalents amounted to RMB7,047.2 million as at 30 June 2022, representing a decrease of approximately 28.4% from approximately RMB9,842.1 million as at 31 December 2021, mainly because the Group (1) paid the considerations for equity transfer of companies acquired in prior years and companies newly acquired during the period, and (2) recorded the cash outflow from operating activities during the period.

As of 30 June 2022, the Group's net current assets amounted to approximately RMB4,337.3 million. The current ratio was 1.5, remaining basically stable as compared to 1.8 as at 31 December 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Proceeds from the Listing

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

Intended use of net proceeds	Proceeds available for utilisation (RMB million)	Allocation percentage (%)	Utilised amount as of 30 June 2022 (RMB million)	Unutilised amount as of 30 June 2022 (RMB million)	Expected timeline for utilising the remaining unutilised amount
(1) To continue to expand business scale through multiple channels	3,332	65%	2,534	798	2022
(2) To diversify people-oriented and property-oriented value-added service offerings	769	15%	125	644	2023
(3) To improve the information technology system and smart technologies	256	5%	98	158	2023
(4) To attract and nurture talent	256	5%	30	226	2023
(5) For working capital and other general corporate purposes	513	10%	213	300	2023
Total	5,126	100%	3,000	2,126	

Equity Fund Raising Activities and Use of Proceeds

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Issuance of Convertible Bonds under General Mandate (the “Bonds Issue”)

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

Intended use of net proceeds	Net proceeds available for utilisation (RMB million)	Allocation percentage (%)	Utilised amount as of 30 June 2022 (RMB million)	Unutilised amount as of 30 June 2022 (RMB million)	Expected timeline for utilising the remaining unutilised net proceeds
(1) Potential M&A	3,153	80%	–	–	2023
(2) Business expansion	394	10%	–	–	2022
(3) General working capital and general corporate uses	394	10%	–	–	2023
Total	3,941	100%	–	–	

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

Optional Redemption for Consent Solicitation in relation to the Bonds

Under the terms and conditions of the Bonds, the holders of the Bonds (the “Bondholders”) have the right to require Crystal Idea, as the issuer of the Bonds, to redeem all or some only of their Bonds when the shares of the Company are suspended for a period of equal to or exceeding 30 consecutive trading days on the Stock Exchange. Due to an unexpected incident, trading in the shares of the Company on the Stock Exchange was suspended on 3 May 2022 and was subsequently resumed on 23 June 2022. Given the suspension of trading in the shares exceeded 30 consecutive trading days, it has triggered the right of the Bondholders to require redemption of the Bonds. On 6 July 2022, the issuer conducted the consent solicitation to seek waivers of its redemption obligations (the “Proposed Waiver”) triggered under the Bonds and to amend its optional redemption right (the “Proposed Amendment”) to the Bonds.

An extraordinary resolution was passed at the meeting held on 1 August 2022 to approve and implement the Proposed Waiver and the Proposed Amendments under the Bonds and the same have become effective on 3 August 2022, whereby the issuer has made payment as consent fee to the Bondholders in an aggregate amount of HK\$7,625,000 on 4 August 2022. On 18 August 2022 (the “Redemption Date”), the issuer redeemed HK\$1,399,500,000, or 45% of the aggregate outstanding principal amount of the outstanding Bonds on a pro rata basis at their principal amount together with the interest accrued but unpaid up to but excluding the Redemption Date and such redeemed Bonds have been cancelled.

The issuer will redeem the outstanding Bonds at their principal amount together with accrued and unpaid interest thereon on their maturity date pursuant to the terms and conditions of the Bonds. For further details, please refer to the announcements of the Company dated 6 July 2022, 22 July 2022, 1 August 2022, 3 August 2022, 4 August 2022 and 18 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITIONS

In January 2022, the Group successfully acquired 100% equity interest in Zhejiang Xindadi Property Management Co., Ltd* (浙江新大地物業管理有限公司) and 51% equity interest in Quanzhou Youda Real Estate Management Co., Ltd.* (泉州友達置業管理有限公司) at considerations of approximately RMB61.1 million and RMB4.0 million, respectively. The acquisitions further expanded the Group's reach in the sector of residential property. The equity cooperation is complementary to the Group's existing operation and business layout and beneficial to generate synergies, and accelerates the Company's development.

In January 2022, the Group seized the market opportunity by successfully acquiring 70% equity interest in Suzhou Tianxiang Real Estate Management Co., Ltd.* (蘇州市天翔物業管理有限公司, "Suzhou Tianxiang") at a consideration of RMB245.7 million. Suzhou Tianxiang is a Top 50 Property Management Companies of Jiangsu Province (江蘇省50強物業服務企業), and its projects are mainly located in Jiangsu Province. Leveraging Suzhou Tianxiang's brand influence, the Group is better positioned to enhance its project management intensity in Suzhou region, beef up regional resources and competitiveness, and reinforce its competitive edge in exploring the core area of the Yangtze River Delta.

In January 2022, the Group successfully acquired 70% equity interest in Hunan Jili Property Management Co., Ltd.* (湖南吉立物業管理有限公司, "Hunan Jili") at a consideration of approximately RMB99.6 million. Hunan Jili is a local leader occupying the leading position in the hospital property market in Hunan. The acquisition facilitated the Group to establish a new business line of hospital property services and explore the property market in Hunan.

In June 2022, the Group successfully acquired 70% equity interest in Tianjin Rongwei Security Service Co., Ltd* (天津市戎威保安服務有限公司, "Tianjin Rongwei") at a consideration of approximately RMB86.9 million. Tianjin Rongwei possesses the security license in Tianjin, where it ranks first among private security service companies. As a platform company in the security sector along the Shimao Chain (茂鏈), its businesses cover the Beijing-Tianjin-Hebei region. The cooperation helped Shimao Services to enhance its business volume and proceed expansion in security services business and its service capability in public facilities business. Meanwhile, Tianjin Rongwei will be serving as a close local partner, acting as an empowering supply chain platform of Shimao Chain and a pilot entity for lean and smart business.

The following table sets forth the percentage of shareholdings acquired and transaction considerations of the companies acquired by the Group in the first half of 2022:

Time	Name of company	Percentage of shareholdings acquired (%)	Transaction consideration (RMB million)
January 2022	Zhejiang Xindadi Property Management Co., Ltd* (浙江新大地物業管理有限公司)	100.00%	61.14
January 2022	Suzhou Tianxiang Real Estate Management Co., Ltd.* (蘇州市天翔物業管理有限公司)	70.00%	245.70
January 2022	Hunan Jili Property Management Co., Ltd.* (湖南吉立物業管理有限公司)	70.00%	99.65
January 2022	Quanzhou Youda Real Estate Management Co., Ltd.* (泉州友達置業管理有限公司)	51.00%	4.00
June 2022	Tianjin Rongwei Security Service Co., Ltd* (天津市戎威保安服務有限公司)	70.00%	86.93

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITIONS AND FUTURE OUTLOOK

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

Basic requirement: A target company should fall within the existing management coverage of the Group, serve as a regional or segment leader without “Red Line” issues such as safety and can accept the integration as requested by the Group. The Group will also pay attention to the middle and high income groups to be brought into the local community from the customer base of the target company, so as to promote the development of community value-added services in the later stage.

Horizontal integration: Focusing on the expansion of management scale, optimising the business scale and project density in key regions, and enhancing comprehensive cost control capability and supply chain output capacity of the regions.

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

In 2022, due to the downturn amid the turmoil in the real estate industry, our businesses suffered serious shrinkage, affecting the development of the downstream property management industry. The Group will be more cautious about M&A, and pay more attention to the growth and improvement of existing business capabilities, so as to realise effective organic growth.

FOREIGN EXCHANGE RISK

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

EMPLOYEES AND COMPENSATION POLICY

As at 30 June 2022, the Group had a total of 46,550 employees, representing an increase of 62.8% as compared to 28,597 employees as at 30 June 2021. Total staff costs amounted to RMB2,065.3 million, representing an increase of 66.1% from RMB1,243.3 million for the same period of last year. The increase in staff costs was mainly due to (i) the growth brought by acquirees; and (ii) the increased demand for high-quality talents in areas of value-added services, investment and market expansion associated with 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 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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

During the six months ended 30 June 2022, no share awards were granted to any employees of the Group under the Share Award Scheme.

