



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



2023 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

Elite Partners CPA Limited
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong



CORPORATE INFORMATION

Principal Place of Business in Hong Kong

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

Headquarters and Principal Place of Business in the PRC

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

Registered Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Share Registrar and Transfer Office

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

Place of Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 873

Investor and Media Relations

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



CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the interim results of Shimao Services Holdings Limited ("Shimao Services", "Shimao" or the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2023.

Market and Industry Outlook

In the first half of 2023, the property services industry continued to face a number of challenges. The overall economic situation changed and was under greater downward pressure, and the real estate industry continued to fluctuate and showed a downturn, all of which caused certain impact on the development of the property services industry. The strategies of enterprises in the industry showed distinct contraction to different levels, mergers and acquisitions in the industry basically suspended, and value-added services changed from the previous "blooming" development mode to focusing on businesses with greater certainty and higher profit margins, and no new business lines were added essentially. Enterprises in the industry coincidentally focused more on improving operational capability and internal strength, as well as pursuing for greater profit quality and long-term stable growth.



CHAIRMAN'S STATEMENT

The timely slowdown in growth has offered the property services industry a great opportunity for introspection and adjustment. With the enterprises defining new strategic directions according to their respective accumulated experience and strengths, the differentiation among enterprises will become more distinctive in the future.

The property services industry is highly promising. The industry is provided with every possibility for development given the vast land and the enormous inventory of unsold homes in China. The development trend of the industry has remained positive in the long term and there are still ample opportunities in the market.

In July 2023, the Political Bureau of the CPC Central Committee convened a meeting and put forward a proposal on the real estate sector: "we should make practical efforts to prevent and resolve risk exposure in key areas, adapt to the new situation of experiencing significant changes in the supply and demand relationship in China's real estate market, adjust and enhance real estate policies in a timely manner, and formulate different effective policies for different cities, so as to better satisfy the rigid demand for residential housing and the needs for improving housing quality as well as facilitating the steady and healthy development of the real estate market. We should also increase the construction and supply of government-subsidised housing, actively promote the redevelopment of urban villages and the construction of public infrastructure for daily and emergency use, and revitalise and renovate various types of unused real estate". The statements made at the top-level meeting will gradually bottom out and improve the fundamental indicators of the real estate industry, benefitting the downstream of the property services industry.

Winter is gone and spring has come. The capability we gained over time is giving us a promising future, while our hard work is paying off.

The property services industry has the largest and most diversified customer base, with the most "down-to-earth" customer needs, which are sufficient in supporting the industry to develop sustainably. Having experienced the ups and downs in the turbulent capital market over the past few years, the leading enterprises are expected to have become more resilient and stable, which allow them to calmly embrace future challenges and opportunities with the solid capability accumulated.

Interim Results

During the interim period of 2023, the Group recorded revenue of RMB4,098.1 million, gross profit of RMB862.7 million and core net profit attributable to equity holders of the Company of RMB316.5 million. The gross floor area ("GFA") under management amounted to 260.7 million sq.m. and the contracted GFA reached 346.2 million sq.m.. Gross profit margin of 21.1% and core net profit margin attributable to equity holders of the Company of 7.7% were achieved, maintaining at an industry-leading level.

Continuously Strengthening High Quality Development

Years of Growth in Core Business

As the most important ballast business of Shimao Services, property management services have realised continuous growth in revenue over the years, with its six-year compound growth rate reaching 47.0%. In the first half of 2023, the Group still recorded a double-digit growth in spite of a continuous expansion in business scale and a rapid increase in revenue base. This fully demonstrated a solid development in the Group's business, which acted as the basis for growth of other diversified businesses and provided essential foundation and guarantee for the Group's high quality development as a whole.

Growing Business Independence

Shimao Services deeply understands the importance of independent and autonomous development. In the first half of 2023, the revenue from value-added services to non-property owners merely accounted for 3.0% of total revenue, representing a decrease of 4.5 percentage points as compared to the same period of last year and a historic low. Revenue from related parties merely accounted for 5.3% of total revenue, representing a decrease of 3.6 percentage points as compared to the same period of last year and also a record low. The overall business independence continued to grow.



CHAIRMAN'S STATEMENT

Leading Third-party Bidding Expansion Performance in the Industry

In the first half of 2023, Shimao Services achieved great results in expansion by leveraging on its continuously improving service quality and accumulated expansion experience. The Group added 26.4 million sq.m. of newly contracted GFA and the average property fee for new projects reached a record high of RMB2.3 per sq.m. per month, resulting in an annualised contract amount of RMB727.0 million from the new projects. The contract amount of 1 project exceeded RMB100 million and the annualised contract amount of 11 projects exceeded RMB10 million in aggregate. The quality of third-party bidding expansion was significantly improved and the team's comprehensive capability was continuously strengthened.

The new key projects of Shimao Services have mostly been coming from third-party market expansion since 2022. As of 30 June 2023, the proportion of contracted GFA secured through third-party market expansion increased to 39.5% of total contracted GFA. Shimao Services has been making efforts in third-party market expansion since 2019 and achieved striking results in four years, contributing approximately half of the Group's contracted GFA.

Continued Improvement in Customer Recognition

In 2023, Shimao Services placed importance on understanding customers' needs and increasing customer satisfaction by deepening its insights on value contribution sensitivity. In the first half of the year, customer evaluation was improved in all dimensions as the Group focused on the quality management of service sites and the building up of customer service capability, and was awarded "TOP 1 of the Top 100 Enterprises in Property Service Satisfaction in China (中國物業服務滿意度百強TOP 1)" and "TOP 1 of the Leading Property Services Enterprises for Schools in China (中國學校物業服務領先企業TOP 1)".

Strategies with Determination, Management with Perseverance, Operation with Tenacity

In early 2023, Shimao Services made plans to realise its strategic and management objectives through focusing on "eight major campaigns": cash flow management, profitability upgrade, market development and other key issues. Remarkable results have been achieved after half a year's efforts.

Cash Flow Management

In the first half of 2023, the Group closely monitored the collection rate and carried out classified management based on project types. For residential projects, efforts were made to improve the basic quality of the projects and to design collection solution with specific targets. For non-residential projects, cash inflow was increased by improving professional service capability, following up on key clients and setting up a classification and grading mechanism for receivables.

The Group comprehensively upgraded the cash flow budget management system platform, continuously made consolidated efforts in dynamic management, tracking the progress of cash flow target achievement in different dimensions, i.e. daily, weekly, monthly and yearly. The Group also reformed the assessment and incentive mechanism, continuously monitored various cash flow indicators to further enhance the overall cash flow management of the Group.

Through effective cash flow management, Shimao Services achieved net cash generated from operating activities of RMB350.6 million in the interim period of 2023, representing a rapid and significant increase of RMB2,754.9 million as compared to net cash used in operating activities of RMB2,404.3 million in the first half of 2022. The ratio of net cash to net profit hit a new high of 1.7, generating a profit with ample operating cash flow, which truly demonstrated the Group's quality development.



CHAIRMAN'S STATEMENT

Profitability Enhancement

In the first half of 2023, Shimao Services focused on business and organisational capability building. The Group focused on service solution enhancement and enhanced management solution according to different project types such as vacational, high vacancy, low delivery and general projects. All types of business actions were visualised to enhance closed-loop management and control; and the mechanism for establishing market expansion projects was optimised to solve the issues of low profitability and collection rates of some of the projects. In the first half of 2023, the Group's profitability indicators bottomed out and rebounded, with the core net profit margin attributable to equity holders of the Company improving from 5.8% in 2022 to 7.7% for the interim period of 2023, which was a remarkable improvement.

Market Development Capability Enhancement

In 2023, Shimao Services focused on centralising and creating synergy from market expansion. By targeting 38 cities as key cities and deepening its presence in 19 cities out of the key cities, it promoted joint expansion and cross-selling across operating units, thereby lowering overall marketing costs and enhancing the capability in comprehensive expansion. In the first half of 2023, the annualised contract amount from new projects reached RMB727.0 million, of which 55% was contributed by cities with deep presence. The proportion of project marketing expenses to annualised contract amount decreased notably from an average of 2.0% in 2022 to 1.4% in 2023.

Business Capacity Enhancement of All Business Lines

Comprehensive property, diversified business, smart city services and digital technology remained as the four major growth drivers in our business layout. We strengthened the "ballast" role of comprehensive property, with the focus on profit and cash flow, followed by active exploration in diversity of service scenarios and service productions. As for the community value-added business, it changed from "broadening its reach and targeting high end market" to "augmenting its focus and striving for high-quality development". On this basis, Shimao Services picked out community value-added business that could attain the ultimate goal of refining its business capacity and establishing competitive advantages in the market, so as to transform itself from "big and comprehensive" to "niche and boutique".

Construction of a Big Operation System

A standardised target management system of "target scheduling, achievement analysis, strategy output, execution monitoring, accounting, appraisal, review" was established to achieve hierarchical management of operational targets. Duties and responsibilities were clearly defined to enhance node control and improve the strategy implementation and tracking mechanism. In the first half of 2023, various management efficiency of Shimao Services increased significantly, with the administrative expense ratio plunged from 15.7% at the end of 2022 to 10.9% for the interim period of 2023; selling and marketing expense ratio decreased from 2.7% at the end of 2022 to 1.5% for the interim period of 2023, demonstrating prominent results.

Upgraded Post-acquisition Management Capability

Shimao Services attaches importance to the integration and synergy with the acquired companies, and has built consensus and mutual trust with each acquiree that enables resources sharing and cross empowerment. Three models of post-acquisition control, namely "fully integrated", "territorially integrated" and "strategically controlled", were formed gradually over the acquirees, developing leading enterprises in segments such as university and college property management services and hospital property management services. Based on their own development characteristics and positioning, each of the acquirees joined hands with Shimao Services for expansion and operation, thus allowing the co-construction and common growth of business and management capabilities.



CHAIRMAN'S STATEMENT

Breakthrough in Digital Capability

Through improving thinking skills and raising awareness in “digitalisation”, the planning, top-down design and deployment of digital construction was enhanced, advancing the systematic construction in step-by-step and orderly manner, which enhanced the performance of the Group’s digital platform in terms of functions and stability. In the first half of 2023, Shimao Services optimised the main data management system. Accordingly, it co-ordinated the planning and establishment of data standards, management platforms and closed-loop governance mechanisms for 12 types of main data, so as to strengthen the data base and support business development. The governance via digital system was improved in four aspects: budget management, structure management, product analysis and system construction.

Organisational Team Building

In 2023, Shimao Services built its management team based on organisational management capability and organisational change and development in its organisational atmosphere. In terms of organisational change, based on the concepts of “separation of campaign and construction”, “strategical control” and “streamlining of allocation”, we deepened the reform of organisational structure, improved system construction, standard construction and capacity building. By way of further defining duties and responsibilities, trimming the organisation to adapt to the current business conditions and raising the awareness of self-management and operational capability of each entity, we saw gradual improvement in per capita efficiency, with headcount per 10,000 square metres fell from 1.81 persons in 2022 to 1.77 persons for the interim period of 2023.

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 aims to develop and continuously refine its “Four Business Portfolios”, namely comprehensive property management services, diversified value-added services, smart city services, and digital technology business.

Future Outlook

Shimao Services will maintain strategic focus on its commitment to high-quality development in the medium to long term.

As to comprehensive property management services, the Company will continue to deepen its presence, with efforts devoting to residential properties. It will concentrate on improving capabilities to operate non-residential properties and public facilities, and expanding new quality projects in due course.

As for diversified value-added services, resources will be allocated based on the characteristics, operational difficulties, importance, and foundation of each existing line of business. “Must-do” business shall be carried out with confidence to consolidate our strength; “optional” business shall be operated depending on the prevailing conditions to seize local business opportunities.

In connection with smart city services, Shimao Services will pivot on standardised products and asset-light services as its core business development. We will keep promoting product innovation for horizontal coverage of all scenarios and vertical integration of the industrial chain, in a bid to build up all-round capabilities for sustainable development.

