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 2022

RESULTS HIGHLIGHTS

1. Revenue amounted to RMB4,265.7 million, representing an increase of 12.9% as compared to RMB3,779.1 million for the same period of 2021.

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

3. Gross profit reached RMB1,113.6 million, representing a year-on-year decrease of 11.3% as compared to RMB1,255.3 million for the same period of 2021.

4. Operating profit amounted to RMB318.4 million, representing a decrease of 56.6% as compared to RMB732.9 million for the same period of 2021.

5. Profit for the period amounted to RMB185.8 million, representing a decrease of 70.9% as compared to RMB639.1 million for the same period of 2021. During the period, profit attributable to equity holders of the Company was RMB139.6 million, representing a decrease of 75.9% as compared to RMB578.2 million for the same period of 2021.

6. During the period, basic earnings per share amounted to approximately RMB0.06, representing a decrease of 75.0% as compared to RMB0.24 for the same period of 2021.

7. The Group's cash and cash equivalents amounted to RMB7,047.2 million as of 30 June 2022, representing a decrease of 28.4% as compared to RMB9,842.1 million as of 31 December 2021.

8. As of 30 June 2022, the Group's GFA under management to which we offered property management services reached 255.9 million sq.m., representing an increase of approximately 46.2% as compared to approximately 175.0 million sq.m. for the same period of 2021; the Group's contracted GFA was approximately 333.1 million sq.m., representing an increase of approximately 39.3% as compared to approximately 239.2 million sq.m. for the same period of 2021.

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 period ended 30 June 2022.

Market and Industry Outlook

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

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

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

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

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

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

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

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

Interim Results

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

Achieving Quality Growth

Steady Growth in Business Scale

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

Overall Improvement in Third-party Bidding

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

Remarkable Achievement in Building City Services Platform

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

Promising Results from Development in Key Cities

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

Continuous Enhancement in Customers' Satisfaction and Stickiness

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

Sustaining "High Quality Growth"

The Company's Vision

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

Future Outlook

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

Strategies with Determination, Management with Perseverance, Operation with Tenacity

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

Comprehensive Property Management Services

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

Diversified Value-added Services

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

Smart City Services

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

Digital and Intelligent Technology Services

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

Social Responsibility

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

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

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

Acknowledgement

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

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

Hui Sai Tan, Jason
Chairman

Hong Kong, 31 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

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

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

➢ **PROPERTY MANAGEMENT SERVICES**

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

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

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

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

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

- **Sustained and steady growth in GFA**

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) We have provided service solutions that accurately meet the core demands of customers. We have created benchmark demonstration projects, improved product portfolios and upgraded product systems to quickly respond to customers' demands;

(3) We have improved the third-party expansion network. Taking key cities as our base, we have optimised the in-depth scanning tools for cities, and built Shimao Services' own "community dictionary" and project database for properties from third parties;

(4) "100 Leaders Scheme". We have established a team of great talents to work on and overcome arduous tasks, forming a strong organisation and facilitating targeted resource allocation; and

(5) Digital and intelligent empowerment. We have optimised, continuously operated and upgraded our full-life cycle information system for market expansion to achieve intelligent project analysis, automate progress tracking, and effective empowerment.

- **Enhanced integration through M&A**

In the first half of 2022, the Group successfully completed the acquisition of five companies. Through M&A, the Group further enhanced its business scale and project density in key regions such as Yangtze River Delta and Greater Bay Area, supplemented its service capabilities in the hospital and other professional fields, positioned itself in key business lines and transformed and developed its core capabilities.

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

➢ COMMUNITY VALUE-ADDED SERVICES

- **Representing 21.8% of total revenue and 27.5% of total gross profit**

During the period, the revenue amounted to RMB931.0 million, representing a year-on-year decrease of 25.3% as compared to RMB1,246.5 million for the same period of 2021.

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

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

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

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

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

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

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

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

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

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

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

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

(1) developing products that better suit customers' needs, and providing comprehensive solutions with multiple product portfolios and scenarios to meet the demands from different customers;

(2) leveraging on benchmark projects to promote and systematically replicate the business model of each product lines;

(3) deepening full life cycle service capabilities of our business to provide customers with more back-end services, and supporting business expansion with a package of comprehensive services; and

(4) sustaining innovation and intensively engaging in the fields of digital technology and intelligence, through which we may develop our own proprietary products, enhance the product competitiveness and facilitate the innovation of the industry.

