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世茂服務
SHIMAO SERVICE

SHIMAO SERVICES HOLDINGS LIMITED
世 茂 服 務 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 873)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

RESULTS HIGHLIGHTS

1. Revenue amounted to RMB4,233.8 million, representing an increase of 170.6% as compared with RMB1,564.6 million for the same period of 2020.

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

3. Gross profit reached RMB1,255.3 million, representing a year-on-year increase of 136.1% as compared to RMB531.8 million for the same period of 2020.

4. Operating profit amounted to RMB732.9 million, representing an increase of 133.3% as compared to RMB314.1 million for the same period of 2020.

5. Profit for the period amounted to RMB639.1 million, representing an increase of 150.9% as compared to RMB254.7 million for the same period of 2020. During the period, profit attributable to the Group's equity shareholders was RMB578.2 million, representing an increase of 135.6% as compared to RMB245.4 million for the same period of 2020.

6. During the period, basic earnings per share amounted to approximately RMB0.24, representing an increase of 100.0% as compared to RMB0.12 for the same period of 2020.

7. The Group's cash and cash equivalents amounted to RMB5,621.6 million as of 30 June 2021, representing a decrease of 3.6% as compared to RMB5,830.0 million as of 31 December 2020.

8. As of 30 June 2021, the Group's GFA under management to which we offered property management services reached 175.0 million sq.m., representing an increase of approximately 104.2% as compared to approximately 85.7 million sq.m. for the same period of 2020; the Group's contracted GFA was approximately 239.2 million sq.m., representing an increase of approximately 90.6% as compared to approximately 125.5 million sq.m. for the same period of 2020.

CHAIRMAN'S STATEMENT

Dear shareholders,

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

Market and Industry Outlook

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

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

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

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

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

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

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

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

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

Interim Results

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

New Journey, New Beginning

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

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

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

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

Shimao Group offered great support to the development of Shimao Services

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

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

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

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

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

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

Strengthening efforts in segments

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

Establishing presence in the new field of city services

In 2021, Shimao Services successfully acquired Shenzhen Shenxiong Environmental Co., Ltd.* (深圳深兄環境有限公司) ("Shenzhen Shenxiong") and Wuxi Jinshatian Technology Co., Ltd.* (無錫市金沙田科技有限公司) ("Jinshatian"), as part of its strategic layout to cover two of the most economically developed areas in China, i.e. the Greater Bay Area and the

Yangtze River Delta region. In this way, the Company quickly developed its comprehensive capabilities in city services, and equipped itself with the management foundation and talent reserves for nationwide promotion. Shimao Services has entered into strategic framework cooperation agreements with the governments of nine cities, counties and districts to jointly promote city services, and has taken the lead to materialise its projects in Sucheng District of Suqian City and Acheng District of Harbin City. With strategies, platforms and entry points in place, the city services business will continue to materialise and grow bigger and stronger.

Continuous Improvement of Comprehensive Capabilities

Shimao Services is an industry leader in refined management capabilities

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

Shimao Services cherishes every partner

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

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

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

New Heights, New Tasks

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

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

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

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

Shimao Services will keep developing five key capabilities

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

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

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

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

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

Implementing our strategies with determination and tenacity

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

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

Social Responsibility

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

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

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

Acknowledgement

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

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

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

Hui Sai Tan, Jason
Chairman

Hong Kong, 25 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

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

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

➢ **PROPERTY MANAGEMENT SERVICES**

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

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

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

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

- **Sustained swift growth in area**

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

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

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

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

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

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

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

- **Significant improvement in third-party bidding expansion capabilities**

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

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

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

Such excellent expansion results were attributable to:

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

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

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

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

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

- **Enhanced integration through mergers and acquisitions**

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

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

- **Improved capabilities in segments**

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

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

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

➢ COMMUNITY VALUE-ADDED SERVICES

- **Representing 32.9% of total revenue and 40.6% of total gross profit**

During the period, the revenue amounted to RMB1,393.4 million, representing a rapid increase of 233.9% as compared to RMB417.3 million for the same period of 2020.

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

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

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

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

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

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

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

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

- ***For campus value-added services, the revenue was RMB222.3 million, with no such business during the same period of last year***

  Leveraging on Zheda Sinew and based in universities and colleges, we provided teachers and students with various value-added services on campus study and life, including catering, accommodation and retail services.

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

- ***For carpark asset operation services, the revenue was RMB221.3 million, representing a year-on-year increase of 11.7% as compared to RMB198.1 million for the same period of last year***

  In 2021, the Group took the initiative to rein in its cyclical business and strove to develop its non-cyclical business by providing property owners with various services such as carpark management, lease and transformation as well as vehicle maintenance. As a result, the proportion of non-cyclical business continued to rise. The declining carpark sales business (as a cyclical business) as a share of the revenue from carpark asset operation and management services stood at 66.9% and further plunged to 3.6% of total revenue, indicating a continuously optimized business structure.