With regard to digital technology services, Shimao Services will focus on scenario smart business and household smart business. In particular, for scenario smart business, it will increase efforts in building the capacity for business operation and expansion, whereas for household smart business, it will centre on creating its own brand and gradually open up the consumer market.

These four major business segments, through five strategies, i.e. “horizontal integration”, “vertical integration”, “related diversification”, “centralisation” and “update on strategies”, will be effectively connected to create synergy that ensure future development and growth.



CHAIRMAN'S STATEMENT

Social Responsibility

As a socially responsible enterprise, Shimao Services always keeps in mind its social responsibilities as it develops. Shimao Services has committed itself to win-win opportunities for community, employees, customers and investors, actively fulfilling its corporate social responsibility, with an aim to promote coordinated, harmonious and sustainable development among enterprises and society.

Emphasis on building a wonderful community together. We strive to create a star club of Shimao residents by providing them with diversified living services and organising festival and cultural theme activities on a regular basis to increase interaction among the residents. We continue to refine our user service system and strengthen service quality to create a wonderful community.

Emphasis on climate change. To contribute to the comprehensive development of green economy, we are applying the latest technology to energy consumption management, environmental infrastructure construction and other services, actively implementing energy-saving and emission reduction measures. During the period, our Shimao Cloud City Project was awarded "Provincial Water-saving Residential Community" by Department of Housing and Urban-Rural Development of Fujian Province.

Acknowledgement

In 2023, our segment performance was volatile in the face of slowdown in economic growth in China and overall strained capital market. 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, customers and dedicated staff of Shimao Services for their immense support. Your understanding, support and assistance given to us by joining hands with Shimao Services are very much appreciated.

Believing that "strength comes from unity and devotion creates miracles", Shimao Services will continue to spare no effort in its development. We will 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 2023



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is positioned as a leading comprehensive property management and community living services provider in China. We have created three business portfolios, namely comprehensive property management services, diversified value-added services and smart city services, and are vigorously developing digital technology services. Currently, the Group has four major business segments: (1) property management services; (2) community value-added services; (3) value-added services to non-property owners; and (4) city services.

As at 30 June 2023, the Group recorded revenue of RMB4,098.1 million, representing a period-to-period decrease of 3.9%; profit for the period of RMB203.9 million, representing a period-to-period growth of 9.7%; and core net profit attributable to equity holders of the Company of RMB316.5 million, with core net profit margin attributable to equity holders of the Company of 7.7%.

As of 30 June 2023, Shimao Services provided a wide variety of services for 1,366 projects, covering various types of clients, including residential projects, universities and colleges, industrial parks, hospitals, etc. The GFA under management amounted to 260.7 million sq.m., representing a period-to-period increase of 1.9%, and contracted GFA was 346.2 million sq.m., representing a period-to-period increase of 3.9%.

➤ Property Management Services

- **Representing 63.7% of total revenue and 62.8% of total gross profit**

During the period, the Group's revenue from property management services reached RMB2,612.6 million, representing a period-to-period increase of 11.5% as compared to RMB2,342.2 million for the same period of 2022. It was mainly attributable to the continuous increase in contracted GFA through third-party market expansion, which ensured a stable growth in the Group's revenue from property management services.

During the period, gross profit from property management services of the Group was RMB541.8 million, representing a period-to-period decrease of 12.1% as compared to RMB616.3 million for the same period in 2022. Gross profit margin was 20.7%, representing a decline of 5.6 percentage points as compared to 26.3% for the same period in 2022. Such decline was mainly due to firstly, the fast growing proportion of third-party projects with lower gross profit margin than that of the projects from Shimao Group Holdings Limited ("Shimao Group"), 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 2023 and 30 June 2022, respectively:

	For the six months ended 30 June	
	2023	2022
Revenue (RMB million)	2,612.6	2,342.2
Gross profit (RMB million)	541.8	616.3
Gross profit margin (%)	20.7%	26.3%



MANAGEMENT DISCUSSION AND ANALYSIS

- **Sustained and steady growth in GFA**

During the period, the Group recorded steady growth in contracted GFA. The sustained growth in contracted GFA has laid a solid 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 base for value-added services, creating business opportunities.

As of 30 June 2023, the Group's contracted GFA amounted to 346.2 million sq.m., representing a 3.9% uptick or a net increase of 13.1 million sq.m. from 333.1 million sq.m. for the same period of 2022.

The proportion of contracted GFA from third parties increased by 1.3 percentage points to 77.6% from 76.3% for the same period of 2022. The business independence of Shimao Services will be strengthened increasingly.

As of 30 June 2023, the Group's GFA under management amounted to 260.7 million sq.m., representing a 1.9% uptick or a net increase of 4.8 million sq.m. from 255.9 million sq.m. for the same period of 2022. There were 1,366 projects under our management in 114 cities across 28 provinces, municipalities and autonomous regions nationwide.

The Group has continued to improve business independence. As of 30 June 2023, the GFA under management from third parties amounted to 201.0 million sq.m., accounting for 77.1% of the Group's total GFA under management. The GFA under management from third parties increased by 0.5 percentage point as compared with the same period of 2022.

During the period, having considered the factors of profit margin and on-site management as a whole, the Group proactively terminated certain projects as they had relatively low profit margins, more management difficulties and relatively high management costs. Such an adjustment to the project portfolio allowed the Group to attain a better portfolio of projects under management and facilitated long-term management to realise steady growth and value.

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 2023 and 30 June 2022, respectively:

	For the six months ended 30 June			
	2023		2022	
	Area size (sq.m. in million)	Percentage (%)	Area size (sq.m. in million)	Percentage (%)
GFA under management	260.7	100%	255.9	100%
Among which:				
From Shimao Group and its joint ventures and associates	59.7	22.9%	60.0	23.4%
From independent third-party developers	201.0	77.1%	195.9	76.6%
Contracted GFA	346.2	100%	333.1	100%
Among which:				
From Shimao Group and its joint ventures and associates	77.6	22.4%	79.0	23.7%
From independent third-party developers	268.6	77.6%	254.1	76.3%

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2023, the Group's GFA under management of non-residential projects was 122.1 million sq.m., accounting for 46.8% of the Group's total GFA under management. The share of non-residential projects in our GFA under management increased by 3.5 percentage points compared with the same period of 2022.

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 2023 and 30 June 2022, respectively:

	For the six months ended 30 June			
	2023		2022	
	Area size (sq.m. in million)	Percentage (%)	Area size (sq.m. in million)	Percentage (%)
GFA under management	260.7	100%	255.9	100%
Among which:				
Residential projects	138.6	53.2%	145.2	56.7%
Non-residential projects	122.1	46.8%	110.7	43.3%
Contracted GFA	346.2	100%	333.1	100%
Among which:				
Residential projects	193.4	55.9%	194.2	58.3%
Non-residential projects	152.8	44.1%	138.9	41.7%

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

In the first half of 2023, the Group added 26.4 million sq.m. to its contracted GFA from third-party bidding expansion, representing a decrease of 13.7% as compared to 30.6 million sq.m. for the same period of last year. The average monthly property management fees for projects from third-party bidding expansion were RMB2.3 per sq.m., representing an increase of 15.0% as compared to RMB2.0 per sq.m. for the same period of last year. This reflected a significant improvement in the quality of the expansion projects.

In the first half of 2023, Shimao Services still attained exceptional performance in third-party expansion while facing the on-going downturn of real estate market and low consumer sentiment. The proportion of contracted GFA of the newly added residential projects reached 44.3%, with brand new residential projects and second-hand residential projects accounting for 24.5% and 19.8%, respectively. The brand new residential projects outnumbered the second-hand residential projects, bringing a positive impact on profit margin.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's GFA under management and contracted GFA added by projects from third-party bidding expansion which were categorised by property type for the six months ended 30 June 2023 and 30 June 2022, respectively:

	For the six months ended 30 June			
	2023		2022	
	Area size (sq.m. in million)	Percentage (%)	Area size (sq.m. in million)	Percentage (%)
GFA under management	16.7	100%	20.8	100%
Among which:				
Residential projects	5.6	33.5%	7.6	36.5%
Non-residential projects	11.1	66.5%	13.2	63.5%
Contracted GFA	26.4	100%	30.6	100%
Among which:				
Residential projects	11.7	44.3%	15.8	51.7%
Non-residential projects	14.7	55.7%	14.8	48.3%

In the first half of 2023, Shimao Services continued to enhance the quality of newly added projects, which intensified the demonstration effect and in turn allowed the Group to win bids of a number of projects with high contract value. Examples included the province-wide property service procurement project of China Mobile Group Fujian Co., Ltd. (with a total contract value of over RMB100 million) and the Shenzhen Aoyuan Jade Bay project, etc. This demonstrated the continuous optimisation of Shimao Services' market expansion capabilities and service quality, which gained strong market recognition.

➤ Community Value-added Services

- **Representing 17.3% of total revenue and 23.9% of total gross profit**

During the period, the revenue amounted to RMB709.3 million, representing a period-to-period decrease of 23.8% as compared to RMB931.0 million for the same period of 2022.

Revenue from community value-added services showed a period-to-period decline, which was mainly attributable to (1) a reduction in scale of some businesses with a higher degree of relevance to the real estate industry (such as the smart scenario solutions business and the home decoration business) under the impact of the overall downturn of the real estate industry; and (2) a downward pressure on the economy, changes in the economic situation, as well as a decline in overall consumer demand in China, posing challenges for the new retail business.

Gross profit of community value-added services was RMB206.7 million, representing a period-to-period decrease of 32.6% as compared to RMB306.6 million for the same period of 2022. It was mainly due to a reduction in scale of segment businesses and a change in gross profit structure.



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 2023 and 30 June 2022, respectively:

	2023		For the six months ended 30 June 2022		Change in revenue (%)	Change in percentage (percentage point)
	Revenue (RMB million)	Percentage (%)	Revenue (RMB million)	Percentage (%)		
Community asset management services	142.4	20.1%	116.7	12.5%	22.0%	increase by 7.6 percentage points
Smart scenario solutions	25.7	3.6%	276.8	29.7%	-90.7%	decrease by 26.1 percentage points
Carpark asset operation services	189.0	26.7%	163.7	17.6%	15.5%	increase by 9.1 percentage points
Home decoration services	57.7	8.1%	86.9	9.3%	-33.6%	decrease by 1.2 percentage points
New retail services	25.7	3.6%	47.2	5.1%	-45.6%	decrease by 1.5 percentage points
Campus value-added services	196.9	27.8%	190.2	20.4%	3.5%	increase by 7.4 percentage points
Elderly care services	71.9	10.1%	49.5	5.4%	45.3%	increase by 4.7 percentage points
Total of community value-added services	709.3	100%	931.0	100%	-23.8%	N/A

- **For community asset management services, the revenue was RMB142.4 million, representing a period-to-period increase of 22.0% as compared to RMB116.7 million for the same period of last year**
During the period, Shimao Services strengthened and enhanced its operational performance through business and organisational capacity building.

We added four new scenario businesses, updated the operational guidelines for each position, and optimised the standard model for measurement of resource points. As of 30 June 2023, 162,137 resource points were reorganised, representing an increase of 17% as compared to 138,525 resource points at the end of 2022. 90% of our carparks commenced to provide services, with 1,200 newly-added carpark spaces under business operation, representing an increase of 8% as compared with the beginning of the year.

We focused on team building and established a new type of professional business team, and worked on company culture building to create a "down-to earth" business atmosphere. We also promoted the enhancement of our business frontline officers' capabilities so as to align with our talent description, and enhanced the quality of team operation through a red and yellow card warning system.



MANAGEMENT DISCUSSION AND ANALYSIS

- ***For smart scenario solutions, the revenue was RMB25.7 million, representing a period-to-period decrease of 90.7% as compared to RMB276.8 million for the same period of last year***

In the first half of 2023, Shimao Services focused on gaining new business capabilities, with an emphasis on creating benchmark projects and enhancing bidding capabilities, as well as reducing operating costs, so as to continuously improve on operating capabilities and more. However, in the first half of 2023, due to the impact of various factors such as the overall downturn of the real estate industry, a contraction of transactions of second-hand properties, as well as changes in the economic situation and generally low consumer sentiment, the demand for smart transformation and upgrading weakened for various types of customers, which affected our revenue.