- ***For campus value-added services, the revenue was RMB190.2 million, representing a year-on-year decrease of 14.4% as compared to RMB222.3 million for the same period of last year***

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

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

- ***For carpark asset operation services, the revenue was RMB163.7 million, representing a year-on-year decrease of 17.9% as compared to RMB199.4 million for the same period of last year***

  The Group focused on the growth of non-cyclical carpark-related business, such as carpark management, lease and transformation as well as vehicle maintenance, and made efforts in developing its non-cyclical business. The Group has been taking the initiative to monitor and develop its carpark sales business development into a cyclical business, and continuously optimised its business structure.

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

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

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

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

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

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

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

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

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

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

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

➢ **VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS**

- **Representing 7.5% of total revenue and 7.6% of total gross profit**

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

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

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

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

➢ CITY SERVICES

- **Representing 15.8% of total revenue and 9.6% of total gross profit**

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

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

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

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

FINANCIAL REVIEW

During the period, the Group realised:

Revenue

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

Cost of Sales and Services

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

Gross Profit and Gross Profit Margin

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

Gross profit margin for property management services was 26.3%, representing a decrease of 4.4 percentage points as compared to 30.7% for the same period of last year, primarily due to the relatively high proportion of public facilities projects of some companies we acquired and the slightly lower gross profit margin of relevant properties than that of residential properties, which reduced the gross profit margin of our property management services.

Gross profit margin for community value-added services was 32.9%, representing a decrease of 8.0 percentage points as compared to 40.9% for the same period of last year, primarily due to (1) the increase in service costs due to the pandemic; and (2) disruptions in the operation of businesses with high gross profit such as smart scenario solutions and carpark sales caused by the pandemic, which affected the gross profit structure.

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

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

Selling and Marketing Expenses

During the period, selling and marketing expenses were approximately RMB107.2 million, representing an increase of approximately 122.4% as compared to approximately RMB48.2 million for the six months ended 30 June 2021. The increase in selling and marketing expenses was primarily due to the increase in staff costs in relation to market expansion as the Group increased its number of staff to implement the "100 Leaders Scheme" for market development with a focus on promoting the third-party bidding expansion business during the period. In addition, the Group's community value-added business continued to develop, resulting in an increase in relevant marketing and promotional expenses.

Administrative Expenses

During the period, administrative expenses were approximately RMB470.2 million, representing an increase of approximately 13.0% as compared to approximately RMB416.1 million for the six months ended 30 June 2021. During the period, the share of revenue attributable to administrative expenses was approximately 11.0%, which remained stable as compared to 11.0% for the same period of last year.

Provision of Impairment Losses on Financial Assets – Net

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

Operating Profit

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

Finance (Costs)/Income – Net

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

Profit before Income Tax

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

Income Tax Expense

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

The effective tax rate was 16.3%, representing an increase of 3.1 percentage points from 13.2% for the same period of last year, primarily because of an increase in effective tax rate caused by non-deductible items for tax purposes such as impairment loss on goodwill and interest on convertible bonds during the period. The Group remained entitled to certain preferential tax policies: (i) the IoT technology companies under our Group were entitled to the preferential tax policy of tax exemption for the first two years and 50% tax reduction for the following three years; (ii) part of the Group's businesses located in Central and Western China enjoyed the 15% tax preferential policies; and (iii) the companies acquired by the Group during the period were recognised as national high-tech enterprises and enjoyed the 15% tax preferential policies.

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

The income tax rate applicable to the Group's entities incorporated in Hong Kong was 16.5% on the income subject to Hong Kong profits tax for the period. No provision was made for Hong Kong profits tax as the Group did not derive any income subject to Hong Kong profits tax during the six months from 1 January 2022 to 30 June 2022.

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

Profit for the Period

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

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

Property, Plant and Equipment

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

Intangible Assets

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

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

Trade Receivables

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

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

Trade Payables and Deposits Received, Accruals and Other Payables

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

Liquidity, Reserves and Capital Structure

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

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

Proceeds from the Listing

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2020. Excluding underwriting fees and related expenses, the net proceeds from the listing amounted to HK$5,917.4 million (equivalent to RMB5,126 million). The details for 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 2022 *(RMB million)*	Unutilised amount as of 30 June 2022 *(RMB million)*	Expected timeline for utilising the remaining unutilised amount
(1)	To continue to expand business scale through multiple channels	3,332	65%	2,534	798	2022
(2)	To diversify people-oriented and property-oriented value-added service offerings	769	15%	125	644	2023
(3)	To improve the information technology system and smart technologies	256	5%	98	158	2023
(4)	To attract and nurture talent	256	5%	30	226	2023
(5)	For working capital and other general corporate purposes	513	10%	213	300	2023
Total		**5,126**	**100%**	**3,000**	**2,126**	

