世茂服務
SHIMAO SERVICE

SHIMAO SERVICES HOLDINGS LIMITED
世茂服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 873)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

RESULTS HIGHLIGHTS

1. Revenue amounted to RMB4,098.1 million, representing a decrease of 3.9% as compared to RMB4,265.7 million for the same period of 2022.

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 RMB2,612.6 million, accounting for approximately 63.7% of the total revenue, and representing a period-to-period increase of 11.5% as compared to RMB2,342.2 million for the same period of last year; (ii) revenue from community value-added services amounted to RMB709.3 million, accounting for 17.3% of the overall revenue and representing a period-to-period decrease of 23.8% as compared to RMB931.0 million for the same period of last year; (iii) revenue from value-added services to non-property owners amounted to RMB121.1 million, accounting for 3.0% of the overall revenue and representing a period-to-period decrease of 62.3% as compared to RMB321.6 million for the same period of last year; and (iv) revenue from city services amounted to RMB655.1 million, accounting for 16.0% of the overall revenue and representing a period-to-period decrease of 2.4% as compared to RMB671.0 million for the same period of last year.

3. Gross profit reached RMB862.7 million, representing a period-to-period decrease of 22.5% as compared to RMB1,113.6 million for the same period of 2022.

4. Operating profit amounted to RMB268.7 million, representing a period-to-period decrease of 15.6% as compared to RMB318.4 million for the same period of 2022.

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

6. During the period, basic earnings per share amounted to approximately RMB6.36 cents, representing an increase of 12.4% as compared to RMB5.66 cents for the same period of 2022.

7. The Group's cash and cash equivalents, including time deposits with maturity over three months, amounted to RMB4,775.9 million as of 30 June 2023, representing an increase of 2.3% as compared to RMB4,667.3 million as of 31 December 2022. The increase was mainly due to the net operating cash inflow of RMB350.6 million during the period.

8. As of 30 June 2023, the Group's GFA under management to which we offered property management services reached 260.7 million sq.m., representing an increase of approximately 1.9% as compared to approximately 255.9 million sq.m. for the same period of 2022; the Group's contracted GFA was approximately 346.2 million sq.m., representing an increase of approximately 3.9% as compared to approximately 333.1 million sq.m. for the same period of 2022.

CHAIRMAN'S STATEMENT

Dear shareholders,

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

Market and Industry Outlook

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

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

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

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

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

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

Interim Results

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

Continuously Strengthening High Quality Development

Years of Growth in Core Business

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

Growing Business Independence

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

Leading Third-party Bidding Expansion Performance in the Industry

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

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

Continued Improvement in Customer Recognition

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

Strategies with Determination, Management with Perseverance, Operation with Tenacity

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

Cash Flow Management

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

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

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

Profitability Enhancement

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

Market Development Capability Enhancement

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

Business Capacity Enhancement of All Business Lines

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

Construction of a Big Operation System

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

Upgraded Post-acquisition Management Capability

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

Breakthrough in Digital Capability

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

Organisational Team Building

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

The Company's Vision

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

Future Outlook

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

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

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

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

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

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

Social Responsibility

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

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

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

Acknowledgement

In 2023, our segment performance was volatile in the face of slowdown in economic growth in China and overall strained capital market. On behalf of the Board, I would like to extend my heartfelt gratitude and deepest respect to our shareholders, business partners, local governments, property owners, customers and dedicated staff of Shimao Services for their immense support. Your understanding, support and assistance given to us by joining hands with Shimao Services are very much appreciated.

Believing that "strength comes from unity and devotion creates miracles", Shimao Services will continue to spare no effort in its development. We will uphold the Shimao spirit of "Pioneering, Down-to-earth and Prudent", act in a practical and realistic manner, stay diligent and progressive, and keep creating value for shareholders.