- ***For carpark asset operation services, the revenue was RMB189.0 million, representing a period-to-period increase of 15.5% as compared to RMB163.7 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. The Group has been taking the initiative to control the development of the carpark sales business, which is a cyclical business, and optimising the Group's overall business layout.

- ***For home decoration services, the revenue was RMB57.7 million, representing a period-to-period decrease of 33.6% as compared to RMB86.9 million for the same period of last year***

In the first half of 2023, as affected by the overall downturn of the real estate industry, there were generally less newly-built projects and new project deliveries in the market, resulting in a shrink in business scale and a period-to-period decrease in revenue.

- ***For new retail services, the revenue was RMB25.7 million, representing a period-to-period decrease of 45.6% as compared to RMB47.2 million for the same period of last year***

In the first half of 2023, as affected by changes in the overall economic situation, the overall consumption dropped, and customers were less willing to spend, resulting in a significant reduction in business volume and therefore a period-to-period decrease in revenue.

- ***For campus value-added services, the revenue was RMB196.9 million, representing a period-to-period increase of 3.5% as compared to RMB190.2 million for the same period of last year***

The campus value-added services mainly leverage on the comprehensive college property management services 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") to develop its business, which principally includes canteen, catering service, accommodation service and convenience stores, etc., providing a wide range of value-added services for on-campus faculties and students to improve convenience in campus and enhance the college experience.

In the first half of 2023, Zheda Sinew reorganised the projects under management and proactively terminated some loss-making projects and projects with relatively low profits so as to focus on improving the operational and management capabilities for higher profitability.

- ***For elderly care services, the revenue was RMB71.9 million, representing a period-to-period increase of 45.3% as compared to RMB49.5 million for the same period of last year***

In the first half of 2023, revenue from the elderly care services business continued to increase rapidly. Relying on the pilot cities for the long-term elderly care insurance service policy, Home-based Elderly Care Service Platform of Shanghai Chungji Elderly Care Services Co., Ltd.* (上海椿祺集養老服務有限公司) ("Healthtop") seized the window period to actively plan and develop its business. As of the first half of 2023, the Group's elderly care services business covered 17 cities nationwide and run over 50 service sites, with a leading position in cities such as Jiaying and Changzhou.

* For identification purposes only



MANAGEMENT DISCUSSION AND ANALYSIS

➤ **Value-Added Services to Non-Property Owners**

- **Representing 3.0% of total revenue and 2.7% of total gross profit**

Revenue for the period amounted to RMB121.1 million, representing a period-to-period decrease of 62.3% from RMB321.6 million for the same period of 2022. Its percentage to the total revenue experienced a continuous decline to 3.0% for the interim period of 2023 from the 6.1% for the year 2022, achieving an optimised overall revenue structure.

In the first half of 2023, the number of newly built dwellings experienced a dramatic drop as a result of the continuous downturn in the real estate industry. This led to a continuous substantial contraction of the Group's sales offices business, and therefore a significant period-to-period decline in the revenue concerned.

➤ **City Services**

- **Representing 16.0% of total revenue and 10.6% of total gross profit**

Revenue for the period amounted to RMB655.1 million, representing a period-to-period decrease of 2.4% from RMB671.0 million for the same period of 2022. Its percentage of total revenue increased to 16.0% for the interim period of 2023 from 15.8% for the same period of last year. City services has become the third largest contributor of revenue and profit of the Group.

In the first half of 2023, the Group failed to renew some of the projects upon expiration under the influence of the macroeconomic environment. Moreover, the Group proactively terminated certain projects taking into account the profit margins. Both of which resulted in a decrease in revenue from city services business as compared with the same period of 2022. However, the city services segment focused on building up its systematical market expansion capabilities in the first half of 2023, with a number of achievements attained as follows:

(1) Full opening-up of expansion pipelines, including:

- (i) Building teams: Established three major business zones, namely the headquarters zone, the Jinshatian zone and the Shiluyuan zone;
- (ii) Reinforcing collaboration: Formed partnerships with each city branch of property management services; and
- (iii) Establishing mechanisms: Instituted partnership mechanisms and cooperation system, making the partners as the main marketing and sales channels.

(2) Diversification and innovation in business collaboration, including public tender, setting up joint ventures, EPC+O model and etc., with several successful bids for a number of sizable projects during the first half of the year; and

(3) Continuous advancements in product innovation, to develop businesses in all aspects sustainably, to cover all scenarios horizontally and to connect supply chain companies vertically.



MANAGEMENT DISCUSSION AND ANALYSIS

On the other hand, as established from scratch, the city services business of Shimao Services went through three years of development and demonstrated initial successes in market expansion, operational management and organisational construction. It continued to deepen the integration of all acquirees, for example:

- (1) On market integration: By leveraging the capabilities of the Group in establishing city services business, it clarified business model, built up feasible and practical management systems, integrated all acquirees' city services, implemented management standards, set management indicators, and followed up on performance, so as to ensure the realisation of profit goals; and
- (2) On operational integration: By applying the strengths of refined property management to on-site operations, it established the Management System for the Whole Lifecycle of the Integrated Environmental Sanitation Services (環衛一體化全生命週期管理體系) along the service chain, which covers on-site operation costs, quality, norms, systems, standards and digitalisation empowerment, so as to continuously promote business standardisation and refined management; it also set up the Product Extension Operation and Management System with corresponding benchmarks. All of which aimed to gradually promote integrated, concentrated and precise management in the operation of the comprehensive "city manager" projects.

FINANCIAL REVIEW

During the period, the Group realised:

Revenue

Revenue was RMB4,098.1 million, representing a period-to-period decrease of 3.9% as compared to RMB4,265.7 million for the same period of 2022. 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) property management services remained the largest source of revenue and profit to the Group, with revenue amounting to RMB2,612.6 million, accounting for 63.7% of the overall revenue and representing a period-to-period increase of 11.5% as compared to RMB2,342.2 million for the same period of 2022; (ii) revenue from community value-added services amounted to RMB709.3 million, accounting for 17.3% of the overall revenue and representing a period-to-period decrease of 23.8% as compared to RMB931.0 million for the same period of 2022; (iii) revenue from value-added services to non-property owners amounted to RMB121.1 million, accounting for 3.0% of the overall revenue and representing a period-to-period decrease of 62.3% as compared to RMB321.6 million for the same period of 2022; and (iv) revenue from city services amounted to RMB655.1 million, accounting for 16.0% of the overall revenue and representing a period-to-period decrease of 2.4% as compared to RMB671.0 million for the same period of 2022.

Cost of Sales and Services

Cost of sales and services of the Group primarily included staff costs, subcontracting costs, utilities and facility operating costs, cost of selling carpark spaces, cost of smart community solutions and others. During the period, cost of sales and services was RMB3,235.5 million, representing a period-to-period increase of 2.6% as compared to RMB3,152.1 million for the same period of 2022. The slight increase in costs was mainly due to an increase in outsourcing costs as a result of a higher unit price of external suppliers.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

During the period, gross profit amounted to RMB862.7 million, representing a period-to-period decrease of 22.5% as compared to RMB1,113.6 million for the same period of 2022. Gross profit margin was 21.1%, representing a decrease of 5.0 percentage points as compared to 26.1% for the same period of 2022. Gross profit margins for the four business segments were: 20.7% for property management services, 29.1% for community value-added services, 19.0% for value added services to non-property owners and 13.9% for city services, respectively. Gross profit margins for those segments for the same period of 2022 were 26.3%, 32.9%, 26.5% and 15.8%, respectively.

Gross profit margin for property management services was 20.7%, representing a decrease of 5.6 percentage points as compared to 26.3% for the same period of 2022. It was mainly due to: firstly, the proportion of projects from third parties enlarged at a relatively faster pace, and the projects had lower gross profit margins as compared to projects from Shimao Group; secondly, the proportion of public facilities projects enlarged rapidly, and the projects had lower gross profit margins as compared to residential projects.

Gross profit margin for community value-added services was 29.1%, representing a decrease of 3.8 percentage points as compared to 32.9% for the same period of 2022. It was mainly due to: firstly, a shrink in scale of some businesses which had a higher degree of relevance to the real estate industry and higher gross profit (such as the smart scenario solutions business and the carpark asset operation business), as a result of the overall downturn of the real estate industry; secondly, an overall decline in consumer demand as a result of changes in the macroeconomic situation.

Gross profit margin for value-added services to non-property owners was 19.0%, representing a decrease of 7.5 percentage points as compared to 26.5% for the same period of 2022. It was due to a dramatic drop in the number of newly built dwellings in the first half of 2023 as a result of the continuous downturn in the real estate industry, which led to a continuous substantial contraction of the Group's sales offices business, and therefore a significant period-to-period decline in the revenue and gross profit concerned.

Gross profit margin for the city services business was 13.9%, representing a slight decrease of 1.9 percentage points as compared to 15.8% for the same period of 2022.

Selling and Marketing Expenses

Selling and marketing expenses for the period were RMB63.3 million, representing a period-to-period decrease of 41.0% as compared to RMB107.2 million for the same period of 2022. Selling and marketing expenses as a percentage of revenue for the period was 1.5%, representing a decrease of 1.0 percentage point as compared to 2.5% for the same period of 2022. The decrease was mainly due to the Group's efforts to reduce costs and improve efficiency by effectively lowering marketing expenses through measures such as optimisation of the marketing team and precision marketing promotions.

Administrative Expenses

Administrative expenses for the period were RMB448.7 million, representing a period-to-period decrease of 4.6% as compared to RMB470.2 million for the same period of 2022. Administrative expenses as a percentage of revenue for the period was approximately 10.9%, which remained stable as compared to 11.0% for the same period of 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Profit

Operating profit for the period was RMB268.7 million, representing a decrease of 15.6% as compared to approximately RMB318.4 million for the same period of 2022. Operating profit margin was 6.6%, representing a decrease of 0.9 percentage point as compared to 7.5% for the same period of 2022.

Finance Income/(Costs) – Net

Finance income – net for the period was RMB12.2 million, representing a decrease of RMB111.6 million as compared to finance costs – net of RMB99.4 million for the same period of 2022. It was primarily due to the interest accrued at effective interest rate of the convertible bonds for the same period of 2022.

Profit before Income Tax

Profit before income tax for the period amounted to RMB284.6 million, representing an increase of RMB62.5 million or a period-to-period increase of 28.1% as compared to RMB222.1 million for the same period of 2022. It was primarily due to an improvement in the marketing and management efficiency as well as a reduction in the finance costs of the Group during the period.

Income Tax Expense

Income tax expense for the period amounted to RMB80.7 million, representing a period-to-period increase of 122.3% as compared to RMB36.3 million for the same period of 2022. It was due to an increase in the Group's overall profit before tax during the period and a decrease in the proportion of profit from companies enjoying low tax rates.

The internet of things ("IoT") technology companies under the Group are entitled to the preferential tax policy of "tax exemption for the first two years and 50% tax reduction for the following three years". Year 2023 was the fourth year of entitlement to such preferential tax policy. Tibet Shimao Tiancheng Property, headquartered in Tibet, enjoyed tax benefits; while Chengdu Xinyi, Xi'an Fangrui and the newly established "second headquarters" enjoyed the preferential tax policy for the "Western Region Development".

Pursuant to the rules and regulations of the Cayman Islands, the Group is not required to pay 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 year. No provision was made for Hong Kong profits tax over the six months from 1 January 2023 to 30 June 2023, as the Group did not derive any income subject to Hong Kong profits tax.

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

Profit for the Period

Profit for the period was RMB203.9 million, representing an increase of 9.7% as compared to RMB185.8 million for the same period of 2022. Profit attributable to equity holders of the Company was RMB154.8 million, representing an increase of 10.9% as compared to RMB139.6 million for the same period of 2022.