Equity Fund Raising Activities and Use of Proceeds

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

On 19 October 2021, the Company entered into a placing and subscription agreement (the "2021 Placing and Subscription Agreement") with Morgan Stanley & Co. International plc (the "Placing Agent"), Shimao Group Holdings Limited and the vendor, Best Cosmos Limited ("Best Cosmos"), pursuant to which the Placing Agent conditionally agreed to place to not less than six independent professional, institutional and/or individual investors, on a fully underwritten basis, 115,000,000 existing ordinary shares of the Company at the placing price of HK$15.18 per share, and Best Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue to Best Cosmos new ordinary shares, which were the same number as the placing shares that have been placed by the Placing Agent, at the placing price. The subscription shares have a nominal value of HK$1.15 million and a market value of HK$1,934.3 million, based on the closing price of HK$16.82 per share as quoted on the Stock Exchange on the last full trading day immediately before the time at which the

2021 Placing and Subscription Agreement was signed. The net price per subscription share is HK$15.09. The completion of placing of existing shares took place on 22 October 2021, and the Company allotted and issued 115,000,000 ordinary shares to Best Cosmos on 2 November 2021 under the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2021 annual general meeting of the Company (the "General Mandate").

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

Issuance of Convertible Bonds under General Mandate (the "Bonds Issue")

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

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

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

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

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

Optional Redemption for Consent Solicitation in relation to the Bonds

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

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

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

ACQUISITIONS

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

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

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

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

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

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

ACQUISITIONS AND FUTURE OUTLOOK

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

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

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

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

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

FOREIGN EXCHANGE RISK

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

EMPLOYEES AND COMPENSATION POLICY

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

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

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

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

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities.

FINANCIAL POLICY

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

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2022 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 2022

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited and restated)
Revenue	*5*	**4,265,677**	3,779,140
Cost of sales and services	*5*	**(3,152,057)**	(2,523,795)
Gross profit		**1,113,620**	1,255,345
Selling and marketing expenses		**(107,238)**	(48,220)
Administrative expenses		**(470,202)**	(416,132)
Provision of impairment losses on financial assets – net	*6*	**(380,207)**	(125,834)
Impairment loss on goodwill		**(22,594)**	–
Fair value changes in derivative embedded in convertible bonds	*13*	**57**	–
Fair value changes in contingent consideration payable		**108,175**	–
Other income	*7*	**56,058**	29,228
Other gains – net		**25,120**	42,351
Other operating expenses		**(4,390)**	(3,809)
Operating profit		**318,399**	732,929
Finance income		**36,625**	12,100
Finance costs		**(135,994)**	(10,460)
Finance (costs)/income – net		**(99,369)**	1,640
Share of results of associates accounted for using the equity method		**3,041**	2,036
Profit before income tax	*6*	**222,071**	736,605
Income tax expense	*8*	**(36,253)**	(97,525)

	Notes	Six months ended 30 June **2022** ***RMB'000*** **(Unaudited)**	 2021 *RMB'000* (Unaudited and restated)
Profit for the period		**185,818**	639,080
Profit attributable to:			
– Equity holders of the Company		**139,613**	578,156
– Non-controlling interests		**46,205**	60,924
		185,818	639,080
Other comprehensive loss for the period			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(40,304)**	(33,396)
Total other comprehensive loss for the period, net of tax		**(40,304)**	(33,396)
Total comprehensive income for the period		**145,514**	605,684
Total comprehensive income attributable to:			
– Equity holders of the Company		**99,309**	544,760
– Non-controlling interests		**46,205**	60,924
		145,514	605,684
Earnings per share for profit attributable to the equity holders of the Company	*9*		
– Basic *(RMB)*		**0.06**	0.24
– Diluted *(RMB)*		**0.06**	0.24