CONTINGENT LIABILITIES

As at 30 June 2022, 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors and Senior Management Profiles

Executive Directors

Hui Sai Tan, Jason (Chairman)

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

Ye Mingjie (President)

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

Cao Shiyang

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世揚), aged 48, was appointed as an Executive Director of the Company on 1 June 2020 and has been the vice president of the Group since January 2020. Mr. Cao is primarily responsible for the overall operations and management of the Group in the Yangtze River Delta Region. Mr. Cao joined the Group in July 2009 and served as an assistant president and the general manager for Shanghai and Jiangsu regions of the Group from January 2018 to December 2019. Mr. Cao has over 15 years of experience in the property management industry. Mr. Cao successively served various positions in the Group from July 2009 to December 2019, including project leader, the head of business management department and regional leader in Suzhou, Jiangsu Province. Prior to joining the Group, Mr. Cao had worked at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司) from October 1995 to May 2003 and at Nanjing Vanke Property Management Co., Ltd. (南京萬科物業管理有限公司) from May 2003 to July 2009 respectively, both of which are wholly-owned subsidiaries of China Vanke Co., Ltd. (萬科企業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange and the HKEx respectively, where he served in various positions including the head of business management department and project leader. Mr. Cao obtained a Diploma in Industrial and Civil Architecture from Beijing Jingqiao University (北京京橋大學) through correspondence learning program in the PRC in July 2008 and a Bachelor's Degree in Engineering Management (economic management) from People's Liberation Army Army Officer Academy (中國人民解放軍陸軍軍官學院) in the PRC in June 2013. Mr. Cao is pursuing an EMBA selected courses program in Nanjing University (南京大學) in the PRC.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors and Senior Management Profiles (CONTINUED)**Executive Directors** (continued)**Cai Wenwei**

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

Non-executive Director**Tang Fei**

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors and Senior Management Profiles (CONTINUED)**Independent Non-executive Directors****Gu Yunchang**

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

Zhou Xinyi

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

Hui Wai Man, Lawrence

Mr. Hui Wai Man, Lawrence, aged 65, was appointed as an Independent Non-executive Director of the Company on 24 August 2022. Mr. Lawrence Hui obtained a Bachelors Degree in Arts from Manchester Polytechnic, the United Kingdom (now known as Manchester Metropolitan University) in 1982 and has over 39 years' experience in corporate finance, project finance, taxation, accounting and audit. Mr. Lawrence Hui worked in a number of companies, including as an executive director and chief financial officer of several companies including Guangdong Tannery Limited, Guangnan (Holdings) Limited (now known as GDH Guangnan (Holdings) Limited) and Kingway Brewery Holdings Limited (now known as Guangdong Land Holdings Limited), finance manager of Cheung Kong (Holdings) Limited (now reorganized as CK Hutchison Holdings Limited), general manager (corporate finance, leasing and property sales) of Sino Land Company Limited and group financial controller of Lai Fung Company Limited. Mr. Lawrence Hui has been the vice president and chief financial officer of Shimao Group Holdings, the ultimate holding company of the Company listed on the HKEx, from November 2005 to April 2013. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2021 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 Directors	Details of Changes
Mr. Liu Yu	Resigned as an Executive Director of the Company on 31 July 2022
Ms. Kan Lai Kuen, Alice	Resigned as an Independent Non-executive Director of the Company and ceased to be the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company on 24 August 2022
Mr. Hui Wai Man, Lawrence	Appointed as an Independent Non-executive Director of the Company, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company on 24 August 2022

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 2022, no share award was granted to any employees of the Group under the Share Award Scheme.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2022, 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	1,904,728 ^(Note 2)	0.077%
Cao Shiyang	Beneficial owner/ Interest of spouse	227,981 ^(Note 3)	0.009%
Cai Wenwei	Beneficial owner	143,062 ^(Note 1)	0.006%
Tang Fei	Beneficial owner	53,418 ^(Note 1)	0.002%

Notes:

- 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").
- These interests disclosed include deemed interests in 1,104,728 shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme.
- These interests disclosed include deemed interests in 185,981 shares granted which had not vested pursuant to the 2021 Shimao Group Share Award Scheme, and 22,000 shares held by the spouse of Mr. Cao Shiyang.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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	3,682,198 ^(Note 1)	0.100%
Ye Mingjie	Beneficial owner	265,086 ^(Note 2)	0.007%
Cao Shiyang	Beneficial owner	93,202 ^(Note 3)	0.003%
Tang Fei	Beneficial owner	1,241,103 ^(Note 4)	0.033%

Notes:

1. These interests disclosed include deemed interests in 119,493 shares granted which had not vested pursuant to a share award scheme adopted by the board of directors of Shimao Group Holdings on 30 December 2011 (the "2011 Shimao Group Share Award Scheme").
2. These interests disclosed include deemed interests in 41,518 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.
3. These interests disclosed include deemed interests in 7,984 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.
4. These interests disclosed include deemed interests in 124,003 shares granted which had not vested pursuant to the 2011 Shimao Group Share Award Scheme.

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

Directors' Right to Acquire Shares or Debentures

Save as disclosed above, at no time during the six months ended 30 June 2022 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Disclosure of Interests in Securities (CONTINUED)**Interests of Substantial Shareholders**

As at 30 June 2022, 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	63.097%
Shimao Group Holdings	Note 1	1,557,352,000	63.097%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,557,352,000	63.097%
Gemfair Investments Limited ("Gemfair")	Note 3	1,589,286,159	64.391%
Mr. Hui Wing Mau	Note 4	1,600,142,501	64.831%

Notes:

- These interests disclosed comprise (i) 1,550,486,179 shares held by Best Cosmos (a company which is directly wholly-owned by Shimao Group Holdings, which is owned as to approximately 53.87% by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau); and (ii) 6,865,821 shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under the 2021 Shimao Group Share Award Scheme.
- 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.
- 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.
- These interests comprise (i) 10,856,342 shares held directly by Shiyang 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 eight Directors, comprising four Executive Directors, one Non-executive Director and three Independent Non-executive Directors who all possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial experience to the Board.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 A.2.1 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, Mr. Hui Wai Man, Lawrence (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.

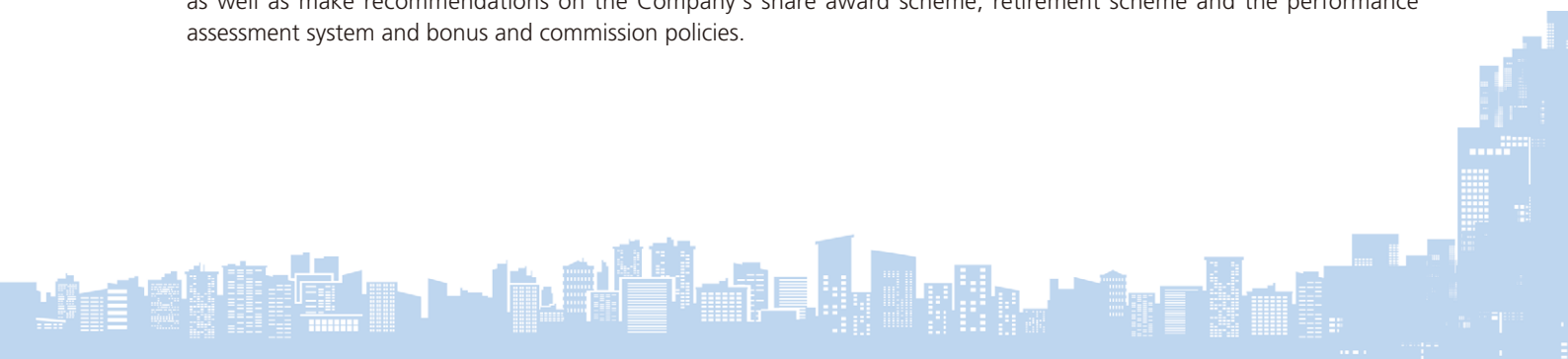
The Audit Committee meets the external auditor at least twice a year to discuss any significant items during the audits and considers any matters raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor. The Audit Committee reviews the 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 2022 have been reviewed by the Audit Committee.

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), Mr. Gu Yunchang and Mr. Hui Wai Man, Lawrence.

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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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. Zhou Xinyi and Mr. Hui Wai Man, Lawrence.

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 2022.

Corporate Governance Code

The Company complied with all the code provisions set out in the Code throughout the six months ended 30 June 2022.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2022, 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 2022 (30 June 2021: 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, 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, 31 August 2022



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and restated)
Revenue	7	4,265,677	3,779,140
Cost of sales and services	7	(3,152,057)	(2,523,795)
Gross profit		1,113,620	1,255,345
Selling and marketing expenses		(107,238)	(48,220)
Administrative expenses		(470,202)	(416,132)
Provision of impairment losses on financial assets – net	8	(380,207)	(125,834)
Impairment loss on goodwill	17(a)	(22,594)	–
Fair value changes in derivative embedded in convertible bonds	25	57	–
Fair value changes in contingent consideration payable		108,175	–
Other income	9	56,058	29,228
Other gains – net	10	25,120	42,351
Other operating expenses	11	(4,390)	(3,809)
Operating profit		318,399	732,929
Finance income		36,625	12,100
Finance costs		(135,994)	(10,460)
Finance (costs)/income – net	12	(99,369)	1,640
Share of results of associates accounted for using the equity method	15	3,041	2,036
Profit before income tax	8	222,071	736,605
Income tax expense	13	(36,253)	(97,525)
Profit for the period		185,818	639,080
Profit attributable to:			
– Equity holders of the Company		139,613	578,156
– Non-controlling interests		46,205	60,924
		185,818	639,080
Other comprehensive loss for the period			
<i>Items that may be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		(40,304)	(33,396)
Total other comprehensive loss for the period, net of tax		(40,304)	(33,396)
Total comprehensive income for the period		145,514	605,684
Total comprehensive income attributable to:			
– Equity holders of the Company		99,309	544,760
– Non-controlling interests		46,205	60,924
		145,514	605,684
Earnings per share for profit attributable to the equity holders of the Company	14		
– Basic (RMB)		0.06	0.24
– Diluted (RMB)		0.06	0.24