Profit margin for the period was 5.0%, representing an increase of 0.6 percentage point as compared to 4.4% for the same period of 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Investment Properties, Property, Plant and Equipment

As at 30 June 2023, net book value of investment properties, property, plant and equipment amounted to RMB568.3 million, which remained largely stable as compared to RMB609.8 million as at 31 December 2022.

Intangible Assets

As at 30 June 2023, the carrying amount of the Group's intangible assets was RMB2,817.5 million, representing a decrease of 3.3% as compared to RMB2,912.8 million as at 31 December 2022. The Group's intangible assets primarily included: (i) goodwill of RMB1,740.3 million recognised for the acquired companies; (ii) customer relationships of RMB917.3 million recognised for the acquired companies; (iii) software research and development and purchase worth RMB105.7 million by the Group. Customer relationships and software have definite useful lives and are accounted for at cost less accumulated amortisation.

As at 30 June 2023, the Group's goodwill amounted to RMB1,740.3 million, and there was no impairment of goodwill during the period. The Group's goodwill mainly arose from the expected future development of the acquired companies, the improvement of market coverage, the expansion of service portfolio, the integration of value-added services and the enhancement of management efficiency.

Trade Receivables

As at 30 June 2023, trade receivables amounted to RMB3,451.6 million, representing an increase of 7.2% as compared to RMB3,218.3 million as at 31 December 2022. It was primarily due to the tightening cash flow of customers as a result of the macroeconomic downturn.

Trade Payables

As at 30 June 2023, trade payables amounted to RMB1,128.3 million, which remained largely stable as compared to RMB1,175.1 million as at 31 December 2022.

Liquidity, Reserves and Capital Structure

The Group maintained a strong financial position during the period. Current assets amounted to RMB9,672.4 million as at 30 June 2023, representing an increase of 4.2% from RMB9,286.0 million as at 31 December 2022. The Group's cash and cash equivalents, including time deposits with maturity over three months, amounted to RMB4,775.9 million as at 30 June 2023, representing an increase of 2.3% from RMB4,667.3 million as at 31 December 2022. The increase was mainly due to the net operating cash inflow amounting to RMB350.6 million during the period.

The Group's net current assets amounted to RMB4,155.3 million as at 30 June 2023, with a current ratio of 1.75, which stood at a robust level as compared to the net current assets of RMB3,733.2 million as at 31 December 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure Commitments

As at 30 June 2023, there is no capital commitment that the Group had already contracted but not provided for.

Share Award Scheme

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

During the six months ended 30 June 2023, a total of 3,525,446 award shares were granted to certain Directors and selected employees of the Group under the Share Award Scheme to recognise their contributions to the Group. Further details of the Share Award Scheme are set out in the section headed “Corporate Governance and Other Information” in this report.

Proceeds from the Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 30 October 2020. Excluding underwriting fees and related expenses, the net proceeds from the listing amounted to HK\$5,917.4 million (equivalent to RMB5,126 million). Details of the actual or intended 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 2023 (RMB million)	Unutilised amount as of 30 June 2023 (RMB million)	Expected timeline for utilising the remaining unutilised amount
(1) To continue to expand business scale through multiple channels	3,332	65%	2,646	686	2024
(2) To diversify people-oriented and property-oriented value-added service offerings	769	15%	237	532	2024
(3) To improve the information technology system and smart technologies	256	5%	146	110	2024
(4) To attract and nurture talent	256	5%	44	212	2024
(5) For working capital and other general corporate purposes	513	10%	213	300	2024
Total	5,126	100%	3,286	1,840	

The proceeds set out above have not been used as planned is 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. The management of the Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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”).

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 mergers and acquisitions (“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.

Details of the intended and actual use of the aggregate net proceeds of approximately HK\$1,735 million (equivalent to approximately RMB1,426 million) from the above equity fund raising activities are as follows:

Intended use of net proceeds	Net proceeds from Top-Up Placing available for utilisation (RMB million)	Allocation percentage %	Utilised net proceeds as of 30 June 2023 (RMB million)	Unutilised net proceeds as of 30 June 2023 (RMB million)	Expected timeline for utilising the remaining unutilised net proceeds
(1) Potential M&A	1,140	80%	–	1,140	2024
(2) Business expansion	143	10%	–	143	2024
(3) General working capital and general corporate uses	143	10%	–	143	2024
Total	1,426	100%	–	1,426	

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the overall downturn of the real estate industry which led to an impact on the development of the property services industry, the overall growth rate of the industry has been significantly slowed down. Under these circumstances, the Group's management shifted their strategy focus from the M&A to third-party market expansion, such as brand advertising, project bidding, market channel expansion and marketing team building, in order to develop our own market expansion function and capability. The Group's management will continue to identify suitable acquisition targets under the ideal opportunity as well as the recovery of the property services industry. Based on the above assessment, the utilisation of the proceeds has been postponed from the expected year 2023 to year 2024, and the Company considers that a prudent and flexible approach for utilising the proceeds effectively and efficiently will benefit the overall development of the Group from a long-term perspective.

Continuing Connected Transactions – Multiple Services Master Agreements with Shimao Group

The Company entered into several agreements on 16 October 2020 with Shimao Group, which would constitute continuing connected transactions of the Company upon listing. As these agreements expired on 31 December 2022, with a view to continue the businesses with Shimao Group in a way that fits the current business environment and circumstances of the Company, on 6 December 2022, the Company and Shimao Group entered into the leasing master agreement, the carpark sales agency services master agreement and multiple non-exempt continuing connected transaction agreements including the sales office operation master agreement, the IoT services master agreement, the engineering services master agreement, the property management services master agreement, the value-added services to non-property owners master agreement, the information technology services master agreement and the procurement and supply master agreement. These non-exempt continuing connected transaction master agreements and the respective annual caps were approved at the extraordinary general meeting of the Company convened on 28 March 2023. For details of the above continuing connected transactions, please refer to the circular of the Company dated 13 March 2023 and the section headed "Management Discussion and Analysis" in the 2022 annual report of the Company.

Acquisitions and Future Outlook

There was no acquisition by the Group during the period. In the first half of 2023, the continued downturn in the real estate industry led to contraction in business volume, affecting the development of the downstream property management industry. The Group will be more prudent in M&A and be more focus on the integration of the acquired companies and the refinement and enhancement of the strengths of our existing businesses, so as to realise effective organic growth.

Foreign Exchange Risk

The Group principally operates 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 Company's successful listing 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 its exchange rate risk and interest rate risk exposure, actively explore foreign exchange hedging plans with major banks and use financial instruments to hedge against such risks when necessary.



MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Compensation Policy

As at 30 June 2023, the Group had a total of 46,125 employees, representing a decrease of 0.9% as compared to 46,550 employees as at 30 June 2022, which remained largely stable. Total staff costs amounted to RMB1,950.5 million, representing a decrease of 5.6% from RMB2,065.3 million for the same period of last year. The decrease in staff costs was mainly due to the downsizing of the management personnel as a result of the Group's effort to streamline corporate structure since late 2022.

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 work performance. In addition, the Group offered its employees a variety of training and personal development schemes, in order to improve their skills and develop their respective expertise, together with employee benefits, including pension fund, medical insurance and provident fund.

Contingent Liabilities

As at 30 June 2023, 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 46, 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 24 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 45, 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 17 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 (中國房地產協會) for the years from June 2019 to June 2023 and was elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on 30 March 2021.

Cao Shiyang

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 49, 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 16 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 the 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 48, 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 24 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 52, 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 29 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 79, 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 60, 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 66, was appointed as an Independent Non-executive Director of the Company on 24 August 2022. Mr. Lawrence Hui obtained a Bachelor's Degree in Arts from Manchester Polytechnic, the United Kingdom (now known as Manchester Metropolitan University) in 1982 and has over 40 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

Pursuant to Rule 13.51B(1) of the Listing Rules, there are no changes in information of the Directors of the Company since the date of the 2022 annual report of the Company and up to the date of this report.

Share Award Scheme

A Share Award Scheme of the Company (the "Share Award Scheme") was adopted by the Board on 28 June 2021 (the "Adoption Date"). The purpose of the Share Award Scheme is to 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.

The number of award shares granted is determined based on the grantee's position, experience, years of service, performance and contribution to the Group. The maximum number of shares which may be subject to an award or awards to a selected employee under the Share Award Scheme must not exceed 3% of the total number of issued shares of the Company as at the Adoption Date. The award shares granted will automatically lapse if the grantee, among other things, terminate his/her service or employment relationship with the Group and other circumstances as provided in accordance with the rules of the Share Award Scheme. No acceptance price of award shares will be payable on the acceptance of the award and no purchase price is payable by the selected employees upon acceptance of awards granted under the Share Award Scheme. Pursuant to the terms of the rules and trust deed of the Share Award Scheme, the trustee shall purchase shares from the market to satisfy the allocation of the awarded shares and shall hold such shares upon trust until they are vested.

During the six months ended 30 June 2023, a total of 3,525,446 award shares were granted to certain Directors and selected employees of the Group under the Share Award Scheme, 458,564 award shares were lapsed, and no award shares were vested and cancelled. Details of the movement of the awarded shares during the period are as follows:

Name of Grantees	Date of grant	Number of awarded shares				Outstanding as at 30 June 2023
		Outstanding as at 1 January 2023	Granted during the period	Vested during the period	Lapsed during the period	
Executive Directors						
Mr. Ye Mingjie (President)	19 June 2023 ^(Note 2)	–	374,610	–	–	374,610
Mr. Cao Shiyang	16 November 2022 ^(Note 1)	242,362	–	–	–	242,362
	19 June 2023 ^(Note 2)	–	127,907	–	–	127,907
Mr. Cai Wenwei	16 November 2022 ^(Note 1)	144,424	–	–	–	144,424
	19 June 2023 ^(Note 2)	–	127,033	–	–	127,033
Sub-total		386,786	629,550	–	–	1,016,336
Two highest paid individuals (excluding Directors as disclosed above) ^(Note 3)	16 November 2022 ^(Note 1)	272,555	–	–	(34,914)	237,641
	19 June 2023 ^(Note 2)	–	228,144	–	–	228,144
Other selected employees of the Group	16 November 2022 ^(Note 1)	3,357,764	–	–	(423,650)	2,934,114
	19 June 2023 ^(Note 2)	–	2,667,752	–	–	2,667,752
Sub-total		3,630,319	2,895,896	–	(458,564)	6,067,651
Total		4,017,105	3,525,446	–	(458,564)	7,083,987

7,083,987

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Award Scheme (CONTINUED)

Notes:

- Subject to the satisfaction of the vesting criteria and conditions of the Share Award Scheme, 60% of award shares will be vested after 6 months from the date of grant and 40% of award shares will be vested after 18 months from the date of grant. The closing price of the Company's shares immediately before the date on which the awards were granted was HK\$2.65 per share, and the fair value of the awards at the date of grant was HK\$2.29 per share based on the closing price of the Company's shares on that date.
- Subject to the satisfaction of the vesting criteria and conditions of the Share Award Scheme, 60% of award shares will be vested after 12 months from the date of grant and 40% of award shares will be vested after 24 months from the date of grant. The closing price of the Company's shares immediately before the date on which the awards were granted was HK\$1.74 per share. The fair value of the awards at the date of grant was HK\$1.68 per share based on the closing price of the Company's shares on that date.
- Based on the five highest paid individuals during the financial year ended 31 December 2022, three of them were Executive Directors of the Company, namely, Mr. Ye Mingjie, Mr. Cao Shiyang and Mr. Cai Wenwei, whose interests in the awarded shares is disclosed in the above table. No award shares were granted to Mr. Ye Mingjie on the date of grant of 16 November 2022.

Since the Adoption Date and up to 30 June 2023, a total of 7,542,551 award shares had been granted under the Share Award Scheme, representing approximately 0.32% of the total number of issued shares of the Company on the Adoption Date. As at 1 January 2023 and 30 June 2023, the number of shares available for future grant under the Share Award Scheme were 66,902,085 shares and 63,376,639 shares respectively, representing approximately 2.71% and 2.57% of the total number of issued shares of the Company as at the date of this report, respectively.