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**555,206**	511,745
Right-of-use assets		**43,201**	43,942
Investment properties		**19,948**	20,177
Intangible assets	*10*	**3,681,910**	3,276,926
Deferred tax assets		**182,690**	95,236
Investment in associates accounted for using the equity method		**50,178**	42,184
Contract assets		**183,870**	173,926
Prepayments and deposits		**1,240,710**	62,388
Total non-current assets		**5,957,713**	4,226,524
Current assets			
Inventories		**215,700**	218,469
Trade receivables	*11*	**3,386,007**	3,154,942
Financial assets at fair value through profit or loss		**13,976**	–
Prepayments, deposits and other receivables		**1,792,425**	688,971
Restricted cash		**43,612**	29,452
Cash and cash equivalents		**7,047,187**	9,842,099
Total current assets		**12,498,907**	13,933,933
Current liabilities			
Trade payables	*14*	**1,174,941**	1,143,127
Deposits received, accruals and other payables		**2,292,224**	2,065,830
Contract liabilities		**1,281,380**	1,550,393
Income tax liabilities		**513,557**	390,864
Convertible bonds	*13*	**2,611,141**	2,389,029
Derivative embedded in convertible bonds		**–**	57
Borrowings		**272,497**	270,812
Lease liabilities		**15,905**	21,071
Total current liabilities		**8,161,645**	7,831,183
Net current assets		**4,337,262**	6,102,750
Total assets less current liabilities		**10,294,975**	10,329,274

	Notes	**As at 30 June 2022** *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Non-current liabilities			
Borrowings		**513,533**	546,529
Lease liabilities		**17,720**	10,302
Deferred tax liabilities		**233,630**	207,389
Other payables		**77,891**	333,135
Deferred income		**3,714**	–
Provisions for other liabilities and charges		**4,781**	4,796
Total non-current liabilities		**851,269**	1,102,151
Net assets		**9,443,706**	9,227,123
Equity			
Share capital	*12*	**21,358**	21,445
Reserves		**8,613,820**	8,505,592
Total equity attributable to equity holders of the Company		**8,635,178**	8,527,037
Non-controlling interests		**808,528**	700,086
Total equity		**9,443,706**	9,227,123

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

Shimao Services Holdings Limited (the "Company") was incorporated on 3 December 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. The principal place of business is located at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 October 2020.

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

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

2. BASIS OF PREPARATION

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

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

Certain comparative figures were reclassified to conform with current year's presentation. The interim condensed consolidated financial information has been prepared on historical cost basis except for certain financial instruments which are measured at fair values. As the Group mainly operates in the PRC, Renminbi ("RMB") is used as the presentation currency of the interim condensed consolidated financial information and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

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 directors of the Company.

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

– Property management and related services, which include property management services, community value-added services, and value-added services to non-property owners; and

– City services, which includes sanitation, cleaning and sewage and waste treatment business.

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

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

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

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

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

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

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

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

The segment assets and liabilities are as follows:

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

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

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

5. REVENUE AND COST OF SALES AND SERVICES

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

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

For the six months ended 30 June 2022, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to approximately 8.93% (six months ended 30 June 2021: 11.33%) of the Group's revenue, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

6. PROFIT BEFORE INCOME TAX

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

	Notes	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Employee benefit expenses (excluding directors' and chief executive's remuneration)		**2,065,305**	1,243,281
Equity-settled share-based payment *(Note)*			
– Employees other than directors		**13,930**	5,495
– Directors		**5,262**	1,825
		19,192	7,320
Provision of impairment losses on financial assets – net:			
– Third parties			
Provision of impairment losses on trade receivables	*11*	**12,396**	115,225
(Reversal)/provision of impairment losses on other financial assets included in deposits and other receivables		**(20,459)**	8,154
– Related parties			
Provision of impairment losses on trade receivables	*11*	**144,095**	790
Provision of impairment losses on other financial assets included in deposits and other receivables		**244,175**	1,665
Provision of impairment losses on financial assets – net		**380,207**	125,834
Depreciation and amortisation:			
Depreciation of property, plant and equipment		**76,388**	32,569
Depreciation of right-of-use assets, included in administrative expenses		**14,711**	10,152
Depreciation of investment properties, included in cost of sales and services		**229**	314
Amortisation of intangible assets	*10*	**95,653**	44,913
		186,981	87,948
Auditors' remuneration			
– Annual and other audit services		**–**	2,100
– Non-audit services		**1,000**	3,050
		1,000	5,150
Cost of inventories sold		**124,280**	441,962
Cost of selling parking lots		**21,946**	67,213
Raw materials used in catering services		**66,202**	64,994

Note: Pursuant to the share award scheme adopted by Shimao Group on 3 May 2021, a total 136 directors and employees of the Group were awarded a total of 4,866,137 shares at nil consideration. Such awarded shares would be vested in two tranches of 60% and 40% on 30 April 2022 and 30 April 2023 respectively. During the six months ended 30 June 2022, the Group recognised share-based payment relating to the shares awarded of approximately RMB19,190,000 (six months ended 30 June 2021: RMB7,320,000).