Hui Sai Tan, Jason
Chairman

Hong Kong, 31 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

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

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

➢ PROPERTY MANAGEMENT SERVICES

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

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

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

The following table sets forth the Group's revenue, gross profit and gross profit margin from property management services for the six months ended 30 June 2023 and 30 June 2022, respectively:

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

- **Sustained and steady growth in GFA**

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

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

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

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

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

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

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property developer type for the six months ended 30 June 2023 and 30 June 2022, respectively:

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

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

The following table sets forth the Group's GFA under management and contracted GFA which were categorised by property type for the six months ended 30 June 2023 and 30 June 2022, respectively:

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

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

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

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

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

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

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

➢ COMMUNITY VALUE-ADDED SERVICES

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

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

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

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

The following table sets forth the Group's revenue from community value-added services by category for the six months ended 30 June 2023 and 30 June 2022, respectively:

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

- ***For community asset management services, the revenue was RMB142.4 million, representing a period-to-period increase of 22.0% as compared to RMB116.7 million for the same period of last year***

  During the period, Shimao Services strengthened and enhanced its operational performance through business and organisational capacity building.

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

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

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

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

- ***For carpark asset operation services, the revenue was RMB189.0 million, representing a period-to-period increase of 15.5% as compared to RMB163.7 million for the same period of last year***

  The Group focused on the growth of non-cyclical carpark-related business, such as carpark management, lease and transformation as well as vehicle maintenance. The Group has been taking the initiative to control the development of the carpark sales business, which is a cyclical business, and optimising the Group's overall business layout.

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

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

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

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

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

  The campus value-added services mainly leverage on the comprehensive college property management services platform of Zhejiang Zheda Sinew Property Services Group Co., Ltd.* (浙江浙大新宇物業集團有限公司) ("Zheda Sinew") to develop its business, which principally includes canteen, catering service, accommodation service and convenience stores, etc., providing a wide range of value-added services for on-campus faculties and students to improve convenience in campus and enhance the college experience.

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

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

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

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

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

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

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

- **CITY SERVICES**

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

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

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

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

      (i) Building teams: Established three major business zones, namely the headquarters zone, the Jinshatian zone and the Shiluyuan zone;

      (ii) Reinforcing collaboration: Formed partnerships with each city branch of property management services; and

      (iii) Establishing mechanisms: Instituted partnership mechanisms and cooperation system, making the partners as the main marketing and sales channels.

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

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

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

(1) On market integration: By leveraging the capabilities of the Group in establishing city services business, it clarified business model, built up feasible and practical management systems, integrated all acquirees' city services, implemented management standards, set management indicators, and followed up on performance, so as to ensure the realisation of profit goals; and

(2) On operational integration: By applying the strengths of refined property management to on-site operations, it established the Management System for the Whole Lifecycle of the Integrated Environmental Sanitation Services (環衛一體化全生命週期管理體系) along the service chain, which covers on-site operation costs, quality, norms, systems, standards and digitalisation empowerment, so as to continuously promote business standardisation and refined management; it also set up the Product Extension Operation and Management System with corresponding benchmarks. All of which aimed to gradually promote integrated, concentrated and precise management in the operation of the comprehensive "city manager" projects.

FINANCIAL REVIEW

During the period, the Group realised:

Revenue

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

Cost of Sales and Services

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Operating Profit

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

Finance Income/(Costs) – Net

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

Profit before Income Tax

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

Income Tax Expense

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

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

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

The income tax rate applicable to the Group's entities incorporated in Hong Kong was 16.5% on the income subject to Hong Kong profits tax for the year. No provision was made for Hong Kong profits tax over the six months from 1 January 2023 to 30 June 2023, as the Group did not derive any income subject to Hong Kong profits tax.

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

Profit for the Period

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

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

Investment Properties, Property, Plant and Equipment

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

Intangible Assets

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

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

Trade Receivables

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

Trade Payables

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

Liquidity, Reserves and Capital Structure

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

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

Capital Expenditure Commitments

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

Share Award Scheme

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

During the six months ended 30 June 2023, a total of 3,525,446 award shares were granted to certain Directors and eligible employees of the Group under the Share Award Scheme to recognise their contributions to the Group. Further details of the Share Award Scheme will be set out in the 2023 interim report of the Company in due course.