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 2023, 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	0.002%
Ye Mingjie	Beneficial owner	2,279,338 (Note 1)	0.092%
Cao Shiyang	Beneficial owner/ Interest of spouse	598,250 (Note 2)	0.024%
Cai Wenwei	Beneficial owner	414,519 (Note 3)	0.017%
Tang Fei	Beneficial owner	53,418	0.002%

Notes:

- These interests disclosed include deemed interests in 374,610 shares granted which had not vested pursuant to the Share Award Scheme of the Company.
- These interests disclosed include deemed interests in 370,269 shares granted which had not vested pursuant to the Share Award Scheme of the Company, and 22,000 shares held by the spouse of Mr. Cao Shiyang.
- These interests disclosed include deemed interests in 271,457 shares granted which had not vested pursuant to the Share Award Scheme of the Company.

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 2023 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 2023, 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	1,551,776,591	62.871%
Shimao Group Holdings	Note 1	1,551,776,591	62.871%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,551,776,591	62.871%
Gemfair Investments Limited ("Gemfair")	Note 3	1,583,710,750	64.165%
Mr. Hui Wing Mau	Note 4	1,594,567,092	64.605%

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) 1,290,412 shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under a share award scheme adopted by Shimao Group Holdings on 3 May 2021 (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) 1,290,412 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) 1,290,412 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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 a balance of skills and experience necessary to both promote the Company’s success and monitor its affairs.

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 to 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”) comprises all three 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.

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 financial statements of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) comprises all three 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”) comprises all three 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 2023.

Corporate Governance Code

The Company has complied with all the code provisions set out in the Code throughout the six months ended 30 June 2023 except for the following deviation:

The Chairman of the Board was unable to attend the annual general meeting of the Company held on 6 June 2023 as required by the code provision F.2.2 of the Code due to the other work commitment.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2023, Shimao Services (BVI) Limited, a wholly-owned subsidiary of the Company, which also is the trustee of the Share Award Scheme purchased from the market a total of 9,503,000 shares at an aggregate consideration of approximately HK\$15,909,430.29 (before expenses), among which were held upon trust pursuant to the terms of the rules and trust deed of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).



CORPORATE GOVERNANCE AND OTHER INFORMATION

Change in Constitutional Documents

In order to conform to the core shareholder protection standards as set out in the Appendix 3 to the Listing Rules and the relevant requirements of the applicable laws of the Cayman Islands, the second amended and restated memorandum and articles of association of the Company in substitution for, and to the exclusion of, the existing memorandum and articles of association of the Company was adopted by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2023. The latest version of the amended and restated memorandum and articles of association of the Company is available at the websites of the Company (www.shimaofuwu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

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 2023



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	7	4,098,139	4,265,677
Cost of sales and services	7	(3,235,465)	(3,152,057)
Gross profit		862,674	1,113,620
Selling and marketing expenses		(63,255)	(107,238)
Administrative expenses		(448,688)	(470,202)
Impairment losses on financial assets – net	8	(13,085)	(380,207)
Impairment loss on goodwill	17(a)	–	(22,594)
Fair value changes in derivative embedded in convertible bonds		–	57
Other income	9	32,445	56,058
Other gains and losses – net	10	(97,031)	133,295
Other operating expenses	11	(4,354)	(4,390)
Operating profit		268,706	318,399
Finance income		31,760	36,625
Finance costs		(19,562)	(135,994)
Finance income/(costs) – net	12	12,198	(99,369)
Share of results of associates	15	3,745	3,041
Profit before income tax	8	284,649	222,071
Income tax expense	13	(80,703)	(36,253)
Profit for the period		203,946	185,818
Profit attributable to:			
– equity holders of the Company		154,780	139,613
– non-controlling interests		49,166	46,205
		203,946	185,818
Other comprehensive income/(expense) for the period, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		4,282	(40,304)
Total comprehensive income for the period		208,228	145,514
Total comprehensive income attributable to:			
– equity holders of the Company		159,062	99,309
– non-controlling interests		49,166	46,205
		208,228	145,514
Earnings per share	14		
– Basic (RMB CENT)		6.36	5.66
– Diluted (RMB CENT)		6.34	5.65

The notes on pages 41 to 74 form an integral part of this interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	16	549,548	590,555
Right-of-use assets	26	87,778	101,965
Investment properties	16	18,738	19,243
Intangible assets	17	2,817,479	2,912,837
Deferred tax assets	27	222,707	257,529
Interests in associates	15	54,031	59,786
Financial assets at fair value through profit or loss		84,250	84,250
Contract assets		167,968	173,853
Prepayments, deposits and other receivables	20	1,127,294	1,113,583
Total non-current assets		5,129,793	5,313,601
Current assets			
Inventories	18	192,710	193,763
Trade receivables	19	3,451,587	3,218,266
Contract assets		15,625	7,851
Prepayments, deposits and other receivables	20	1,155,900	1,106,658
Restricted bank balances	21	80,675	92,122
Time deposits with maturity over three months	21	700,000	2,360,000
Cash and cash equivalents	21	4,075,899	2,307,301
Total current assets		9,672,396	9,285,961
Current liabilities			
Trade payables	25	1,128,329	1,175,103
Deposits received, accruals and other payables	25	2,361,748	2,445,879
Contract liabilities		1,396,317	1,227,899
Income tax liabilities		400,444	393,989
Borrowings	24	194,486	275,504
Lease liabilities	26	35,764	34,403
Total current liabilities		5,517,088	5,552,777
Net current assets		4,155,308	3,733,184
Total assets less current liabilities		9,285,101	9,046,785

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Borrowings	24	243,028	251,365
Lease liabilities	26	43,383	53,900
Deferred tax liabilities	27	158,308	176,012
Provisions for other liabilities and charges	23	29,664	30,893
Other payables	25	351,138	167,388
Total non-current liabilities		825,521	679,558
Net assets		8,459,580	8,367,227
Equity			
Share capital	22	21,358	21,358
Reserves		7,689,035	7,546,186
Equity attributable to equity holders of the Company		7,710,393	7,567,544
Non-controlling interests		749,187	799,683
Total equity		8,459,580	8,367,227

The notes on pages 41 to 74 form an integral part of this interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Notes	Unaudited							
		Attributable to equity holders of the Company							Non-controlling interests
		Share capital RMB'000 (Note 22)	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Treasury stock RMB'000	Retained earnings RMB'000	Total RMB'000	
Balance at 1 January 2023		21,358	8,416,063	219,366	(1,752,621)	(32,029)	695,407	7,567,544	799,683
Comprehensive income									
Profit for the period		–	–	–	–	–	154,780	154,780	49,166
Other comprehensive income		–	–	–	4,282	–	–	4,282	–
Total comprehensive income for the period		–	–	–	4,282	–	154,780	159,062	49,166
Transactions with owners in their capacity as owners									
Acquisition of equity interests of subsidiaries from non-controlling interests	30(b)	–	(41,672)	–	32,594	–	–	(9,078)	(45,483)
Capital injection from non-controlling interests of subsidiaries		–	–	–	–	–	–	–	3,335
Dividend paid to non-controlling interest		–	–	–	–	–	–	–	(57,514)
Repurchased shares		–	–	–	–	(14,271)	–	(14,271)	–
Equity-settled share-based payment – share award scheme	8	–	–	–	7,136	–	–	7,136	–
Vesting of shares under equity-settled – share-based payment-share award scheme		–	(8,428)	–	(30,243)	38,671	–	–	–
Lapse of shares under equity-settled – share-based payment-share award scheme		–	–	–	(303)	303	–	–	–
Total transactions with owners		–	(50,100)	–	9,184	24,703	–	(16,213)	(99,662)
Balance at 30 June 2023		21,358	8,365,963	219,366	(1,739,155)	(7,326)	850,187	7,710,393	749,187



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2023

		Unaudited									
		Attributable to equity holders of the Company							Non-controlling interests RMB'000	Total equity RMB'000	
Notes	Share capital RMB'000 (Note 22)	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Treasury stock 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	9,227,123	
Comprehensive income											
Profit for the period		–	–	–	–	–	139,613	139,613	46,205	185,818	
Other comprehensive expense					(40,304)	–	–	(40,304)	–	(40,304)	
Total comprehensive (expense)/ income for the period		–	–	–	(40,304)	–	139,613	99,309	46,205	145,514	
Acquisition of subsidiaries		30(a)	–	–	–	–	–	–	51,234	51,234	
Acquisition of non-controlling interests		30(c)	–	–	–	(10,360)	–	–	(10,360)	8,155	(2,205)
Capital injection from non-controlling interests of subsidiaries			–	–	–	–	–	–	6,780	6,780	
Dividend paid to non-controlling interest			–	–	–	–	–	–	(3,932)	(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	–	19,192
Total transactions with owners			(87)	(66,327)	–	8,832	66,414	–	8,832	62,237	71,069
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	9,443,706	

The notes on pages 41 to 74 form an integral part of this interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from/(used in) operating activities			
Cash generated from operations		375,938	(2,416,884)
Interest received on bank deposits		31,760	36,625
Income tax paid		(57,130)	(23,991)
Net cash generated from/(used in) operating activities		350,568	(2,404,250)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		(63,606)	(271,918)
Purchase of financial assets at fair value through profit or loss		–	(13,976)
Payment for acquisition of an associate	15	–	(2,450)
Payments for property, plant and equipment		(53,991)	(133,707)
Proceeds from disposal of property, plant and equipment		45,505	18,811
Payments of software development costs		(5,335)	(13,133)
Dividends received from associates		9,500	–
Redemption of time deposits with maturity over three months		1,660,000	–
Net cash from/(used in) investing activities		1,592,073	(416,373)
Cash flows from financing activities			
Payments for acquisition from non-controlling interests	30(b)	(32,234)	(2,205)
Capital injection from non-controlling interests of subsidiaries		3,335	6,780
Dividend paid to non-controlling interests		(28,505)	(3,932)
Proceeds from new borrowings		32,000	12,000
Interest paid on borrowings		(15,173)	(26,198)
Repayments of borrowings		(121,356)	(46,781)
Payments for lease liabilities	26(c)	(16,612)	(11,718)
Interest paid on lease liabilities	26(c)	(2,241)	(1,017)
Payment for coupon interest of convertible bonds		–	(29,073)
Payment for repurchase of shares		(14,271)	–
Proceeds from other borrowings		33,790	–
Repayments of other borrowings		(27,178)	–
Interest paid on other borrowings		(2,148)	–
Net cash used in financing activities		(190,593)	(102,144)
Net increase/(decrease) in cash and cash equivalents		1,752,048	(2,922,767)
Cash and cash equivalents at beginning of the period		2,307,301	9,842,099
Effects of exchange rate changes on cash and cash equivalents		16,550	127,855
Cash and cash equivalents at end of the period		4,075,899	7,047,187

The notes on pages 41 to 74 form an integral part of this interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 (“Mr. Hui”/“Ultimate Controlling Shareholder”).

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2023 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 statements 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 2022 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 statements 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 statements and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. Changes in accounting policies and disclosures

The accounting policies and method of computation adopted in the preparation of these interim condensed consolidated financial statements were consistent with those adopted in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022 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 statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)
Amendments to HKAS 1

Amendments to HKAS 1 and HKFRS Practice Statement 2
Amendments to HKAS 8
Amendments to HKAS 12

Insurance Contracts

Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

Disclosure of Accounting Policies

Definition of Accounting Estimates

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

4. Estimates

The preparation of the interim condensed consolidated financial statements 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 2022.

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 statements 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 2022.

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 statement of financial position plus net debt.