7. OTHER INCOME

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

Note:

(a) Government grants mainly represented financial support funds from local government and refund of the value-added – tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to the government grants recognised during the six months ended 30 June 2022 (six months ended 30 June 2021: Same).

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

8. INCOME TAX EXPENSE

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

9. 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 2022 (six months ended 30 June 2021: Same).

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has dilutive potential ordinary shares arising from the Share Award Scheme and convertible bonds (Note 13).

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

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

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

10. INTANGIBLE ASSETS

	Computer Software RMB'000	Goodwill (Note(a)) RMB'000	Customer relationship RMB'000	Concession intangible assets RMB'000	Brand Name RMB'000	Total RMB'000
As at 1 January 2021 (audited)						
Cost	71,948	1,213,779	634,800	–	–	1,920,527
Accumulated amortization	(6,046)	–	(41,184)	–	–	(47,230)
Net book amount	65,902	1,213,779	593,616	–	–	1,873,297
Six months ended 30 June 2021						
Opening net book amount	65,902	1,213,779	593,616	–	–	1,873,297
Additions from acquisition of subsidiaries	–	376,459	230,000	–	–	606,459
Additions	1,112	–	–	–	–	1,112
Amortisation charge *(Note 6)*	(5,063)	–	(39,850)	–	–	(44,913)
Capitalisation	8,091	–	–	–	–	8,091
Closing net book amount	70,042	1,590,238	783,766	–	–	2,444,046
As at 30 June 2021 (unaudited)						
Cost	81,151	1,590,238	864,800	–	–	2,536,189
Accumulated amortization	(11,109)	–	(81,034)	–	–	(92,143)
Net book amount	70,042	1,590,238	783,766	–	–	2,444,046
As at 1 January 2022 (audited)						
Cost	**145,659**	**2,129,483**	**1,070,800**	**79,058**	**16,000**	**3,441,000**
Accumulated amortization	**(16,740)**	**–**	**(142,504)**	**(4,163)**	**(667)**	**(164,074)**
Net book amount	**128,919**	**2,129,483**	**928,296**	**74,895**	**15,333**	**3,276,926**
Six months ended 30 June 2022						
Opening net book amount	**128,919**	**2,129,483**	**928,296**	**74,895**	**15,333**	**3,276,926**
Additions from acquisition of subsidiaries	**–**	**315,898**	**194,200**	**–**	**–**	**510,098**
Additions	**13,133**	**–**	**–**	**–**	**–**	**13,133**
Goodwill impairment	**–**	**(22,594)**	**–**	**–**	**–**	**(22,594)**
Amortisation charge *(Note 6)*	**(8,283)**	**–**	**(67,809)**	**(18,561)**	**(1,000)**	**(95,653)**
Closing net book amount	**133,769**	**2,422,787**	**1,054,687**	**56,334**	**14,333**	**3,681,910**
As at 30 June 2022 (unaudited)						
Cost	**158,792**	**2,422,787**	**1,265,000**	**79,058**	**16,000**	**3,941,637**
Accumulated amortisation	**(25,023)**	**–**	**(210,313)**	**(22,724)**	**(1,667)**	**(259,727)**
Net book amount	**133,769**	**2,422,787**	**1,054,687**	**56,334**	**14,333**	**3,681,910**

Note:

(a) Goodwill

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

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

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

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

11. TRADE RECEIVABLES

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

For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (31 December 2021: 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 2021: 60 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.

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

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

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

12. SHARE CAPITAL

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

Notes:

(a) On 22 October 2021, an aggregate of 115,000,000 placing shares has been placed to not less than six placees at the placing price of HK$15.18 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to approximately HK$1,745,700,000 and the net proceeds (after deducting all applicable costs and expenses) amount to approximately HK$1,735,000,000 (equivalent to approximately RMB1,427,718,000), with amount of approximately RMB946,000 and RMB1,426,772,000 credited to share capital and share premium respectively.

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

13. CONVERTIBLE BONDS

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

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

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

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

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

14. TRADE PAYABLES

	As at 30 June 2022 *RMB'000* **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Trade payables		
– Related parties	**207**	207
– Third parties	**1,174,734**	1,142,920
Trade payables	**1,174,941**	1,143,127

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

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

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

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 2022.

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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 31 August 2022

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; one Non-executive Director, namely, Ms. Tang Fei; and three Independent Non-executive Directors, namely, Mr. Gu Yunchang, Ms. Zhou Xinyi and Mr. Hui Wai Man, Lawrence.

* *For identification purposes only.*