- ***For community asset management services, the revenue was RMB113.9 million, representing a year-on-year increase of 67.5% as compared to RMB68.0 million for the same period of last year***

  Community asset management services consisted of indoor services, community venue operations and others. The revenue of the community venue operations business amounted to RMB101.7 million, representing a minimal share of merely 2.4% of total revenue.

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

- ***For home decoration services, the revenue was RMB45.1 million, representing a year-on-year increase of 310.0% as compared to RMB11.0 million for the same period of last year***

  Shimao Services provided its property owners with such services as refined decoration, home improvement, turnkey furnishing, and promotion of home furnishing products.

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

- ***For new retail services, the revenue was RMB196.2 million, representing a year-on-year increase of 3,601.9% as compared to RMB5.3 million for the same period of last year***

  Shimao Services satisfied its property owners with superior services, which serves as an important foundation for its new retail business. In the first half of 2021, the Group was active in exploring customer needs, providing distinctive products with quality assurance to its property owners and gradually opening up community markets.

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

➢ VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

- **Representing 9.1% of total revenue and 8.5% of total gross profit**

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

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

➢ CITY SERVICES

- **Representing 3.2% of total revenue and 1.6% of total gross profit**

  In the first half of 2021, the revenue reached RMB134.2 million, providing a good start for such business operation.

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

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

FINANCIAL REVIEW

During the period, the Group realized:

Revenue

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Impairment Loss on Financial Assets

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

Operating Profit

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

Net Finance Income/(Costs)

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

Profit before Income Tax Expense

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

Income Tax Expense

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

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

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

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

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

Profit for the Period

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

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

Property, Plant and Equipment

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

Intangible Assets

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

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

Trade and Other Receivables

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

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

Trade and Other Payables

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

Liquidity, Reserves and Capital Structure

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

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

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

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

Proceeds from Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 30 October 2020. Excluding underwriting fees and related expenses, the gross proceeds from the initial public offering was approximately RMB5,125.9 million. As of 30 June 2021, among which, (i) approximately RMB960.6 million was used to continue to expand business scale through multiple channels; (ii) approximately RMB73.1 million was used to diversify people-oriented and property-oriented value-added service offerings; (iii) approximately RMB10.0 million was used to improve the information technology system and smart technologies; and (iv) approximately RMB10.8 million was used to attract and nurture talent; and approximately

RMB4,071.4 million was not utilized. Such proceeds will be used for the following purposes as set out in the prospectus of the Company dated 20 October 2020:

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

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

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

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

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

Acquisitions

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

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

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

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

Foreign Exchange Risk

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

Employees and Compensation Policy

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

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

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

Contingent Liabilities

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

Financial Policy

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

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2021 together with comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		Unaudited	Audited
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**4,233,757**	1,564,636
Cost of sales and services	*5,6*	**(2,978,412)**	(1,032,841)
Gross profit		**1,255,345**	531,795
Selling and marketing expenses	*6*	**(48,220)**	(19,774)
Administrative expenses	*6*	**(416,132)**	(202,956)
Provision of impairment losses on financial assets – net		**(125,834)**	(7,269)
Other income	*7*	**29,228**	20,976
Other gains/(losses) – net		**42,351**	(5,648)
Other operating expenses		**(3,809)**	(2,979)
Operating profit		**732,929**	314,145
Finance income		**12,100**	2,626
Finance costs		**(10,460)**	(13,259)
Finance income/(costs) – net		**1,640**	(10,633)
Share of results of associates accounted for using the equity method		**2,036**	117
Profit before income tax		**736,605**	303,629
Income tax expense	*8*	**(97,525)**	(48,958)
Profit for the period		**639,080**	254,671

	Note	Six months ended 30 June 2021 Unaudited *RMB'000*	2020 Audited *RMB'000*
Profit attributable to:			
– Equity holders of the Company		**578,156**	245,420
– Non-controlling interests		**60,924**	9,251
		639,080	254,671
Other comprehensive income for the period			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(33,396)**	–
Total other comprehensive income for the period, net of tax		**(33,396)**	–
Total comprehensive income for the period		**605,684**	254,671
Total comprehensive income attributable to:			
– Equity holders of the Company		**544,760**	245,420
– Non-controlling interests		**60,924**	9,251
		605,684	254,671
Earnings per share for profit attributable to the equity holders of the Company			
– Basic and diluted earnings per share *(RMB)*	*9*	**0.24**	0.12