The Group is at a net cash position and there is no gearing as of 30 June 2023 (31 December 2022: 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 statement of financial position 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 STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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 2023 (Unaudited)				
Assets				
Financial assets at fair value through profit or loss ("FVPL")	–	–	84,250	84,250
Liabilities				
Consideration payable arising from Non-controlling shareholders' put option (Note 25)	–	–	138,394	138,394
Purchase consideration (Note 25)	–	–	635,154	635,154
	–	–	773,548	773,548
As at 31 December 2022 (Audited)				
Assets				
Financial assets at fair value through profit or loss ("FVPL")	–	–	84,250	84,250
Liabilities				
Consideration payable arising from Non-controlling shareholders' put option (Note 25)	–	–	331,261	331,261
Purchase consideration (Note 25)	–	–	387,535	387,535
	–	–	718,796	718,796

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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 changes in Level 3 instruments for the reporting period.

	Financial assets at FVPL RMB'000	Consideration payable arising from non-controlling shareholders' put option RMB'000	Purchase consideration RMB'000	Derivatives embedded in convertible bonds RMB'000
As at 1 January 2022	–	(344,532)	(464,888)	(57)
Additions	–	–	(117,111)	–
Payments	–	–	103,379	–
Non-cash transaction	(91,085)	–	91,085	–
Change in fair value recognised in the profit or loss	175,335	13,271	–	57
As at 31 December 2022 (Audited)	84,250	(331,261)	(387,535)	–
As at 1 January 2023	84,250	(331,261)	(387,535)	–
Additions	–	–	(55,474)	–
Transfer	–	199,616	(199,616)	–
Payments	–	–	95,840	–
Change in fair value recognised in the profit or loss	–	(6,749)	(88,369)	–
As at 30 June 2023 (Unaudited)	84,250	(138,394)	(635,154)	–

There were no transfers between the three levels for the six months ended 30 June 2023 (31 December 2022: 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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 and losses – net, fair value changes in derivative embedded in convertible bonds, share of results of associates and certain unallocated expenses.

All assets are allocated to operating segment assets other than deferred tax assets, interests in associates and other corporate assets. All liabilities are allocated to operating segment liabilities other than deferred tax liabilities, income tax liabilities, borrowings and other corporate liabilities.

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

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 2023 (six months ended 30 June 2022: Same).

As at 30 June 2023, all of the non-current assets of the Group were located in the PRC (31 December 2022: Same).

	Property management and related services RMB'000	City services RMB'000	Total RMB'000
Six months ended 30 June 2023 (Unaudited)			
Reportable segment revenue	3,443,080	655,059	4,098,139
Reportable segment results	359,284	8,235	367,519
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	(8,731)	(4,354)	(13,085)
Net gain/(losses) on disposal of property, plant and equipment	2,817	(1,854)	963
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(59,239)	(39,837)	(99,076)
Amortisation of intangible assets	(68,516)	(26,842)	(95,358)
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 results:			
Impairment losses on financial assets – net	(299,666)	(80,541)	(380,207)
Net gain on disposal of property, plant and equipment	3,730	2,956	6,686
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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

6. Segment information (CONTINUED)

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Segment results	367,519	208,957
Fair value changes in derivative embedded in convertible bonds	–	57
Other gains and losses – net	(97,031)	133,295
Share of results of associates	3,745	3,041
Finance costs	(19,562)	(135,994)
Finance income	31,760	36,625
Unallocated expenses	(1,782)	(23,910)
Profit before income tax	284,649	222,071

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 2023 (unaudited)			
Segment assets	12,242,366	1,790,180	14,032,546
Segment liabilities	4,533,393	725,069	5,258,462
As at 31 December 2022 (audited)			
Segment assets	11,637,549	1,875,152	13,512,701
Segment liabilities	4,238,561	814,130	5,052,691

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

6. Segment information (CONTINUED)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Segment assets	14,032,546	13,512,701
Deferred tax assets	222,707	257,529
Interests in associates	54,031	59,786
Other corporate assets	492,905	769,546
Total assets	14,802,189	14,599,562
Segment liabilities	5,258,462	5,052,691
Deferred tax liabilities	158,308	176,012
Income tax liabilities	400,444	393,989
Borrowings	437,514	526,869
Other corporate liabilities	87,881	82,774
Total liabilities	6,342,609	6,232,335

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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			
	2023 (Unaudited)		2022 (Unaudited)	
	Revenue RMB'000	Cost of sales and services RMB'000	Revenue RMB'000	Cost of sales and services RMB'000
Revenue from customer and recognised over time:				
Property management services	2,612,604	2,070,828	2,342,195	1,725,929
Community value-added services	226,184	145,834	211,042	119,721
Value-added services to non-property owners	121,140	98,161	321,553	236,438
City services	655,059	563,816	670,960	565,274
	3,614,987	2,878,639	3,545,750	2,647,362
Revenue from customer and recognised at a point in time:				
Community value-added services	483,152	356,826	719,927	504,695
	4,098,139	3,235,465	4,265,677	3,152,057
Gross basis	3,957,267	3,164,719	4,136,843	3,105,240
Net basis	140,872	70,746	128,834	46,817
	4,098,139	3,235,465	4,265,677	3,152,057

For the six months ended 30 June 2023, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to approximately 5.33% (six months ended 30 June 2022: 8.93%) of the Group's revenue. 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 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

8. Profit before income tax

The Group's profit before income tax is calculated after deducting the following expenses:

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expenses (excluding directors' and chief executive's remuneration)		1,950,505	2,065,305
Equity-settled share-based payment	29		
– Employees other than directors		5,174	13,930
– Directors		1,962	5,262
		7,136	19,192
Impairment losses on financial assets – net:			
– Third parties			
Impairment losses on trade receivables	19	20,520	12,396
Provision for/(reversal of) impairment losses on other financial assets included in deposits and other receivables	20	1,033	(20,459)
– Related parties			
Impairment losses on trade receivables	19	747	144,095
(Reversal of)/provision for impairment losses on other financial assets included in deposits and other receivables	20	(9,215)	244,175
Total impairment losses on financial assets – net		13,085	380,207
Depreciation and amortisation:			
Depreciation of property, plant and equipment	16	73,111	76,388
Depreciation of right-of-use assets, included in administrative expenses	26(b)	25,460	14,711
Depreciation of investment properties	16	505	229
Amortisation of intangible assets	17	95,358	95,653
		194,434	186,981
Auditors' remuneration			
– Non-audit services		500	1,000
Cost of inventories sold		155,204	124,280
Cost of selling parking spaces		28,702	21,946
Raw materials used in catering services		54,921	66,202

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

9. Other income

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants (Note (a))	25,029	45,208
Value-added tax deductibles (Note (b))	7,416	10,850
	32,445	56,058

Notes:

- (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 2023 (six months ended 30 June 2022: 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 and losses – net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net fair value (losses)/gains of non-controlling shareholders’ put options (Note 5.3)	(6,749)	15,832
Fair value changes in consideration payable	(88,369)	108,175
Net gains on disposal of property, plant and equipment	963	6,686
Net foreign exchange gains	77	253
Others	(2,953)	2,349
	(97,031)	133,295

11. Other operating expenses

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation of investment properties (Note 16)	505	229
Compensation expenses	3,849	4,161
	4,354	4,390

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

12. Finance income/(costs) – net

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income on bank deposits	31,760	36,625
Finance income	31,760	36,625
Interest expense on convertible bonds	–	(111,457)
Interest and finance charges paid/payable for borrowings, lease liabilities and others	(19,562)	(24,537)
Finance costs	(19,562)	(135,994)
Finance income/(costs) – net	12,198	(99,369)

13. Income tax expense

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax – PRC – Corporate income tax	63,585	146,684
Deferred income tax expenses/(credit) (Note 27) – PRC corporate income tax	17,118	(110,431)
	80,703	36,253

(a) Cayman Islands 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 STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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 2023 (six months ended 30 June 2022: Nil).

(d) PRC enterprise income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the six months ended 30 June 2023.

Tibet Shimao Tiancheng Property Management Co., Ltd. applied a renewal of preferential tax rate of 15% until 31 December 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 on 19 December 2017.

Xi'an Fangrui Property Management Co., Ltd. ("Xi'an Fangrui") and Chengdu Xinyi Property Co., Ltd and Hailiang Real Estate Management Co., Ltd applied a preferential tax rate of 15% for its head office in the Western province.

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 Shiluyuan Environmental Co., Ltd and Wuxi Jinshatian Technology Co., Ltd. established in the PRC that were acquired during the year are qualified as "High and New Technology Enterprise" subject to a preferential income tax rate of 15% for three years from 1 December 2020, 11 December 2020, 18 November 2022, respectively.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region is 25% according to the Enterprise Income Tax Law of the PRC (2022: 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.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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 2023 (six months ended 30 June 2022: Same).

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	154,780	139,613
Weighted average number of equity shares (in thousands)	2,435,332	2,468,173
Basic earnings per share (expressed in RMB Cent per share)	6.36	5.66

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 29).

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period, attributable to equity holders of the Company for diluted earnings per share (RMB'000)	154,780	139,613
Weighted average number of equity shares for basic earnings per share (in thousands)	2,435,332	2,468,173
Adjustments: share award scheme (in thousands)	4,105	2,442
Weighted average number of ordinary shares for dilutive earnings per share (in thousands)	2,439,437	2,470,615
Diluted earnings per share (expressed in RMB Cent per share)	6.34	5.65

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

15. Interests in associates

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At the beginning of the period	59,786	42,184
Additions from acquisition of subsidiaries (Note 30(a))	–	2,503
Additional investment during the period	–	2,450
Share of profits – net	3,745	3,041
Dividends	(9,500)	–
At the end of the period	54,031	50,178

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 2023 (Unaudited)	31 December 2022 (Audited)	
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd.	The PRC	49	49	AI technology development and technical supporting services
Kunming Ruixin City Operation Management Co., Ltd.	The PRC	33	33	Property management services
Shanghai Maoyuan Property Management Co., Ltd.	The PRC	49	49	Property management services
Zhejiang Xinyu Trade Co., Ltd.	The PRC	40	40	School supermarket operation
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	30	30	School logistics services
Jiaxing Longzhong Rehabilitation Aids Service Co., Ltd.	The PRC	25	25	Manufacturing of elderly supporting device
Fuzhou Fulv Shimao property Co., Ltd.	The PRC	49	49	Property management services
Suzhou Xianglv property management Co., Ltd.	The PRC	40	40	Property management services
Suzhou Shanghezhi property management Co., Ltd.	The PRC	49.5	49.5	Property management services

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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 2022 (audited)			
Cost	578,687	22,131	600,818
Accumulated depreciation	(66,942)	(1,954)	(68,896)
Carrying amounts	511,745	20,177	531,922
Six months ended 30 June 2022			
Opening carrying amounts	511,745	20,177	531,922
Additions from acquisition of subsidiaries (Note 30(a))	11,639	–	11,639
Additions	133,707	–	133,707
Depreciation charge (Note 8)	(76,388)	(229)	(76,617)
Disposals	(25,497)	–	(25,497)
Closing carrying amounts	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)
Carrying amounts	555,206	19,948	575,154
As at 1 January 2023 (audited)			
Cost	788,386	22,131	810,517
Accumulated depreciation	(197,831)	(2,888)	(200,719)
Carrying amounts	590,555	19,243	609,798
Six months ended 30 June 2023			
Opening carrying amounts	590,555	19,243	609,798
Additions	53,991	–	53,991
Depreciation charge (Note 8)	(73,111)	(505)	(73,616)
Disposals	(21,887)	–	(21,887)
Closing carrying amounts	549,548	18,738	568,286
As at 30 June 2023 (unaudited)			
Cost	820,490	22,131	842,621
Accumulated depreciation	(270,942)	(3,393)	(274,335)
Carrying amounts	549,548	18,738	568,286

As at 30 June 2023, no buildings was pledged to secure borrowings granted to the Group (31 December 2022: Nil).

As at 30 June 2023, an aggregated amount of approximately RMB42,165,904 of certain machinery and equipment and vehicles used in city service segment were pledged to secure the other borrowings of the Group (31 December 2022: RMB50,129,726) as set out in Note 25(d).