The notes on pages 43 to 80 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	16	555,206	511,745
Right-of-use assets	27	43,201	43,942
Investment properties	16	19,948	20,177
Intangible assets	17	3,681,910	3,276,926
Deferred tax assets	28	182,690	95,236
Investment in associates accounted for using the equity method	15	50,178	42,184
Contract assets		183,870	173,926
Prepayments and deposits	20	1,240,710	62,388
Total non-current assets		5,957,713	4,226,524
Current assets			
Inventories	18	215,700	218,469
Trade receivables	19	3,386,007	3,154,942
Financial assets at fair value through profit or loss		13,976	–
Prepayments, deposits and other receivables	20	1,792,425	688,971
Restricted cash	21	43,612	29,452
Cash and cash equivalents	21	7,047,187	9,842,099
Total current assets		12,498,907	13,933,933
Current liabilities			
Trade payables	26	1,174,941	1,143,127
Deposits received, accruals and other payables	26	2,292,224	2,065,830
Contract liabilities		1,281,380	1,550,393
Income tax liabilities		513,557	390,864
Convertible bonds	25	2,611,141	2,389,029
Derivative embedded in convertible bonds	25	–	57
Borrowings	24	272,497	270,812
Lease liabilities	27	15,905	21,071
Total current liabilities		8,161,645	7,831,183
Net current assets		4,337,262	6,102,750
Total assets less current liabilities		10,294,975	10,329,274

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Borrowings	24	513,533	546,529
Lease liabilities	27	17,720	10,302
Deferred tax liabilities	28	233,630	207,389
Other payables	26	77,891	333,135
Deferred income		3,714	–
Provisions for other liabilities and charges	23	4,781	4,796
Total non-current liabilities		851,269	1,102,151
Net assets		9,443,706	9,227,123
Equity			
Share capital	22	21,358	21,445
Reserves		8,613,820	8,505,592
Total equity attributable to equity holders of the Company		8,635,178	8,527,037
Non-controlling interests		808,528	700,086
Total equity		9,443,706	9,227,123

The notes on pages 43 to 80 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 2022

	Notes	Unaudited							
		Attributable to equity holders of the parent							Total equity RMB'000
		Share capital RMB'000 (Note 22)	Share premium* RMB'000	Statutory reserves* RMB'000	Other reserves* RMB'000	Treasury reserve* RMB'000	Retained earnings* RMB'000	Total RMB'000	
Balance at 1 January 2022		21,445	8,490,762	184,490	(1,681,078)	(145,985)	1,657,403	8,527,037	700,086
Comprehensive income									
Profit for the period		-	-	-	-	-	139,613	139,613	46,205
Other comprehensive loss									
<i>Items that may be reclassified to profit or loss</i>									
Exchange differences on translation of foreign operations		-	-	-	(40,304)	-	-	(40,304)	-
Total comprehensive (loss)/ income for the period		-	-	-	(40,304)	-	139,613	99,309	46,205
Transactions with owners in their capacity as owners									
Acquisition of subsidiaries	31(a)(v)	-	-	-	-	-	-	-	51,234
Acquisition of non-controlling interests	31(d)	-	-	-	(10,360)	-	-	(10,360)	8,155
Capital injection from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	6,780
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	(3,932)
Cancellation of repurchased shares	22	(87)	(66,327)	-	-	66,414	-	-	-
Equity-settled share-based payment – Share Award Scheme	8	-	-	-	19,192	-	-	19,192	-
Total transactions with owners		(87)	(66,327)	-	8,832	66,414	-	8,832	62,237
Balance at 30 June 2022		21,358	8,424,435	184,490	(1,712,550)	(79,571)	1,797,016	8,635,178	808,528

* These reserve accounts comprise the interim condensed consolidated reserves of approximately RMB8,613,820 (31 December 2021: RMB8,505,592) in the interim condensed consolidated balance sheet.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022

		Unaudited							
		Attributable to equity holders of the parent							
	Notes	Share capital RMB'000 (Note 22)	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
Comprehensive income									
Profit for the period		–	–	–	–	578,156	578,156	60,924	639,080
Other comprehensive loss									
<i>Items that may be reclassified to profit or loss</i>									
Exchange differences on translation of foreign operations		–	–	–	(33,396)	–	(33,396)	–	(33,396)
Total comprehensive income for the period		–	–	–	(33,396)	578,156	544,760	60,924	605,684
Transactions with owners in their capacity as owners									
Dividends	29	–	–	–	–	(213,334)	(213,334)	–	(213,334)
Disposal of a subsidiary	31(c)	–	–	–	–	–	–	(12,091)	(12,091)
Acquisition of non-controlling interests	31(e)	–	–	–	(132,391)	–	(132,391)	(102,374)	(234,765)
Acquisition of subsidiaries	31(b)(iii)	–	–	–	–	–	–	128,670	128,670
Capital injection from non-controlling interests		–	–	–	–	–	–	13,500	13,500
Equity-settled share-based payment – Share Award Scheme	8	–	–	–	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

* These reserve accounts comprise the interim condensed consolidated reserves of approximately RMB6,633,843 in the interim condensed consolidated balance sheet as at 30 June 2021.

The notes on pages 43 to 80 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 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows (used in)/from operating activities			
Cash (used in)/generated from operations		(2,416,884)	346,352
Interest received on bank deposits		36,625	13,475
Income tax paid		(23,991)	(110,215)
Net cash (used in)/generated from operating activities		(2,404,250)	249,612
Cash flows used in investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	31(a)	(271,918)	(336,347)
Purchase of financial assets at fair value through profit or loss		(13,976)	(470,460)
Proceeds from disposal of financial assets at fair value through profit or loss		–	494,460
Payment for investment accounted for using equity method	15	(2,450)	–
Net cash inflow from disposal of a subsidiary	31(c)	–	91,383
Payments for property, plant and equipment		(133,707)	(58,737)
Net cash inflows/(outflows) from disposal of property, plant and equipment		18,811	(332)
Payments of software development costs		(13,133)	(1,113)
Net cash used in investing activities		(416,373)	(281,146)
Cash flows used in financing activities			
Payments for acquisition from non-controlling interests	31(d)	(2,205)	(117,274)
Capital injection from non-controlling interests of subsidiaries		6,780	13,500
Dividend paid to non-controlling interests		(3,932)	–
Proceeds from new borrowings		12,000	–
Interest paid on borrowings		(26,198)	(5,778)
Repayments of borrowings		(46,781)	(20,000)
Payments for lease liabilities	27(c)	(11,718)	(10,769)
Interest paid on lease liabilities	27(c)	(1,017)	(183)
Payment for coupon interest of convertible bonds	25	(29,073)	–
Net cash used in financing activities		(102,144)	(140,504)
Net decrease in cash and cash equivalents		(2,922,767)	(172,038)
Cash and cash equivalents at beginning of the period		9,842,099	5,830,046
Effects of exchange rate changes on cash and cash equivalents		127,855	(36,426)
Cash and cash equivalents at end of the period		7,047,187	5,621,582

The notes on pages 43 to 80 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 principal place of business is located at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 October 2020.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in the provisions of property management services, community value-added services, value-added services to non-property owners and city services in the People’s Republic of China (the “PRC”).

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

2. Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accounts (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA, and any public announcements made by the Company during the interim reporting period.

The interim condensed consolidated financial information has been prepared on historical cost basis except for certain financial instruments which are measured at fair values. As the Group mainly operates in the PRC, Renminbi (“RMB”) is used as the presentation currency of the interim condensed consolidated financial information and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

The comparative figures of revenue and cost of sales and services were restated to conform with current year’s presentation. Other than those comparative figures disclosed in the Group’s condensed consolidated statement of comprehensive income for the six months ended 30 June 2022 and certain explanatory notes have been restated, there was no impact to the retained earnings as at 30 June 2021 and the financial position for the six months ended 30 June 2021.

3. Changes in accounting policies and disclosures

The accounting policies and method of computation adopted in the preparation of these interim condensed consolidated financial information were consistent with those adopted in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021 other than changes in accounting policies resulting from adoption of the new or amendments to HKFRSs for the first time for the current period’s financial information.

Accounting Guideline 5 (Revised)

Amendments to HKFRS 3
Amendments to HKFRS 3, HKAS 16 and HKAS 37
Amendments to HKAS 16
Amendments to HKAS 37
Amendments to HKFRSs

Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

Reference to the Conceptual Framework
Narrow-scope Amendments
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020

The adoption of these new or amendments to HKFRSs has had no significant financial effect on the Group’s interim condensed consolidated financial information.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

4. Estimates

The preparation of the interim condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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 described in the Group's annual financial statements for the year ended 31 December 2021.

5. Financial risk management objectives and policies**5.1 Financial risk factors**

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

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

5.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for capital management since the year end.

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 interim condensed consolidated balance sheets plus net debt.

The Group is at a net cash position and there is no gearing as of 30 June 2022 (31 December 2021: Same).

5.3 Fair value estimation**(i) Financial instruments not measured at fair value**

Except for the below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim condensed consolidated balance sheet approximate to their fair values.