Proceeds from the Listing

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

Intended use of net proceeds		Proceeds available for utilisation *(RMB million)*	Allocation percentage *%*	Utilised amount as of 30 June 2023 *(RMB million)*	Unutilised amount as of 30 June 2023 *(RMB million)*	Expected timeline for utilising the remaining unutilised amount
(1)	To continue to expand business scale through multiple channels	3,332	65%	2,646	686	2024
(2)	To diversify people-oriented and property-oriented value-added service offerings	769	15%	237	532	2024
(3)	To improve the information technology system and smart technologies	256	5%	146	110	2024
(4)	To attract and nurture talent	256	5%	44	212	2024
(5)	For working capital and other general corporate purposes	513	10%	213	300	2024
Total		**5,126**	**100%**	**3,286**	**1,840**	

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

Equity Fund Raising Activities and Use of Proceeds

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

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

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

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

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

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

Continuing Connected Transactions – Multiple Services Master Agreements with Shimao Group

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

Acquisitions and Future Outlook

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

Foreign Exchange Risk

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

Employees and Compensation Policy

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

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

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities.

Financial Policy

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

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited consolidated results of the Group for the six months ended 30 June 2023 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**4,098,139**	4,265,677
Cost of sales and services	*5*	**(3,235,465)**	(3,152,057)
Gross profit		**862,674**	1,113,620
Selling and marketing expenses		**(63,255)**	(107,238)
Administrative expenses		**(448,688)**	(470,202)
Impairment losses on financial assets – net	*6*	**(13,085)**	(380,207)
Impairment loss on goodwill		**–**	(22,594)
Fair value changes in derivative embedded in convertible bonds		**–**	57
Other income	*7*	**32,445**	56,058
Other gains and losses – net	*8*	**(97,031)**	133,295
Other operating expenses		**(4,354)**	(4,390)
Operating profit		**268,706**	318,399
Finance income		**31,760**	36,625
Finance costs		**(19,562)**	(135,994)
Finance income/(costs) – net	*9*	**12,198**	(99,369)
Share of results of associates		**3,745**	3,041
Profit before income tax	*6*	**284,649**	222,071
Income tax expense	*10*	**(80,703)**	(36,253)
Profit for the period		**203,946**	185,818
Profit attributable to:			
– equity holders of the Company		**154,780**	139,613
– non-controlling interests		**49,166**	46,205
		203,946	185,818

	Note	Six months ended 30 June **2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
Other comprehensive income/(expense) for the period, net of tax			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**4,282**	(40,304)
Total comprehensive income for the period		**208,228**	145,514
Total comprehensive income attributable to:			
– equity holders of the Company		**159,062**	99,309
– non-controlling interests		**49,166**	46,205
		208,228	145,514
Earnings per share	*11*		
– Basic *(RMB Cent)*		**6.36**	5.66
– Diluted *(RMB Cent)*		**6.34**	5.65

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**As at 30 June 2023** *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**549,548**	590,555
Right-of-use assets		**87,778**	101,965
Investment properties		**18,738**	19,243
Intangible assets	*12*	**2,817,479**	2,912,837
Deferred tax assets		**222,707**	257,529
Interests in associates		**54,031**	59,786
Financial assets at fair value through profit or loss		**84,250**	84,250
Contract assets		**167,968**	173,853
Prepayments, deposits and other receivables	*14*	**1,127,294**	1,113,583
Total non-current assets		**5,129,793**	5,313,601
Current assets			
Inventories		**192,710**	193,763
Trade receivables	*13*	**3,451,587**	3,218,266
Contract assets		**15,625**	7,851
Prepayments, deposits and other receivables	*14*	**1,155,900**	1,106,658
Restricted bank balances		**80,675**	92,122
Time deposits with maturity over three months		**700,000**	2,360,000
Cash and cash equivalents		**4,075,899**	2,307,301
Total current assets		**9,672,396**	9,285,961
Current liabilities			
Trade payables	*16*	**1,128,329**	1,175,103
Deposits received, accruals and other payables	*16*	**2,361,748**	2,445,879
Contract liabilities		**1,396,317**	1,227,899
Income tax liabilities		**400,444**	393,989
Borrowings		**194,486**	275,504
Lease liabilities		**35,764**	34,403
Total current liabilities		**5,517,088**	5,552,777
Net current assets		**4,155,308**	3,733,184
Total assets less current liabilities		**9,285,101**	9,046,785