As at 30 June 2023, none of investment properties were pledged (31 December 2022: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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

Depreciation expenses were charged to the following categories in the interim condensed consolidated statement of profit or loss and other comprehensive income:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of sales and services	64,073	39,156
Administrative expenses	9,038	37,232
Other operating expenses (Note 11)	505	229
	73,616	76,617

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 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)
Carrying amounts	128,919	2,129,483	928,296	74,895	15,333	3,276,926
Six months ended 30 June 2022						
Opening carrying amounts	128,919	2,129,483	928,296	74,895	15,333	3,276,926
Additions from acquisition of subsidiaries (Note 30(a))	–	315,898	194,200	–	–	510,098
Additions	13,133	–	–	–	–	13,133
Impairment	–	(22,594)	–	–	–	(22,594)
Amortisation charge (Note 8)	(8,283)	–	(67,809)	(18,561)	(1,000)	(95,653)
Closing carrying amounts	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)
Carrying amounts	133,769	2,422,787	1,054,687	56,334	14,333	3,681,910
As at 1 January 2023 (audited)						
Cost	166,517	1,740,300	1,244,461	79,058	16,000	3,246,336
Accumulated amortisation	(43,077)	–	(271,527)	(16,228)	(2,667)	(333,499)
Carrying amounts	123,440	1,740,300	972,934	62,830	13,333	2,912,837
Six months ended 30 June 2023						
Opening carrying amounts	123,440	1,740,300	972,934	62,830	13,333	2,912,837
Amortisation charge (Note 8)	(17,726)	–	(68,005)	(8,627)	(1,000)	(95,358)
Closing carrying amounts	105,714	1,740,300	904,929	54,203	12,333	2,817,479
As at 30 June 2023 (unaudited)						
Cost	166,517	1,740,300	1,244,461	79,058	16,000	3,246,336
Accumulated amortisation	(60,803)	–	(339,532)	(24,855)	(3,667)	(428,857)
Carrying amounts	105,714	1,740,300	904,929	54,203	12,333	2,817,479

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

17. Intangible assets (CONTINUED)

Amortisation of intangible assets has been charged to the interim condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of sales and services	9,137	46,329
Administrative expenses	86,221	49,324
	95,358	95,653

Note:

(a) Goodwill

As at 30 June 2023, 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, no impairment loss on goodwill was recognised during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB22,594,000).

18. Inventories

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Car parking spaces purchased from third parties	164,697	167,904
Other inventories	28,013	25,859
	192,710	193,763

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

19. Trade receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables		
– Related parties (Note 31(c))	776,794	781,044
– Third parties	3,460,460	3,205,927
	4,237,254	3,986,971
Note receivables		
– Related parties (Note 31(c))	5,775	5,519
– Third parties	5,279	1,230
	11,054	6,749
Less: allowance for impairment of trade receivables	(796,721)	(775,454)
	3,451,587	3,218,266

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 2022: Nil).

Trade receivables from value-added services and city services are due for payments in accordance with the terms of the relevant services agreements with property developers and government bodies, which is normally within 30-90 days (31 December 2022: 30-90 days) from the issue of demand note.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

19. Trade receivables (CONTINUED)

An aging analysis of the trade receivables as at the end of the reporting period, based on the earlier of invoice date or revenue recognition date and before impairment, is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	2,687,445	2,641,297
1 to 2 years	1,054,661	1,045,831
2 to 3 years	442,065	289,169
3 to 4 years	51,854	9,016
4 to 5 years	298	370
Over 5 years	931	1,288
	4,237,254	3,986,971

As at 30 June 2023, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts (31 December 2022: Same).

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

	Third parties		Total	Related parties		Total
	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000		Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	
As at 1 January 2022 (audited)	233,110	13,354	246,464	66,932	–	66,932
Transfer to credit-impaired	–	–	–	(66,932)	66,932	–
Charge/(credit) for the year	128,818	(6,675)	122,143	–	339,915	339,915
As at 1 January 2023 (audited)	361,928	6,679	368,607	–	406,847	406,847
Charge for the period	9,314	11,206	20,520	–	747	747
As at 30 June 2023 (unaudited)	371,242	17,885	389,127	–	407,594	407,594

As at 30 June 2023, trade receivables of approximately RMB77,983,000 was pledged to secure borrowings granted to the Group (31 December 2022: RMB101,766,000) (Note 24).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

20. Prepayments, deposits and other receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Prepayments		
Non-current prepayments		
– Prepayments to customers (Note (a))	23,810	28,612
– Other prepayments	21,457	2,992
	45,267	31,604
Current prepayments		
– Related Parties (Note 31(c))	14,671	17,910
– Utilities	75,829	49,312
– Raw materials for value added services	80,665	67,505
– Other prepayments	169,074	162,725
	340,239	297,452
Subtotal	385,506	329,056
Other receivables		
– Advance to related parties (Note (b) and 31(c))	459,515	477,944
– Advance to employees	27,072	24,747
– Payments on behalf of property owners (Note (c))	110,703	87,866
– Deposits	191,576	178,784
– Deposits paid for an exclusive right in sales of parking spaces (Note (d))	1,164,597	1,164,597
– Others	276,504	297,708
Subtotal	2,229,967	2,231,646
Total	2,615,473	2,560,702
Less: Allowance for impairment of other receivables	(332,279)	(340,461)
	2,283,194	2,220,241
Non-current	1,127,294	1,113,583
Current	1,155,900	1,106,658
	2,283,194	2,220,241

Notes:

- (a) Prepayments to customers mainly represented the initial consideration paid to schools to obtain the operation of the students' apartments.
- (b) Other receivables from related parties were unsecured, interest-free and repayable on demand. They mainly represented payment to related parties for the right of sales of car parking spaces, the payment would be refunded to the Group upon relevant car parking spaces are sold.
- (c) Balances represented the payments on behalf of property owners in respect of utilities and elevator maintenance costs of the properties.
- (d) Balances represent the deposit paid to a third party for an exclusive right in selling of parking spaces and earning commission fee. Such deposits are expected to be refund in June 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

20. Prepayments, deposits and other receivables (CONTINUED)

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

	Third parties	Related parties		Total RMB'000
	12m ECL (not credit- impaired) RMB'000	12m ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	
As at 1 January 2022 (audited)	44,179	14,681	–	14,681
Transfer to credit-impaired	–	(14,681)	14,681	–
Charge for the year	47,751	–	233,850	233,850
As at 1 January 2023 (audited)	91,930	–	248,531	248,531
Charge/(credit) for the year	1,033	–	(9,215)	(9,215)
As at 30 June 2023 (unaudited)	92,963	–	239,316	239,316

21. Cash and cash equivalents/Time deposits with maturity over three months/Restricted bank balances

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash on hand	787	1,734
Time deposits with maturity over three months	700,000	2,360,000
Cash at bank	4,155,787	2,397,689
	4,856,574	4,759,423
Time deposits with maturity over three months	(700,000)	(2,360,000)
Restricted bank balances	(80,675)	(92,122)
	4,075,899	2,307,301

Cash and cash equivalents include cash at bank and short term time deposits with a maturity of less than three months. Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Restricted bank balances were cash deposit of performance security as at 30 June 2023 (31 December 2022: Same).

As at 30 June 2023, restricted bank balances, time deposits with maturity over three months and cash and cash equivalents of the Group which is denominated in Renminbi amounted to approximately RMB4,750,016,000 (31 December 2022: RMB4,247,893,000). The Renminbi is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business. The remaining cash and cash equivalents denominated in Hong Kong dollar and United States dollars amounted to approximately RMB96,890,000 (31 December 2022: RMB491,132,000) and RMB9,668,000 (31 December 2022: RMB20,398,000) respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

22. Share capital

	Number of ordinary shares	Share capital HKD	RMB
Authorised			
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	3,500,000,000	35,000,000	30,350,583
As at 1 January 2022 (audited)	2,478,973,000	24,789,730	21,444,970
Repurchase and cancellation of shares (Note)	(10,800,000)	(108,000)	(87,158)
As at 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	2,468,173,000	24,681,730	21,357,812

Note:

During the year ended 31 December 2021, the Company repurchased 10,800,000 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).

23. Provisions for other liabilities and charges

	As at 30 June 2023 (Unaudited) Non-current RMB'000	As at 31 December 2022 (Audited) Non-current RMB'000
Claim provisions	29,664	30,893

As at 30 June 2023, the Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB29,664,000(31 December 2022: RMB30,893,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

24. Borrowings

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	–	16,000
– secured (Note)	410,514	486,869
	410,514	502,869
Less: Portion of long-term bank borrowings due within one year	(167,486)	(251,504)
	243,028	251,365
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured	10,000	–
– unsecured	17,000	24,000
Current portion of non-current borrowings	167,486	251,504
	194,486	275,504

Note:

As at 30 June 2023, bank borrowings of RMB410,514,000 (31 December 2022: RMB486,869,000) are pledged by certain properties of directors of Group's subsidiaries, certain projects, receivables and equity interest of Group's subsidiaries.

For six months ended 30 June 2023, the weighted average effective interest rates on borrowings were 5.1% (31 December 2022: 5.2%). All of the borrowings are denominated in RMB(31 December 2022: Same).

The maturity date of the borrowings was analysed as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	194,486	275,504
Between 1 and 2 years	164,260	166,427
Between 2 and 5 years	37,938	12,000
Over 5 years	40,830	72,938
	437,514	526,869

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables		
– Related parties (Note 31(c))	328	19,750
– Third parties	1,128,001	1,155,353
Trade payables	1,128,329	1,175,103
Deposits received, accruals and other payables		
– Payable to related parties (Note 31(c))	46,475	90,499
– Accrued expenses	737,134	815,533
– Amounts collected on behalf of property owners (Note (c))	407,354	293,418
– Consideration payable arising from non-controlling shareholders' put option (Note (b))	138,394	331,261
– Purchase consideration (Note (a))	635,154	387,535
– Interest payable	6,268	4,624
– Deposits received	372,617	389,293
– Other borrowings (Note (d))	144,723	138,112
– Other payables	224,767	162,992
Deposits received, accruals and other payables	2,712,886	2,613,267
Non-current	351,138	167,388
Current	2,361,748	2,445,879
	2,712,886	2,613,267

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	846,739	924,628
1 to 2 years	161,635	182,699
2 to 3 years	81,735	64,536
3 to 4 years	37,201	2,170
4 to 5 years	453	805
Over 5 years	566	265
	1,128,329	1,175,103

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

25. Trade payables, deposits received, accruals and other payables (CONTINUED)

Notes:

- (a) As at 30 June 2023, the outstanding contingent consideration payables for business combination amounted to approximately RMB635,154,000 (31 December 2022: RMB387,535,000), which is measured at fair value.

The acquisition agreements require the Group to pay the non-controlling interests or the vendors additional consideration in cash depending on whether the acquired subsidiaries' revenue or profit after tax meet specified targets. The contingent consideration payables are measured at fair value as at respective dates of acquisition and the end of each reporting period, by using the probabilistic approach with possible scenarios under different financial forecasts and adjusted by the estimated discount rate. The subsequent changes in fair value of contingent consideration payables is to be recognised in the profit or loss.

The fair value of the contingent consideration payable, classified as level 3, the details of the significant unobservable inputs are set forth in Note 5 (5.3).

- (b) As at 30 June 2023, there are 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.

In November 2020, Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") entered into an acquisition agreement with a third party to acquire 70% equity interest of Xi'an Fangrui and the acquisition agreement stipulates that the original shareholders were guaranteed a put option under which they can sell the remaining 30% equity of Xi'an Fangrui to the Group at their discretion within 3 months after 31 December 2023. A financial liability being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised in profit or loss. The initial amount of the put option is valued at RMB82,389,000 and fair value of the put option as at 30 June 2023 is RMB87,881,000 (31 December 2022: RMB82,774,000).