(ii) Financial instruments measured at fair value

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

5. Financial risk management objectives and policies (CONTINUED)

5.3 Fair value estimation (continued)

(ii) Financial instruments measured at fair value (continued)

The following table presents the Group's financial assets and liabilities measured at fair value at the end of each reporting period.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2022 (Unaudited)				
Assets				
Financial assets at fair value through profit or loss ("FVPL") (Note (a))	–	–	13,976	13,976
Liabilities				
Consideration payable arising from non-controlling shareholders' put option (Note 26) (Note (b))	–	–	328,700	328,700
Purchase consideration (Note 26) (Note (c))	–	–	503,544	503,544
Derivatives embedded in convertible bonds (Note 25)	–	–	–	–
	–	–	832,244	832,244
As at 31 December 2021 (Audited)				
Liabilities				
Consideration payable arising from non-controlling shareholders' put option (Note 26) (Note (b))	–	–	344,532	344,532
Purchase consideration (Note 26)	–	–	464,888	464,888
Derivatives embedded in convertible bonds (Note 25) (Note (c))	–	–	57	57
	–	–	809,477	809,477

Notes:

- (a) Balance represented a financial product purchased from a commercial bank in the PRC. The fair value of the financial product as at 30 June 2022 was estimated by the management of the Company by using discounted cash flow method which was based on the present value of the contractual stream of future cash flows at the discount rate (31 December 2021: N/A).
- (b) Balance represented several put options guaranteed to the non-controlling shareholders of certain subsidiaries of the Group which they had the right to sell the remaining equity interests to the Group. The fair value of the put options as at 30 June 2022 was estimated by the management of the Company by using probability-weighted average of floating premiums under certain financial projection scenarios prepared by the management (31 December 2021: Same).
- (c) Balance represented additional consideration in cash depending on whether the acquired subsidiaries' revenue or profit after tax meet specified targets. The fair value of the consideration as at 30 June 2022 was estimated by the management of the Company by using the probabilistic approach with possible scenarios under different financial forecasts (31 December 2021: Same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

5. Financial risk management objectives and policies (CONTINUED)

5.3 Fair value estimation (continued)

The following table presents the changes in Level 3 instruments for the reporting period.

	Financial assets at fair value through other comprehensive Income ("FVOCI") RMB'000	Financial assets at fair value through other comprehensive Income ("FVOCI") RMB'000	Consideration payable arising from non- controlling RMB'000	Purchase consideration payable RMB'000	Derivatives embedded in convertible bonds RMB'000
As at 1 January 2021	–	356	320,344	320,295	–
Additions	–	–	–	391,590	144,803
Payments	–	–	–	(246,997)	–
Changes in fair value	–	(356)	24,188	–	(144,746)
As at 31 December 2021 (Audited)	–	–	344,532	464,888	57
Net (losses)/gains for the year	–	–	(24,188)	–	144,746
As at 1 January 2022	–	–	344,532	464,888	57
Additions	13,976	–	–	127,598	–
Payments	–	–	–	(88,942)	–
Changes in fair value	–	–	(15,832)	–	(57)
As at 30 June 2022 (Unaudited)	13,976	–	328,700	503,544	–
Net gains for the period	–	–	15,832	–	57

There were no transfers between the three levels for the six months ended 30 June 2022 (year ended 31 December 2021: Same). The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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.

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 directors of the Company.

The CODM considers business from a product perspective and has identified the following two operating segments:

- Property management and related services, which include property management services, community value-added services, and value-added services to non-property owners; and
- City services, which includes sanitation, cleaning and sewage and waste treatment business.

The CODM assesses the performance of the operating segments based on a measure of operating profits, adjusted by excluding finance income, finance costs, other gains – net, fair value changes in derivative embedded in convertible bonds, fair value changes in contingent consideration payable, share of results of associates accounted for using the equity method and certain unallocated expenses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

6. Segment information (CONTINUED)

All assets are allocated to operating segment assets other than deferred tax assets, investments in associates accounted for using the equity method, financial assets at FVOCI and FVPL and other corporate assets. All liabilities are allocated to operating segment liabilities other than deferred tax liabilities, income tax liabilities, convertible bonds, derivative embedded in convertible bonds, borrowings and other corporate liabilities.

Sales between segments are carried out on terms agreed upon by the respective segments' management.

Certain comparative figures of segment information were therefore reclassified to conform with current year's presentation.

The principal operating entity of the Group is domiciled in the PRC. For the purpose of segment information disclosure under HKFRS 8, the Group regarded the PRC as its place of domicile. The Group's revenue from external customers is classified based on the geographical locations of the customers and the details are disclosed above. Accordingly, all of the Group's revenue were derived in the PRC during the six months ended 30 June 2022 (six months ended 30 June 2021: Same).

As at 30 June 2022, all of the non-current assets of the Group were located in the PRC (31 December 2021: Same).

	Property management and related services RMB'000	City services RMB'000	Total RMB'000
Six months ended 30 June 2022 (Unaudited)			
Reportable segment revenue	3,594,717	670,960	4,265,677
Reportable segment results	152,797	56,160	208,957
Amounts included in the measure of segment profit or loss:			
Provision of impairment losses on financial assets – net	(299,666)	(80,541)	(380,207)
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(81,861)	(9,467)	(91,328)
Amortisation of intangible assets	(88,378)	(7,275)	(95,653)
Six months ended 30 June 2021 (Unaudited)			
Reportable segment revenue (Restated)	3,644,962	134,178	3,779,140
Reportable segment results	684,087	19,980	704,067
Amounts included in the measure of segment profit or loss:			
Provision of impairment losses on financial assets – net	(125,834)	–	(125,834)
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(35,581)	(7,454)	(43,035)
Amortisation of intangible assets	(38,646)	(6,267)	(44,913)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

6. Segment information (CONTINUED)

A reconciliation of segment results to profit before income tax is provided as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Segment results	208,957	704,067
Fair value changes in derivative embedded in convertible bonds	57	–
Other gains – net	25,120	42,351
Share of results of associates accounted for using the equity method	3,041	2,036
Fair value changes of contingent consideration payable	108,175	–
Finance costs	(135,994)	(10,460)
Finance income	36,625	12,100
Unallocated expenses	(23,910)	(13,489)
Profit before income tax	222,071	736,605

The segment assets and liabilities are as follows:

	Property management and related services RMB'000	City services RMB'000	Total RMB'000
As at 30 June 2022 (Unaudited)			
Segment assets	13,551,409	1,572,604	15,124,013
Segment liabilities	4,164,825	693,781	4,858,606
As at 31 December 2021 (Audited)			
Segment assets	13,189,403	1,580,514	14,769,917
Segment liabilities	4,388,779	729,911	5,118,690

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

6. Segment information (CONTINUED)

Reconciliation of segment assets to total assets and segment liabilities to total liabilities provided as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Segment assets	15,124,013	14,769,917
Deferred tax assets	182,690	95,236
Investments in associates accounted for using the equity method	50,178	42,184
Financial assets at fair value through profit or loss	13,976	—
Other corporate assets	3,085,763	3,253,120
Total assets	18,456,620	18,160,457
Segment liabilities	4,858,606	5,118,690
Deferred tax liabilities	233,630	207,389
Convertible bonds	2,611,141	2,389,029
Derivative embedded in convertible bonds	—	57
Income tax liabilities	513,557	390,864
Borrowings	786,030	817,341
Other corporate liabilities	9,950	9,964
Total liabilities	9,012,914	8,933,334

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

7. Revenue and cost of sales and services

Revenue mainly comprises of proceeds from property management services, value-added services and city services rendered to customers, net of value added tax and surcharges, and allowances for discounts. An analysis of the Group's revenue and cost of sales and services by category for the reporting period is as follows:

	Six months ended 30 June			
	2022 (Unaudited)		2021 (Unaudited)	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000 (Restated)	Cost of sales RMB'000 (Restated)
Revenue from customer and recognised over time:				
Property management services	2,342,195	1,725,929	2,014,176	1,395,432
Community value-added services	211,042	119,721	159,790	54,581
Value-added services to non-property owners	321,553	236,438	384,312	277,464
City services	670,960	565,274	134,178	114,198
	3,545,750	2,647,362	2,692,456	1,841,675
Revenue from customer and recognised at a point in time:				
Community value-added services	719,927	504,695	1,086,684	682,120
	4,265,677	3,152,057	3,779,140	2,523,795
Gross basis	4,136,843	3,105,240	3,542,568	2,422,712
Net basis	128,834	46,817	236,572	101,083
	4,265,677	3,152,057	3,779,140	2,523,795

For the six months ended 30 June 2022, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to approximately 8.93% (six months ended 30 June 2021: 11.33%) 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 2022 (six months ended 30 June 2021: Nil).

Certain comparative figures of revenue were reclassified from gross basis to net basis to conform with current year's presentation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

8. Profit before income tax

The Group's profit before income tax is calculated after charging/(crediting) the following expenses:

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expenses (excluding directors' and chief executive's remuneration)		2,065,305	1,243,281
Equity-settled share-based payment (Note)			
– Employees other than directors		13,930	5,495
– Directors		5,262	1,825
		19,192	7,320
Provision of impairment losses on financial assets – net:			
– Third parties			
Provision of impairment losses on trade receivables	19	12,396	115,225
(Reversal)/provision of impairment losses on other financial assets included in deposits and other receivables	20	(20,459)	8,154
– Related parties			
Provision of impairment losses on trade receivables	19	144,095	790
Provision of impairment losses on other financial assets included in deposits and other receivables	20	244,175	1,665
Total provision of impairment losses on financial assets – net		380,207	125,834
Depreciation and amortisation:			
Depreciation of property, plant and equipment	16	76,388	32,569
Depreciation of right-of-use assets, included in administrative expenses	27(b)	14,711	10,152
Depreciation of investment properties, included in cost of sales and services	16	229	314
Amortisation of intangible assets	17	95,653	44,913
		186,981	87,948
Auditors' remuneration			
– Annual and other audit services		–	2,100
– Non-audit services		1,000	3,050
		1,000	5,150
Cost of inventories sold		124,280	441,962
Cost of selling parking lots		21,946	67,213
Raw materials used in catering services		66,202	64,994

Note: Pursuant to the Share Award Scheme adopted by Shimao Group on 3 May 2021, a total 136 directors and employees of the Group were awarded a total of 4,866,137 shares at nil consideration. Such awarded shares would be vested in two tranches of 60% and 40% on 30 April 2022 and 30 April 2023 respectively. During the six months ended 30 June 2022, the Group recognised share-based payment relating to the shares awarded of approximately RMB19,192,000 (six months ended 30 June 2021: RMB7,320,000). Please refer to Note 35 to the Group's annual consolidated financial statements for the year ended 31 December 2021 for the details of the Share Award Scheme.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

9. Other income

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government grants (Note (a))	45,208	22,332
Value-added tax deductibles (Note (b))	10,850	6,847
Others	–	49
	56,058	29,228

- (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 the government grants recognised during the six months ended 30 June 2022 (six months ended 30 June 2021: Same).
- (b) Value-added tax deductibles mainly included additional deduction of input value-added tax applicable to certain subsidiaries in the PRC.