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2021

	Note	**30 June 2021 Unaudited *RMB'000***	31 December 2020 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**293,174**	206,143
Right-of-use assets		**35,027**	27,212
Investment properties		**19,617**	19,931
Intangible assets	*11*	**2,444,046**	1,873,297
Deferred tax assets		**100,310**	67,533
Investment in associates accounted for using the equity method		**36,110**	34,074
Financial assets at fair value through other comprehensive income		**356**	356
Prepayments	*13*	**64,970**	259,567
Total non-current assets		**2,993,610**	2,488,113
Current assets			
Inventories		**283,729**	267,233
Trade receivables	*12*	**2,741,246**	1,863,164
Financial assets at fair value through profit or loss		**23,138**	–
Prepayments, deposits and other receivables	*13*	**699,205**	454,422
Restricted cash		**100**	2,045
Cash and cash equivalents		**5,621,582**	5,830,046
Total current assets		**9,369,000**	8,416,910
Total assets		**12,362,610**	10,905,023
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*14*	**20,499**	20,499
Reserves		**6,633,843**	6,427,488
		6,654,342	6,447,987
Non-controlling interests		**381,487**	292,858
Total equity		**7,035,829**	6,740,845

	Note	**30 June 2021 Unaudited** *RMB'000*	31 December 2020 Audited *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**7,508**	4,400
Lease liabilities		**16,074**	7,896
Deferred tax liabilities		**153,583**	122,162
Provisions for other liabilities and charges		**3,060**	3,297
Total non-current liabilities		**180,225**	137,755
Current liabilities			
Trade and other payables	*15*	**3,689,152**	2,986,951
Contract liabilities		**1,006,370**	815,334
Dividends payables		**213,334**	–
Income tax liabilities		**209,842**	185,729
Borrowings		**5,700**	25,600
Lease liabilities		**22,158**	12,809
Total current liabilities		**5,146,556**	4,026,423
Total liabilities		**5,326,781**	4,164,178
Total equity and liabilities		**12,362,610**	10,905,023
Net Current Assets		**4,222,444**	4,390,487

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1 Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Group

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

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

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

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

(iii) Equity-settled share-based payment transactions

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

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

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

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

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

4. SEGMENT INFORMATION

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

During the period ended 30 June 2021, the Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

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

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

5. REVENUE AND COST OF SALES AND SERVICES

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

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

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

6. EXPENSES BY NATURE

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

(a) Share based compensation as the amount of 7,321,000 is included in employee benefit expenses (Note 14).

7. OTHER INCOME

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

8. INCOME TAX EXPENSE

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

9. EARNINGS PER SHARE

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

The weighted average number of ordinary shares used for the six months ended 30 June 2020 has been retrospectively adjusted for the effects of the issue of 94,999 shares (Note 14(i)(a)) and the 1,999,900,000 shares issued in connecting with the Capitalization issue, these were deemed to have been in issue since 1 January 2020.

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

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

10. DIVIDENDS

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

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

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

11. INTANGIBLE ASSETS

	Computer Software *RMB'000*	Goodwill (Note(a)) *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
As at 1 January 2021 (Unaudited)				
Cost	71,948	1,213,779	634,800	1,920,527
Accumulated amortization	(6,046)	–	(41,184)	(47,230)
Net book amount	65,902	1,213,779	593,616	1,873,297
Six months ended 30 June 2021 (Unaudited)				
Opening net book amount	65,902	1,213,779	593,616	1,873,297
Additions from acquisition of subsidiaries	–	376,459	230,000	606,459
Additions	9,203	–	–	9,203
Amortization charge	(5,063)	–	(39,850)	(44,913)
Closing net book amount	70,042	1,590,238	783,766	2,444,046
As at 30 June 2021 (Unaudited)				
Cost	81,151	1,590,238	864,800	2,536,189
Accumulated amortization	(11,109)	–	(81,034)	(92,143)
Net book amount	70,042	1,590,238	783,766	2,444,046
As at 1 January 2020 (Audited)				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
Six months ended 30 June 2020 (Audited)				
Opening net book amount	17,164	176,318	89,812	283,294
Additions	2,400	175,754	114,000	292,154
Additions from acquisition of subsidiaries	8,525	–	–	8,525
Disposals	(14)	–	–	(14)
Amortization charge	(3,590)	–	(9,300)	(12,890)
Closing net book amount	24,485	352,072	194,512	571,069
As at 30 June 2020 (Audited)				
Cost	29,965	352,072	209,800	591,837
Accumulated amortization	(5,480)	–	(15,288)	(20,768)
Net book amount	24,485	352,072	194,512	571,069

(a) Goodwill

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

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

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

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

12. TRADE RECEIVABLES

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

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

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

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

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

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

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

14. SHARE CAPITAL

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

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

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

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

(ii) Share Award Scheme

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

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

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

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

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

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

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

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

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

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

15. TRADE AND OTHER PAYABLES

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

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

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

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

16. EVENTS AFTER THE BALANCE SHEET DATE

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). The Company has made specific enquiry of all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

On behalf of the Board
Shimao Services Holdings Limited
Hui Sai Tan, Jason
Chairman

Hong Kong, 25 August 2021

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely Mr. Hui Sai Tan, Jason (Chairman), Mr. Ye Mingjie (President), Mr. Cao Shiyang and Mr. Cai Wenwei; two Non-executive Directors, namely, Ms. Tang Fei and Mr. Sun Yan; and three Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Gu Yunchang and Ms. Zhou Xinyi.

* *For identification purposes only*