In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment LLP ("NTEIPs") which are the original shareholders of Zhejiang Sinew, and the acquisition agreement stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after 31 December 2022. A financial liability being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised in profit or loss. The initial amount of the put option is valued at RMB199,615,000 and the fair value of the put option as at 31 December 2022 is RMB197,974,000 (2021: RMB210,243,000).

On 23 April 2023, Shimao Tiancheng and 21 minority shareholders of Zhejiang Xiangyu signed a framework agreement on the equity transfer of Zhejiang Xiangyu which Shimao Tiancheng would acquire the remaining 37.5% equity interest of Zhejiang Xiangyu for RMB180,791,400. The consideration would be settled by installments. As of 30 June 2023, RMB13,770,000 has been paid for settlement.

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the seller will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting. The Group recognised the total consideration of RMB22,917,000 being the aforesaid cash consideration of RMB2,920,000 plus the consideration payable for the put option. The consideration payable for the put option is measured at fair value with the change in carrying amount recognised in profit or loss. As at 30 June 2023, the put option is valued as RMB50,513,000 (31 December 2022: RMB50,513,000).

Such options are accounted for as financial liabilities as there is an obligation for the Group to deliver cash or other financial assets in exchange of its own equity shares. The amount that may become payable under the options on exercise are initially recognised at present value of the redemption amount. The options are subsequently measured at fair value at the reporting date and the changes in fair value during the year is recognised in the profit or loss (Note 10).

In the event that the options expire unexercised, the liability is derecognised with corresponding adjustments to (i) equity for the portion previously recognised in capital reserve at its initial recognition; and (ii) profit or loss for the remaining portion representing the change of its fair value in the subsequent measurement during the year.

The fair value of the consideration payable arising from non-controlling shareholders' put options, is classified as level 3, the details of the significant unobservable inputs are set forth in Note 5 (5.3).

The valuation of the consideration payable arising from non-controlling shareholders' put options was determined using the discount cash flow method under the income approach. The significant unobservable inputs are expected discount rate as at the exit date (which was determined by the probability-weighted average of floating premiums under three financial projection scenarios prepared by the management), and the expected discount rate (which was determined using the capital asset pricing model).

- (c) The balance mainly comprised the utility charges temporarily received from property owners on behalf of utility companies.
- (d) Other borrowings mainly represent the borrowings from financial institutions which are (i) secured by certain of the Group's property, plant and equipment used in city service segment as set out in Note 16, and guaranteed by non-controlling interests of subsidiaries in city service segment, (ii) interest bearing from 4.03% to 8% (31 December 2022: 4.03% to 8%) and (iii) repayable within 1 to 3 years (31 December 2022: 1 to 3 years).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

26. Leases

(a) Amounts recognised in the interim condensed consolidated statement of financial position

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Right-of-use assets		
– Land use rights	8,298	8,385
– Buildings	79,480	93,580
	87,778	101,965
Lease liabilities		
Current	35,764	34,403
Non-current	43,383	53,900
	79,147	88,303

(b) Amounts recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation charge (Note 8)		
– Land use rights	87	228
– Buildings	25,373	14,483
	25,460	14,711
Finance costs on leases	2,241	10,325
Expenses related to short-term lease and low-value assets (included in administrative expenses)	8,110	1,084

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cashflow from financing activities		
– Payments of interest element of lease liabilities	2,241	1,017
– Payments of principal element of lease liabilities	16,612	11,718
	18,853	12,735

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

27. Deferred tax

The analysis of deferred tax assets in the interim condensed consolidated statement of financial position was as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deferred tax assets:		
– Deferred tax asset not to be recovered within 12 months	302,817	294,495
Net-off with deferred tax liability	(80,110)	(36,966)
	222,707	257,529
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	(238,418)	(212,978)
Net-off with deferred tax asset	80,110	36,966
	(158,308)	(176,012)

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (unaudited)
As at 1 January	81,517	(112,153)
Additions from acquisition of subsidiaries	–	(49,218)
Excess of value of intangible assets identified in business combination	–	35,596
Credited to profit and loss	(17,118)	74,835
As at 30 June	64,399	(50,940)

28. Dividends

The Company's board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

29. Share award scheme

Shimao Group operates a share award scheme (the “Shimao Group Share Scheme”) for the main purpose of recognising the contributions by the selected employees and providing them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The grantees of the Shimao Group Share Scheme include the Company’s directors, senior executives and employees. The Shimao Group Share Scheme was adopted by the board of Shimao Group on 3 May 2021 (the “Adoption Date I”) and shall remain valid and effective for a period of ten years from the Adoption Date I. The maximum number of shares of the Company can be awarded is 0.3% (i.e. 7,091,919 shares of the Company) of the issued share capital of the Company as at the Adoption Date I.

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

At the Adoption Date I, a trust deed was entered into between Shimao Group and Best Cosmos whereby Shimao Group appointed Best Cosmos as trustee to hold the awarded shares. The grant by Shimao Group of the shares of the Company is treated as a capital contribution in equity (recorded in “Other reserves”).

During the year ended 31 December 2021, a total of 4,866,137 shares were granted to 136 directors and employees of the Group (each, the “2021 Grantee”), and the said shares were granted to the 2021 Grantees at nil consideration. As of 30 June 2023, 4,075,309 shares (amounted to RMB66,639,000) and 757,447 shares (amounted to RMB12,713,000) out of the 4,866,137 shares granted in 2021 are vested and lapsed, the remaining 33,381 shares (amounted to RMB546,000) were unvested.

A Share Award Scheme of the Company (the “Shimao Services Share Award Scheme”) was adopted by the Board on 28 June 2021 (the “Adoption Date II”). The purpose of the Shimao Services 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 Shimao Services Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date II. The maximum number of shares which can be awarded under the Shimao Services 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 II. During the year ended 31 December 2022, a total of 169 employees (including two directors) of the Group (each, the “2022 Grantee”) were awarded a total of 4,017,105 shares under the Shimao Services Share Award Scheme. All the said shares were granted to the 2022 Grantees at nil consideration. Subject to the satisfaction of the vesting circumstances and conditions of the Shimao Services Share Award Scheme, 60% of the award shares will be vested after 6 months from the grant date, and 40% of the award shares will be vested after 18 months from the grant date. During the six months ended 30 June 2023, 458,564 shares were lapsed, and the remaining 3,558,541 shares were unvested.

On 19 June 2023, a total of 125 employees (including three directors) of the Group (each, the “2023 Grantee”) were awarded a total of 3,525,446 shares under the Shimao Services Share Award Scheme. All the said shares were granted to the 2023 Grantees at nil consideration. Subject to the satisfaction of the vesting circumstances and conditions of the Shimao Services Share Award Scheme, 60% of the award shares will be vested after 12 months from the grant date, and 40% of the award shares will be vested after 24 months from the grant date. During the six months ended 30 June 2023, no shares were vested, lapsed or cancelled for such grant.

The fair value of 2023 Grantee’s services, 2022 Grantee’s services and 2021 Grantee’s services received in return for shares awarded of approximately HK\$5,923,000, HK\$10,645,000 and HK\$97,323,000 (equivalent to approximately RMB5,391,000, RMB9,566,000 and RMB79,571,000), respectively, was measured by reference to the market price of the shares of the Company at grant date. No other feature of the shares was incorporated into the measurement of the fair value.

The Group recognised share-based payment expense relating to the shares granted pursuant to the Scheme of approximately RMB7,136,000 (six months ended 30 June 2022: RMB19,192,000) in profit or loss during the six months ended 30 June 2023.

The weighted average fair value of the unvested shares granted during the six months ended 30 June 2023 is HK\$11,031,921, equivalent to RMB10,171,210 (31 December 2022: HK\$15,379,899, equivalent to RMB13,738,403).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

30. 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 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.

During the six month ended 30 June 2023, the fair value of adjustable consideration have increased by RMB88,369,000 and the fair value charge is recognised of profit or loss during the period.

- (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.

- (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) (“Tianjian 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 Tianjian 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 Tianjian Rongwei for the years ended/ending 31 December 2021, 2022, 2023 and 2024; and (ii) the audited net profit of Tianjian 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 Tianjian 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.

* For identification purposes only

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

30. 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

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 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
					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
Interests in associates (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 27)					(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

30. 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)

(vi) Purchase consideration – cash outflow

	Total (Unaudited) RMB'000
Outflow 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 outflow on acquisitions	271,918

(b) Transaction with non-controlling interests for the six months ended 30 June 2023

During the six months ended 30 June 2023, the Group acquired additional 30%, 33% and 2.1% equity interests in three subsidiaries, respectively, for a total consideration of RMB87,155,000.

The Group recognised a decrease in non-controlling interests of RMB45,483,000 and an increase in equity attributable to the equity holders of the Company of RMB41,672,000. 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 (Unaudited)
Consideration:	
Total consideration paid during the current period	87,155
Carrying amount of non-controlling interests acquired	(45,483)
Excess of carrying amount acquired recognised in equity	41,672

(c) 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. Partial of the consideration was paid by the Group during the year ended 31 December 2021 which was included in prepayment.

The Group recognised a decrease in non-controlling interests of RMB4,443,000 and an 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 (Unaudited)
Consideration:	
Total consideration paid in prior years to non-controlling interests	2,205
Carrying amount of non-controlling interests acquired	8,155
Excess of carrying amount acquired recognized in equity	10,360

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

31. Related party transactions

(a) Names and relationships with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in the Cayman Islands which owns approximately 62.87% of the Company's shares). The directors consider Gemfair Investments Limited as the ultimate holding company, and the ultimate controlling shareholder of the Group is Mr. Hui Wing Mau.

(b) Transactions with related parties

(i) Continuing transactions

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Services provided to related parties		
– Shimao group	193,590	306,562
– Joint ventures and associates of Shimao Group	24,748	74,178
	218,338	380,740
Interest on lease liabilities to related parties		
– Shimao Group	583	162
Payment of lease liabilities in relation to leases with related parties		
– Shimao Group	3,277	4,353

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 RMB657,000 (as at 31 December 2022: RMB1,205,000) per month and the lease terms will be expired in 1-3 years.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

31. Related party transactions (CONTINUED)

(c) Balances with related parties – trade receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Receivables from related parties		
Trade Receivables (Note 19)		
– Shimao Group	705,043	755,984
– Joint ventures and associates of Shimao Group	77,526	30,579
	782,569	786,563
Prepayments, deposits and other receivables (Note 20) (Note)		
– Shimao Group	418,673	418,398
– Joint ventures and associates of Shimao Group	55,513	77,456
	474,186	495,854
Total receivables from related parties	1,256,755	1,282,417
Payables to related parties		
Contract liabilities		
– Shimao Group	51,969	46,966
– Joint ventures and associates of Shimao Group	9,196	9,550
	61,165	56,516
Trade payables (Note 25)		
– Shimao Group	328	16,076
– Joint ventures and associates of Shimao Group	–	3,674
	328	19,750
Deposits received, accruals and other payables (Note 25)		
– Shimao Group	25,418	56,915
– Joint ventures and associates of Shimao Group	21,057	33,584
	46,475	90,499
Lease payable to related parties		
– Shimao Group	20,412	23,919
Total payables to related parties	128,380	190,684

Note:

Included in the amount, the deposit of approximately RMB296,988,000 (31 December 2022: RMB304,437,000) 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 RMB48,071,000 (six months ended 30 June 2022: RMB17,887,000) 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 STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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

Saved as disclosed elsewhere in the interim condensed consolidated financial statements, as at 30 June 2023, the Group has no non-trade balances to related parties (31 December 2022: Nil).

(e) Guarantees provided by related parties

As at 30 June 2023, the Group' bank borrowings included a borrowing of approximately RMB312,588,000 (31 December 2022: RMB392,623,000) bearing a fixed interest at 5.55% per annum and expiring in 2024, was guaranteed by Shimao Group.

(f) Key management compensation

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries and other short-term employee benefits	7,042	606

32. Contingencies

As at 30 June 2023, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties (31 December 2022: Nil).

33. Approval of the interim condensed consolidated financial statements

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 31 August 2023.



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