10. Other gains – net

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net gain on disposal of a subsidiary (Note 31(c))	–	69,059
Net fair value gains/(losses) of non-controlling shareholders' put options (Note 5.3)	15,832	(27,007)
Fair value gain on financial asset at FVPL	–	64
Gain on disposal of financial assets at fair value through profit or loss	–	2,346
Net gain/(loss) on disposal of property, plant and equipment	6,686	(74)
Net foreign exchange gains/(losses)	253	(3,028)
Others	2,349	991
	25,120	42,351

11. Other operating expenses

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation of investment properties (Note 16)	229	314
Compensation expenses	4,161	3,495
	4,390	3,809

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

12. Finance (costs)/income – net

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income on bank deposits	36,625	12,100
Finance income	36,625	12,100
Interest expense on convertible bonds (Note 25)	(111,457)	–
Interest and finance charges paid/payable for borrowings and lease liabilities and others	(24,537)	(10,460)
Finance costs	(135,994)	(10,460)
Finance (costs)/income – net	(99,369)	1,640

13. Income tax expense

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current income tax – PRC – Corporate income tax	146,684	135,606
Deferred tax credit (Note 28) – PRC corporate income tax	(110,431)	(38,081)
	36,253	97,525

(a) Cayman Island income tax

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

(b) BVI income tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

13. Income tax expense (CONTINUED)**(c) Hong Kong profits tax**

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

(d) PRC corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: Same).

Hailiang Property Management Co., Ltd. is qualified for a preferential tax rate of 15% until 2030 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Shanghai to Tibet since 19 December 2017.

Chengdu Xinyi Property Co., Ltd. and Hailiang Real Estate Management Co., Ltd. is qualified for preferential tax rate of 15% until 2030 for its head office in the Western provinces.

In accordance with Caishui Circular [2012] No. 27 ("Circular No. 27"), Shimao Wulianwang is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2021 after utilising all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

Shanghai Chunqiji Elderly Care Service Co., Ltd., Shenzhen Shi Lu Yuan Environmental Co., Ltd. ("Shi Lu Yuan") (formerly known as Shenzhen Shenxiong Environmental Co., Ltd.) and Wuxi Jinshatian Technology Co., Ltd. established in the PRC that were acquired during the year ended 31 December 2021 are qualified as "High and New Technology Enterprise" subject to a preferential income tax rate of 15% for three years from 1 December 2020, 11 December 2020, 7 November 2019 respectively.

The corporate income tax rate applicable to the entities located in Mainland China out of Western Region is 25% according to the Corporate Income Tax Law of the PRC (six months ended 30 June 2021: 25%).

(e) PRC withholding income tax

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

As at 30 June 2022, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB3,563,259,000 (31 December 2021: RMB2,975,583,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

14. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares during the six months ended 30 June 2022 (six months ended 30 June 2021: Same).

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	139,613	578,156
Weighted average number of equity shares (in thousands)	2,468,173	2,363,973
Basic earnings per share (expressed in RMB per share)	0.06	0.24

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares arising from the Share Award Scheme (Note 8) and convertible bonds (Note 25).

For the share award scheme, the number of shares that would have been issued assuming the exercise of the share award less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of equity shares as the denominator for calculating diluted earnings per share. For the convertible bonds, they are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to equity holders of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share award and the conversion of convertible bonds.

For the six months ended 30 June 2022, as the Company's outstanding convertible bonds had an anti-dilutive effect to the basic earnings per share calculation, the conversion of these potential ordinary shares is not assumed in the computation of diluted earnings per share.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit for the period, attributable to equity holders of the Company for diluted earnings per share (RMB'000)	139,613	578,156
Weighted average number of equity shares for basic earnings per share (in thousands)	2,468,173	2,363,973
Adjustments: share award scheme (in thousands)	2,442	–
Weighted average number of ordinary shares for dilutive earnings per share (in thousands)	2,470,615	2,363,973
Diluted earnings per share (expressed in RMB per share)	0.06	0.24

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

15. Investment in associates accounted for using the equity method

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	42,184	34,074
Additions from acquisition of subsidiaries (Note 31(a)(v))	2,503	–
Additional investment during the period	2,450	–
Share of profits – net	3,041	2,036
At the end of the period	50,178	36,110

Set out below is the principal associates of the Group:

Name of entity	Place of business/ country of incorporation	% of ownership interest		Principal activities
		30 June 2022 (Unaudited)	31 December 2021 (Audited)	
Zhejiang Xinyu Trade Co., Ltd.	The PRC	40	40	School supermarket operation
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	30	30	School logistics services
Kunming Ruixin City Operation Management Co., Ltd.	The PRC	33	33	Property management services

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

16. Property, plant and equipment and investment properties

	Property, plant and equipment RMB'000	Investment properties RMB'000	Total RMB'000
As at 1 January 2021 (Audited)			
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 31(b))	106,556	–	106,556
Additions	52,035	–	52,035
Depreciation charge (Note 8)	(32,569)	(314)	(32,883)
Disposal of a subsidiary (Note 31(c))	(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
As at 1 January 2022 (Audited)			
Cost	578,687	22,131	600,818
Accumulated depreciation	(66,942)	(1,954)	(68,896)
Net book amount	511,745	20,177	531,922
Six months ended 30 June 2022			
Opening net book amount	511,745	20,177	531,922
Additions from acquisition of subsidiaries (Note 31(a)(v))	11,639	–	11,639
Additions	133,707	–	133,707
Depreciation charge (Note 8)	(76,388)	(229)	(76,617)
Disposals	(25,497)	–	(25,497)
Closing net book amount	555,206	19,948	575,154
As at 30 June 2022 (Unaudited)			
Cost	643,556	22,131	665,687
Accumulated depreciation	(88,350)	(2,183)	(90,533)
Net book amount	555,206	19,948	575,154

As at 30 June 2022, none of investment properties were pledged (31 December 2021: certain buildings of approximately RMB8,387,000 was pledged to secure borrowings granted to the Group (Note 24)).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

16. Property, plant and equipment and investment properties (CONTINUED)

Depreciation expenses were charged to the following categories in the interim condensed consolidated statement of comprehensive income:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of sales and services	39,156	27,398
Administrative expenses	37,232	5,171
Other operating expenses (Note 11)	229	314
	76,617	32,883

17. Intangible assets

	Computer Software RMB'000	Goodwill (Note (a)) RMB'000	Customer relationship RMB'000	Concession intangible assets RMB'000	Brand Name RMB'000	Total RMB'000
As at 1 January 2021 (Audited)						
Cost	71,948	1,213,779	634,800	–	–	1,920,527
Accumulated amortisation	(6,046)	–	(41,184)	–	–	(47,230)
Net book amount	65,902	1,213,779	593,616	–	–	1,873,297
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 31(b))	–	376,459	230,000	–	–	606,459
Additions	1,112	–	–	–	–	1,112
Amortisation charge (Note 8)	(5,063)	–	(39,850)	–	–	(44,913)
Capitalisation	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 amortisation	(11,109)	–	(81,034)	–	–	(92,143)
Net book amount	70,042	1,590,238	783,766	–	–	2,444,046
As at 1 January 2022 (Audited)						
Cost	145,659	2,129,483	1,070,800	79,058	16,000	3,441,000
Accumulated amortisation	(16,740)	–	(142,504)	(4,163)	(667)	(164,074)
Net book amount	128,919	2,129,483	928,296	74,895	15,333	3,276,926
Six months ended 30 June 2022						
Opening net book amount	128,919	2,129,483	928,296	74,895	15,333	3,276,926
Additions from acquisition of subsidiaries (Note 31(a)(v))	–	315,898	194,200	–	–	510,098
Additions	13,133	–	–	–	–	13,133
Impairment of goodwill (Note (a))	–	(22,594)	–	–	–	(22,594)
Amortisation charge (Note 8)	(8,283)	–	(67,809)	(18,561)	(1,000)	(95,653)
Closing net book amount	133,769	2,422,787	1,054,687	56,334	14,333	3,681,910
As at 30 June 2022 (Unaudited)						
Cost	158,792	2,422,787	1,265,000	79,058	16,000	3,941,637
Accumulated amortisation	(25,023)	–	(210,313)	(22,724)	(1,667)	(259,727)
Net book amount	133,769	2,422,787	1,054,687	56,334	14,333	3,681,910

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

17. Intangible assets (CONTINUED)

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of sales and services	46,329	43,206
Administrative expenses	49,324	1,707
	95,653	44,913

(a) Goodwill

As at 30 June 2022, the recoverable amounts of certain subsidiaries acquired in prior years included in certain cash-generating units ("CGUs") have been determined based on a value-in-use calculation with reference to cash flow projections based on the most recent financial budget approved by the management covering a period of 5 years. Based on the management's assessment, the impairment loss on goodwill of approximately RMB22,594,000 was recognised during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Goodwill of approximately RMB315,898,000 resulting from acquisition of subsidiaries during the six months ended 30 June 2022 has been allocated to the CGUs of the subsidiaries acquired in the current period for impairment testing. Based on the management's assessment, no impairment loss has been provided on the goodwill for these subsidiaries.