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Borrowings		**243,028**	251,365
Lease liabilities		**43,383**	53,900
Deferred tax liabilities		**158,308**	176,012
Provisions for other liabilities and charges		**29,664**	30,893
Other payables	*16*	**351,138**	167,388
Total non-current liabilities		**825,521**	679,558
Net assets		**8,459,580**	8,367,227
Equity			
Share capital	*15*	**21,358**	21,358
Reserves		**7,689,035**	7,546,186
Equity attributable to equity holders of the Company		**7,710,393**	7,567,544
Non-controlling interests		**749,187**	799,683
Total equity		**8,459,580**	8,367,227

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA, and any public announcements made by the Company during the interim reporting period.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and method of computation adopted in the preparation of these interim condensed consolidated financial statements were consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 other than changes in accounting policies resulting from adoption of the new or amendments to HKFRSs for the first time for the current period's financial statements.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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

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

The principal operating entity of the Group is domiciled in the PRC. For the purpose of segment information disclosure under HKFRS 8, the Group regarded the PRC as its place of domicile. The Group's revenue from external customers is classified based on the geographical locations of the customers and the details are disclosed above. Accordingly, all of the Group's revenue were derived in the PRC during the six months ended 30 June 2023 (six months ended 30 June 2022: Same).

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

	Property management and related services *RMB'000*	City services *RMB'000*	Total *RMB'000*
Six months ended 30 June 2023 (Unaudited)			
Reportable segment revenue	**3,443,080**	**655,059**	**4,098,139**
Reportable segment results	**359,284**	**8,235**	**367,519**
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	**(8,731)**	**(4,354)**	**(13,085)**
Net gain/(losses) on disposal of property, plant and equipment	**2,817**	**(1,854)**	**963**
Depreciation of property, plant and equipment, right-of-use assets and investment properties	**(59,239)**	**(39,837)**	**(99,076)**
Amortisation of intangible assets	**(68,516)**	**(26,842)**	**(95,358)**
Six months ended 30 June 2022 (Unaudited)			
Reportable segment revenue	3,594,717	670,960	4,265,677
Reportable segment results	152,797	56,160	208,957
Amounts included in the measure of segment results:			
Impairment losses on financial assets – net	(299,666)	(80,541)	(380,207)
Net gain on disposal of property, plant and equipment	3,730	2,956	6,686
Depreciation of property, plant and equipment, right-of-use assets and investment properties	(81,861)	(9,467)	(91,328)
Amortisation of intangible assets	(88,378)	(7,275)	(95,653)

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

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

The segment assets and liabilities are as follows:

	Property management and related services *RMB'000*	City services *RMB'000*	Total *RMB'000*
As at 30 June 2023 (unaudited)			
Segment assets	**12,242,366**	**1,790,180**	**14,032,546**
Segment liabilities	**4,533,393**	**725,069**	**5,258,462**
As at 31 December 2022 (audited)			
Segment assets	11,637,549	1,875,152	13,512,701
Segment liabilities	4,238,561	814,130	5,052,691

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

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

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

For the six months ended 30 June 2023, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to approximately 5.33% (six months ended 30 June 2022: 8.93%) of the Group's revenue. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

6. PROFIT BEFORE INCOME TAX

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

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

7. OTHER INCOME

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

Notes:

(a) Government grants mainly represented financial support funds from local government and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to the government grants recognised during the six months ended 30 June 2023 (six months ended 30 June 2022: Same).

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

8. OTHER GAINS AND LOSSES – NET

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

9. FINANCE INCOME/(COSTS) – NET

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

10. INCOME TAX EXPENSE

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

(a) Cayman Islands income tax

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

(b) BVI income tax

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

(c) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

(d) PRC enterprise income tax

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

Tibet Shimao Tian Cheng Property Management Co., Ltd. applied a renewal of preferential tax rate of 15% until 31 December 2030 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Shanghai to Tibet on 19 December 2017.