The following table sets forth each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Revenue growth rate during the forecast period	2%-7%	2%-14%
Gross profit margin during the forecast period	12%-27%	12%-27%
Pre-tax discount rate	18%-22%	18%-22%

18. Inventories

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Car parking spaces purchased from third parties	178,642	181,012
Other inventories	37,058	37,457
	215,700	218,469

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

19. Trade receivables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables		
– Related parties (Note 32(c))	753,162	528,460
– Third parties	3,066,474	2,784,809
	3,819,636	3,313,269
Note receivables		
– Related parties (Note 32(c))	30,408	143,978
– Third parties	5,850	11,091
	36,258	155,069
Less: allowance for impairment of trade receivables	(469,887)	(313,396)
	3,386,007	3,154,942

For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (31 December 2021: Same).

Trade receivables from value-added services and city services are due for payments in accordance with the terms of the relevant services agreements with property developers and government bodies, which is normally within 30-90 days (31 December 2021: 60 days) from the issuance of demand note.

The amounts due from related parties are repayable on credit terms similar to those offered to other major customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the recognition date and before impairment, is as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	3,144,203	2,919,781
1 to 2 years	619,735	340,563
2 to 3 years	53,003	33,261
3 to 4 years	925	3,612
4 to 5 years	514	2,698
Over 5 years	1,256	13,354
	3,819,636	3,313,269

As at 30 June 2022, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts (31 December 2021: Same).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

19. Trade receivables (CONTINUED)

The movement in provision for impairment of trade receivables are as follows:

	Six months ended 30 June			
	2022		2021	
	Third parties RMB'000 (Unaudited)	Related parties RMB'000 (Unaudited)	Third parties RMB'000 (Unaudited)	Related parties RMB'000 (Unaudited)
At the beginning of the period	246,464	66,932	114,317	1,855
Charge for the period (Note 8)	12,396	144,095	115,225	790
At the end of the period	258,860	211,027	229,542	2,645

As at 30 June 2022, trade receivables of approximately RMB222,500,000 (31 December 2021: RMB222,500,000) were pledged to secure borrowings granted to the Group (Note 24).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

20. Prepayments, deposits and other receivables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Prepayments		
Non-current prepayments		
– Prepayments to customers (Note (a))	75,078	61,353
– Other prepayments	1,035	1,035
	76,113	62,388
Current prepayments		
– Utilities	56,466	32,384
– Raw materials for value added services	62,926	12,613
– Other prepayments	178,703	82,507
	298,095	127,504
Subtotal	374,208	189,892
Other receivables		
– Advance to related parties (Notes (c) and 32(c))	1,050,744	303,143
– Advance to employees	48,138	6,552
– Payments on behalf of property owners (Note (b))	453,387	138,120
– Deposits	195,670	129,049
– Deposits paid for car parking spaces (Note (d))	1,164,597	–
– Others	28,967	43,463
Subtotal	2,941,503	620,327
Total	3,315,711	810,219
Less: Allowance for impairment of other receivables	(282,576)	(58,860)
	3,033,135	751,359
Non-current	1,240,710	62,388
Current	1,792,425	688,971
	3,033,135	751,359

- (a) Prepayments to customers mainly represented the initial consideration paid to schools to obtain the operation of the students' apartments. The amortisation period is 31 to 42 years based on such operation periods (31 December 2021: Same).
- (b) Balances represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.
- (c) Other receivables from related parties were unsecured, interest-free and repayable on demand. Balances mainly represented the deposits paid to related parties for sale of the right of car parking spaces, the payment would be refunded to the Group upon relevant car parking spaces are sold.
- (d) The balance represented the deposit paid to a third party for entering into a Car Parking Spaces Agency Agreement ("Agreement"), pursuant to which the Group acts as the sales agent for the sales of several car parking spaces. Such amount is fully refundable upon the earlier of the date of termination of the Agreement and the expiration of the Agreement on 30 June 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

20. Prepayments, deposits and other receivables (CONTINUED)

The movement in provision for impairment of prepayments and other receivables are as follows:

	Six months ended 30 June			
	2022		2021	
	Third parties RMB'000 (Unaudited)	Related parties RMB'000 (Unaudited)	Third parties RMB'000 (Unaudited)	Related parties RMB'000 (Unaudited)
At the beginning of the period	44,179	14,681	3,518	878
(Credit)/charge for the period (Note 8)	(20,459)	244,175	8,154	1,665
At the end of the period	23,720	258,856	11,672	2,543

The Group estimated expected credit losses by applying a loss rate approach with reference to the historical loss record of Group. The loss rate is adjusted to reflect to the current conditions and forecasts of future economic conditions, as appropriate.

Set out below is the information about the key assumptions adopted by Group for assessment of expected credit losses on other receivables from related parties:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Probability of default	33.15%	13.17%
Loss given default	72.83%	61.60%
Forward looking factor	6.00%	23.25%
Expected credit loss rate	25.59%	10.00%

21. Cash and cash equivalents and restricted cash

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cash on hand	6,521	806
Cash at bank	7,084,278	9,870,745
	7,090,799	9,871,551
Restricted cash (Note (a))	(43,612)	(29,452)
Cash and cash equivalents	7,047,187	9,842,099

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

21. Cash and cash equivalents and restricted cash (CONTINUED)

- (a) Restricted cash were cash deposits of performance security as at 30 June 2022 (31 December 2021: Same).

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
RMB	4,774,886	7,024,307
HKD	2,282,955	2,791,033
USD	32,958	56,211
	7,090,799	9,871,551

22. Share capital

	Number of ordinary shares	Share capital HKD	RMB
Authorised			
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	3,500,000,000	35,000,000	30,350,583
Issued and fully paid			
As at 1 January 2021 (Audited)	2,363,973,000	23,639,730	20,499,417
Placing of new shares (Note (a))	115,000,000	1,150,000	945,553
As at 31 December 2021 and 1 January 2022 (Audited)	2,478,973,000	24,789,730	21,444,970
Cancellation of repurchased shares (Note (b))	(10,800,000)	(108,000)	(87,158)
As at 30 June 2022 (Unaudited)	2,468,173,000	24,681,730	21,357,812

Notes:

- (a) On 22 October 2021, an aggregate of 115,000,000 placing shares has been placed to not less than six placees at the placing price of HK\$15.18 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to approximately HK\$1,745,700,000 and the net proceeds (after deducting all applicable costs and expenses) amount to approximately HK\$1,735,000,000 (equivalent to approximately RMB1,427,718,000), with amount of approximately RMB946,000 and RMB1,426,772,000 credited to share capital and share premium respectively.
- (b) During the year ended 31 December 2021, the Company repurchased 10,800,000 shares of its own shares from the market which were cancelled on 10 March 2022. The shares were acquired at prices ranging from HK\$4.68 to HK\$13.68, with an average price of HK\$6.69 per share. The total amount paid for repurchase of shares were approximately HK\$72,303,000 (equivalent to approximately RMB66,414,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

23. Provisions for other liabilities and charges

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Claim provisions – non-current	4,781	4,796

As at 30 June 2022, the Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB4,781,000 (31 December 2021: RMB4,796,000).

24. Borrowings

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	5,000	20,000
– secured (Note)	742,230	752,541
	747,230	772,541
Less: Portion of long-term bank borrowings due within one year	(233,697)	(226,012)
	513,533	546,529
Borrowings included in current liabilities		
Short-term bank borrowings		
– unsecured	–	5,000
– secured	38,800	39,800
Current portion of non-current borrowings	233,697	226,012
	272,497	270,812

Note: The bank borrowings of the Group as at 30 June 2022 of approximately RMB781,030,000 (31 December 2021: RMB792,341,000) are mainly secured by certain trade receivables under certain city services projects and certain equity interests of subsidiaries held by the Group (31 December 2021: Secured by two properties of a director of a subsidiary, certain buildings, certain trade receivables under certain city services projects and certain equity interests of subsidiaries held by the Group).

As at 30 June 2022, the net carrying amount of pledged trade receivables and equity interest are approximately RMB222,500,000 (Note 19) and RMB844,081,000 (31 December 2021: The net carrying amount of pledged buildings, trade receivables and equity interest are approximately RMB8,387,000, RMB222,500,000 and RMB716,990,000, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

24. Borrowings (CONTINUED)

The maturity date of the borrowings was analysed as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	272,497	270,812
Between 1 and 2 years	352,080	358,230
Between 2 and 5 years	134,073	151,769
Over 5 years	27,380	36,530
	786,030	817,341

For the six months ended 30 June 2022, the weighted average effective interest rates on borrowings were 5.37% (six months ended 30 June 2021: 9.74%).

25. Convertible bonds

On 2 November 2021, the Company issued a 2.25% convertible bond due on 31 October 2022 in an aggregate principal amount of HK\$3,110,000,000 (equivalent to approximately RMB2,536,858,000). The convertible bond is listed on the Singapore Stock Exchange.

(a) Conversion right

The convertible bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 13 December 2021 up to 10 trading days prior to the maturity date into fully paid ordinary shares with a par value of HK\$0.01 each at an initial conversion price of HK\$18.22 per share with no fixed exchange rate. The conversion price is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price.

(b) Redemption*Redemption at maturity*

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each convertible bond at 100 percent of its outstanding principal amount on the maturity date of 31 October 2022.

Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice, (a) redeem all, but not some only, of the convertible bond for the time being outstanding at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) if at least 90% in principal amount of the convertible bond originally issued have already been converted, redeemed or purchased and cancelled; or (b) redeem whole, but not in part, at any time if (i) the Company has or will become obliged to pay additional amounts as a result of any changes in, or amendment to, the laws or regulations of the BVI or, in each case, the PRC, or in any such case, any political subdivision of any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 19 October 2021; and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.

Redemption at the option of the bondholders

When (a) the shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive trading days, on the Stock Exchange or (b) a change of control occurs, the holder may, having given not later than 30 days following any such event, or if later, 30 days following the giving of notice by the Company of such events to require the Company to redeem all or some only of the convertible bond on the 14th day following the expiry of such 30-day period, at a redemption price equal to the principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

25. Convertible bonds (CONTINUED)

(b) Redemption (continued)

Redemption at the option of the bondholders (continued)

The convertible bond contains two components, debt component and derivative component. Since the redemption amount, the principal payable on the maturity date are denominated and settled in HK\$ which is not same as the Company's functional currency which is RMB, the conversion option will not result in an exchange of a fixed amount of cash (in the context of the functional currency of the Company) for a fixed number of shares and hence the conversion option does not meet the definition of an equity instrument in accordance with the applicable accounting standards.

The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

	Debt component RMB'000	Derivative component RMB'000
Issuance on 2 November 2021	2,392,055	144,803
Transaction cost on issuance	(19,136)	—
Effective interest expenses	31,340	—
Interest payable (Note 26)	(9,219)	—
Fair value change	—	(144,746)
Foreign exchange adjustment	(6,011)	—
As at 31 December 2021 and 1 January 2022 (Audited)	2,389,029	57
Effective interest expenses (Note 12)	111,457	—
Payment of coupon interest	(29,073)	—
Fair value change	—	(57)
Foreign exchange adjustment	139,728	—
As at 30 June 2022 (Unaudited)	2,611,141	—

The convertible bonds were guaranteed by the Company. No conversion or redemption of the convertible bond has occurred up to 30 June 2022 (31 December 2021: Nil).

The shares of the Company were suspended in trading in the Stock Exchange on 3 May 2022 and were subsequently resumed on 23 June 2022. The convertible bondholders, pursuant to the terms and conditions of the convertible bonds, have the rights to give notice to the Company to redeem all or some of the convertible bonds they hold at a redemption price equal to the principal amount together with the interest accrued up to the date fixed for redemption but unpaid when the shares of the Company are suspended for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange.

Extraordinary resolution was passed at the meeting held on 1 August 2022 to approve and implement the waiver of the redemption obligation triggered under the convertible bonds and the amendments of the Group's redemption option, whereby the Group has made payment as consent fee to bond holders for approximately HK\$7,625,000 on 4 August 2022 and redeemed HK\$1,399,500,000, or 45% of the aggregate outstanding principal amount of the outstanding convertible bonds on a pro rata basis at their principal amount together with the interest accrued but unpaid up to but excluding the redemption date (i.e. 18 August 2022) and the redeemed convertible bonds have been cancelled.

The Group would redeem the remaining outstanding principal amount together with accrued and unpaid interest thereon on the maturity date. Details of the arrangement were set forth in the announcements of the Company dated 6 July 2022, 22 July 2022, 1 August 2022, 3 August 2022, 4 August 2022 and 18 August 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

26. Trade payables, deposits received, accruals and other payables

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables (Note)		
– Related parties (Note 32(c))	207	207
– Third parties	1,174,734	1,142,920
Trade payables	1,174,941	1,143,127
Deposits received, accruals and other payables		
– Payable to related parties (Note 32(c))	224,536	470,616
– Accrued expenses	814,893	674,958
– Amounts collected on behalf of property owners	79,589	83,576
– Consideration payable arising from non-controlling shareholders' put option	328,700	344,532
– Purchase consideration	503,544	464,888
– Interest payable	11,816	9,219
– Deposits received	186,870	207,871
– Dividends payable to non-controlling interests	89,331	46,845
– Other borrowings	50,000	66,312
– Other payables	80,835	30,148
Deposits received, accruals and other payables	2,370,114	2,398,965
Non-current	77,891	333,135
Current	2,292,223	2,065,830
	2,370,114	2,398,965

Note:

The ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	899,401	949,747
1 to 2 years	225,877	189,407
2 to 3 years	48,188	2,391
3 to 4 years	531	979
4 to 5 years	409	288
Over 5 years	535	315
	1,174,941	1,143,127

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

27. Leases

(a) Amounts recognised in the interim condensed consolidated balance sheet

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Right-of-use assets		
– Land use rights	8,473	8,701
– Buildings	34,728	35,241
	43,201	43,942
Lease liabilities		
– Current	15,905	21,071
– Non-current	17,720	10,302
	33,625	31,373

(b) Amounts recognised in the interim condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation charge (Note 8)		
– Land use rights	228	401
– Buildings	14,483	9,751
	14,711	10,152
Finance costs on leases	10,325	8,945
Expenses related to short-term lease and low-value assets (included in administrative expenses)	1,084	7,582

(c) Amounts recognised in the interim condensed consolidated statement of cash flows

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cashflow from financing activities		
– Payments of interest element of lease liabilities	1,017	183
– Payments of principal element of lease liabilities	11,718	10,769
	12,735	10,952

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

28. Deferred tax

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Deferred tax assets:		
– Deferred tax asset not to be recovered within 12 months	197,345	122,739
Net-off with deferred tax liability	(14,655)	(27,503)
	182,690	95,236
Deferred tax liabilities:		
– Deferred tax liability not to be recovered after more than 12 months	(248,285)	(234,892)
Net-off with deferred tax asset	14,655	27,503
	(233,630)	(207,389)

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
As at 1 January	(112,153)	(54,629)
Additions from acquisition of subsidiaries (Note 31(a),(b))	(49,218)	(38,700)
Excess of value of intangible assets identified in business combination	35,596	9,179
Disposal of a subsidiary (Note 31(c))	–	1,816
Credited to interim condensed consolidated statement of comprehensive income	74,835	28,902
As at 30 June	(50,940)	(53,432)

29. Dividends

- (a) A final dividend in respect of the year ended 31 December 2020 of HK11 cents per ordinary share, amounting to approximately HK\$260,037,030 (equivalent to approximately RMB213,344,000) 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 2022 (six months ended 30 June 2021: Nil).

30. Commitments

(a) Operating lease commitments

Lease commitments – as lessee

As at 30 June 2022, the Group did not have any material lease commitments which were not recognised as right-of-use assets (31 December 2021: Nil).

Lease arrangements – as lessor

As at 30 June 2022, the Group did not have any material lease arrangements (31 December 2021: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

30. Commitments (CONTINUED)

(b) Capital commitments

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Acquisition of subsidiaries	—	415,200
Assets under construction	35,610	36,300
	35,610	451,500

31. Acquisition or disposal of subsidiaries and transaction with non-controlling interests

(a) Summary of acquisition for the six months ended 30 June 2022

- (i) In January 2022, Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") completed its acquisition of 70% of the equity interests in Suzhou Tianxiang Real Estate Management Co., Ltd.* (蘇州市天翔物業管理有限公司) ("Suzhou Tianxiang") at a total consideration of approximately RMB211,147,000, which consisted of a cash consideration of approximately RMB147,420,000 and an estimated adjustable consideration of approximately RMB63,727,000.

The total consideration would be paid in five instalments, with the last instalment comprising the adjustable portion based on audited accounts at completion date will be payable after the auditors designated by the Group has completed the audit of Suzhou Tianxiang for the year with unmodified opinion and that the conditions of the performance undertaking as described in below have been met.

According to the acquisition agreement, the vendor has provided guarantees over the specified net profit growth rate of Suzhou Tianxiang for the years ending 31 December 2022 and 2023. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees. The consideration the Group transfers in exchange for the acquisition includes any asset or liability resulting from a contingent consideration arrangement. The Group has recognised the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for Suzhou Tianxiang.

- (ii) In January 2022, Shimao Tiancheng completed its acquisition of 70% of the equity interests in Hunan Jili Property Management Co., Ltd.* (湖南吉立物業管理有限公司) ("Hunan Jili") at a total consideration of approximately RMB96,331,000, which consisted of a cash consideration of approximately RMB69,751,000 and an estimated adjustable consideration of approximately RMB26,580,000.

The total consideration would be paid in four instalments, with the last instalment comprising the adjustable portion based on audited accounts at completion date will be payable after the auditors designated by the Group has completed the audit of Hunan Jili for the year with unmodified opinion and that the conditions of the performance undertaking as described in below have been met.

According to the acquisition agreement, the vendor has provided guarantees over (i) the specified revenue growth rate of Hunan Jili for the years ending 31 December 2022, 2023 and 2024; and (ii) the audited net profit of Hunan Jili for the years ending 31 December 2022, 2023 and 2024. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees. The consideration the Group transfers in exchange for the acquisition includes any asset or liability resulting from a contingent consideration arrangement. The Group has recognised the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for Hunan Jili.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

31. Acquisition or disposal of subsidiaries and transaction with non-controlling interests

(CONTINUED)

(a) Summary of acquisition for the six months ended 30 June 2022 (continued)

- (iii) In June 2022, Shimao Tiancheng completed its acquisition of 70% of the equity interests in Tianjin Rongwei Securities Services Co., Ltd.* (天津市戎威保安服務有限公司) ("Tianjin Rongwei") at a total consideration of approximately RMB86,933,000, which consisted of a cash consideration of approximately RMB83,456,000 and an estimated adjustable consideration of approximately RMB3,477,000.