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

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

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

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

(e) PRC withholding income tax

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

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

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares during the six months ended 30 June 2023 (six months ended 30 June 2022: Same).

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

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

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

12. INTANGIBLE ASSETS

	Computer software	Goodwill (Note (a))	Customer relationship	Concession intangible assets	Brand name	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022 (audited)						
Cost	145,659	2,129,483	1,070,800	79,058	16,000	3,441,000
Accumulated amortisation	(16,740)	–	(142,504)	(4,163)	(667)	(164,074)
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
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
As at 1 January 2023 (audited)						
Cost	**166,517**	**1,740,300**	**1,244,461**	**79,058**	**16,000**	**3,246,336**
Accumulated amortisation	**(43,077)**	**–**	**(271,527)**	**(16,228)**	**(2,667)**	**(333,499)**
Net book amount	**123,440**	**1,740,300**	**972,934**	**62,830**	**13,333**	**2,912,837**
Six months ended 30 June 2023						
Opening net book amount	**123,440**	**1,740,300**	**972,934**	**62,830**	**13,333**	**2,912,837**
Amortisation charge *(Note 6)*	**(17,726)**	**–**	**(68,005)**	**(8,627)**	**(1,000)**	**(95,358)**
Closing net book amount	**105,714**	**1,740,300**	**904,929**	**54,203**	**12,333**	**2,817,479**
As at 30 June 2023 (unaudited)						
Cost	**166,517**	**1,740,300**	**1,244,461**	**79,058**	**16,000**	**3,246,336**
Accumulated amortisation	**(60,803)**	**–**	**(339,532)**	**(24,855)**	**(3,667)**	**(428,857)**
Net book amount	**105,714**	**1,740,300**	**904,929**	**54,203**	**12,333**	**2,817,479**

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

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

Note:

(a) Goodwill

As at 30 June 2023, the recoverable amounts of certain subsidiaries acquired in prior years included in certain cash-generating units ("CGUs") have been determined based on a value-in-use calculation with reference to cash flow projections based on the most recent financial budget approved by the management covering a period of 5 years. Based on the management's assessment, no impairment loss on goodwill was recognised during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB22,594,000).

13. TRADE RECEIVABLES

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

For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (31 December 2022: Nil).

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

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

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

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

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

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

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

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

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

(a) Prepayments to customers mainly represented the initial consideration paid to schools to obtain the operation of the students' apartments.

(b) Other receivables from related parties were unsecured, interest-free and repayable on demand. They mainly represented payment to related parties for the right of sales of car parking spaces, the payment would be refunded to the Group upon relevant car parking spaces are sold.

(c) Balances represented the payments on behalf of property owners in respect of utilities and elevator maintenance costs of the properties.

(d) Balances represent the deposit paid to a third party for an exclusive right in selling of parking spaces and earning commission fee. Such deposits are expected to be refunded in June 2025.

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

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

15. SHARE CAPITAL

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

Note:

During the year ended 31 December 2021, the Company repurchased 10,800,000 of its own shares from the market which were cancelled on 10 March 2022. The shares were acquired at prices ranging from HK$4.68 to HK$13.68, with an average price of HK$6.69 per share. The total amount paid for repurchase of shares were approximately HK$72,303,000 (equivalent to approximately RMB66,414,000).

16. TRADE PAYABLES, DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

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

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

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

Notes:

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

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

(b) As at 30 June 2023, there are several put options guaranteed to the non-controlling shareholders of certain subsidiaries of the Group which they had the right to sell the remaining equity interests to the Group.

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

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

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

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

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

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

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

(c) The balance mainly comprised the utility charges temporarily received from property owners on behalf of utility companies.

(d) Other borrowings mainly represent the borrowings from financial institutions which are (i) secured by certain of the Group's property, plant and equipment used in city services segment and guaranteed by non-controlling interests of subsidiaries in city services segment, (ii) interest bearing from 4.03% to 8% (31 December 2022: 4.03% to 8%) and (iii) repayable within 1 to 3 years (31 December 2022: 1 to 3 years).

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to 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 2023 except for the following deviation:

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

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 2023.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

Hong Kong, 31 August 2023

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.*