The total consideration would be paid in six instalments, with the second instalment comprising the adjustable portion based on audited accounts at completion date will be payable after the auditors designated by the Group has completed the audit of Tianjin Rongwei for the year with unmodified opinion and that the conditions of the performance undertaking as described in below have been met.

According to the acquisition agreement, the vendor has provided guarantees over (i) the audited revenue of Tianjin Rongwei for the years ended/ending 31 December 2021, 2022, 2023 and 2024; and (ii) the audited net profit of Tianjin Rongwei for the years ended/ending 31 December 2021, 2022, 2023 and 2024. The vendor will compensate the Group on any shortfall arising from aforementioned guarantees. The consideration the Group transfers in exchange for the acquisition includes any asset or liability resulting from a contingent consideration arrangement. The Group has recognised the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for Tianjin Rongwei.

- (iv) The Group also acquired two other property management companies from independent third parties during the six months ended 30 June 2022 at a total consideration of approximately RMB61,404,000.

(v) Summary of acquisition

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 RMB201,399,000 and net profits of RMB10,549,000 to the Group for the period from their respective acquisition dates to 30 June 2022.

The fair value of acquired trade and other receivables was approximately RMB212,939,000 and includes trade receivables with a fair value of approximately RMB144,857,000.

If the acquisition had occurred on 1 January 2022, the Group's consolidated pro-forma revenue and net profit for the six months ended 30 June 2022 would have been approximately RMB4,323,435,000 and RMB193,297,000, respectively.

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

	Suzhou Tianxiang (Note (i)) RMB'000	Hunan Jili (Note (ii)) RMB'000	Tianjin Rongwei (Note (iii)) RMB'000	Others (Note (iv)) RMB'000	Total RMB'000
Purchase consideration					
Consideration					
– Cash paid	147,420	69,751	83,456	27,590	328,217
– Payable	63,727	26,580	3,477	33,814	127,598
	211,147	96,331	86,933	61,404	455,815

* For identification purposes only

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

31. Acquisition or disposal of subsidiaries and transaction with non-controlling interests
(CONTINUED)

(a) Summary of acquisition for the six months ended 30 June 2022 (continued)

(v) Summary of acquisition (continued)

	Total Unaudited RMB'000
Consideration	455,815
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	56,299
Trade receivables	144,857
Prepayments, deposits and other receivables	70,609
Investment in associates accounted for using the equity method (Note 15)	2,503
Other current assets	2,460
Property, plant and equipment (Note 16)	11,639
Intangible assets: customer relationship (Note 17)	194,200
Other non-current assets	736
Less: Trade payables, deposits received, accruals and other payables	(242,934)
Deferred tax liabilities (Note 28)	(49,218)
Identifiable net assets acquired	191,151
Less: Non-controlling interests	(51,234)
Add: Goodwill (Note 17)	315,898
Net assets acquired	455,815

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose.

(vi) Purchase consideration – cash outflows

	Total Unaudited RMB'000
Outflows of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	328,217
Less: balance acquired – cash and cash equivalents	(56,299)
Net cash outflows on acquisitions	271,918

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

31. Acquisition or disposal of subsidiaries and transaction with non-controlling interests

(CONTINUED)

(b) Summary of acquisition for the six months ended 30 June 2021

- (i) On 22 April 2021, Shimao Tiancheng completed its acquisition of 67% of the equity interests in Shi Lu Yuan 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.

(iii) Summary of acquisition

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:

	Shi Lu Yuan (Note (i)) RMB'000	Zhejiang Yefeng (Note (ii)) RMB'000	RMB'000
Purchase consideration			
Consideration			
– Cash paid	87,877	24,458	112,335
– Payable	423,151	143,712	566,863
	511,028	168,170	679,198

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

31. Acquisition or disposal of subsidiaries and transaction with non-controlling interests
(CONTINUED)

(b) Summary of acquisition for the six months ended 30 June 2021 (continued)

(iii) Summary of acquisition (continued)

	Total Unaudited RMB'000
Consideration	679,198
Recognised 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	159
Other non-current assets	510
Less: Trade payables, deposits received, accruals and other payables	(197,879)
Borrowings	(3,392)
Contract liabilities	(2,428)
Deferred tax liabilities (Note 28)	(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.

(iv) Purchase consideration – cash outflows

	Total Unaudited RMB'000
Outflows 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 outflows on acquisitions	95,570

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

31. Acquisition or disposal of subsidiaries and transaction with non-controlling interests*(CONTINUED)***(c) Disposal of a subsidiary with loss of control for the six months ended 30 June 2021**

During the year ended 31 December 2021, the Group disposed equity interest of a subsidiary to an independent third party. The disposal resulted in a net cash inflow of RMB91,383,000 and a net gain of RMB69,059,000.

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

	2021 RMB'000
Property, plant and equipment (Note 16)	38,862
Right-of-use assets (Note 27)	1,385
Cash and cash equivalents	3,602
Trade and other receivables and prepayments	6,463
Trade and other payable	(3,191)
Contract liabilities	(288)
Deferred tax liabilities (Note 28)	(1,816)
Total identifiable net assets	45,017
Less: non-controlling interests	(12,091)
Net assets attribute to the equity holders of the Company	32,926
Disposal gains (Note 10)	69,059
Consideration	101,985
Less: Cash and cash equivalents in the entities disposed	(3,602)
Less: Consideration receivable from the purchaser	(7,000)
Net cash inflow due to disposal	91,383

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

31. Acquisition or disposal of subsidiaries and transaction with non-controlling interests*(CONTINUED)***(d) Transaction with non-controlling interests for the six months ended 30 June 2022**

During the six months ended 30 June 2022, the Group acquired additional 49% equity interests in a subsidiary, for a total consideration of RMB2,205,000.

The Group recognised a decrease in non-controlling interests of RMB4,443,000 and a increase in equity attributable to the equity holders of the Company of RMB2,238,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarized as follows:

	RMB'000
Consideration:	
Total consideration paid during the current period	2,205
Carrying amount of non-controlling interests acquired	8,155
Excess of carrying amount acquired recognized in equity	10,360

(e) Transaction with non-controlling interests for the six months ended 30 June 2021

During the year ended 31 December 2021, the Group acquired additional 19% equity interests in a subsidiary, for a total consideration of RMB234,765,000. Partial of the consideration was paid by the Group during the year ended 31 December 2020 which was included in prepayment.

The Group recognised a decrease in non-controlling interests of RMB102,374,000 and a decrease in equity attributable to the equity holders of the Company of RMB132,391,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the year is summarized as follows:

	RMB'000
Consideration:	
Total consideration paid in prior years to non-controlling interests	234,765
Carrying amount of non-controlling interests acquired	(102,374)
Excess of carrying amount acquired recognized in equity	132,391

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

32. 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

Continuing transactions

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Services provided to related parties		
– Shimao group	306,562	395,512
– Joint ventures and associates of Shimao Group	74,178	84,079
	380,740	479,591
Interest on lease liabilities to related parties		
– Shimao Group	162	352
Payment of lease liabilities in relation to leases with related parties		
– Shimao Group	4,353	4,655

The Group entered certain lease in respect of properties from related parties of the Group. The amount of rental payable by the Group under the leases are approximately RMB726,000 (as at 31 December 2021: RMB569,000) per month and the lease terms will be expired in 1-3 years.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

32. Related party transactions (CONTINUED)

(c) Balances with related parties – trade

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Receivables from related parties			
Trade Receivables			
– Shimao Group		623,647	515,595
– Joint ventures and associates of Shimao Group		159,923	156,843
	19	783,570	672,438
Prepayments, deposits and other receivables (Note)			
– Shimao Group		1,013,609	273,546
– Joint ventures and associates of Shimao Group		37,135	29,597
	20	1,050,744	303,143
Total receivables from related parties		1,834,314	975,581
Payables to related parties			
Contract liabilities			
– Shimao Group		44,868	48,256
– Joint ventures and associates of Shimao Group		12,300	6,429
		57,168	54,685
Trade payables			
– Shimao Group	26	207	207
Deposits received, accruals and other payables			
– Shimao Group		191,329	134,769
– Joint ventures and associates of Shimao Group		33,207	335,847
	26	224,536	470,616
Lease payable to related parties			
– Shimao Group		4,434	13,643
Total payables to related parties		286,345	539,151

Note:

Included in the amount, the deposit of approximately RMB342,052,000 (31 December 2021: RMB252,637,000) was paid by the Group to Shimao Group for the sales rights of car parking spaces. Such deposit paid together with the commission income of approximately RMB17,887,000 (six months ended 30 June 2021: RMB53,582,000) generated from the sales of car parking spaces constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

32. Related party transactions (CONTINUED)**(d) Balances with related parties – non-trade**

Saved as disclosed elsewhere in the consolidated financial statements, as at 30 June 2022, the Group has no non-trade balances to related parties (31 December 2021: Nil).

(e) Guarantees provided by related parties

As at 30 June 2022, the Group' bank borrowings included a borrowing of approximately RMB157,044,000 (31 December 2021: RMB157,044,000) bearing a fixed interest at 4% per annum and expiring in 2026, was guaranteed by Shimao Group.

(f) Key management compensation

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries and other short-term employee benefits	606	1,403

33. Contingencies

As at 30 June 2022, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties (31 December 2021: Nil).

34. Approval of the interim condensed consolidated financial information

The unaudited interim condensed consolidated financial information were approved and authorised for issue by the Board on 31 August 2022.





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