

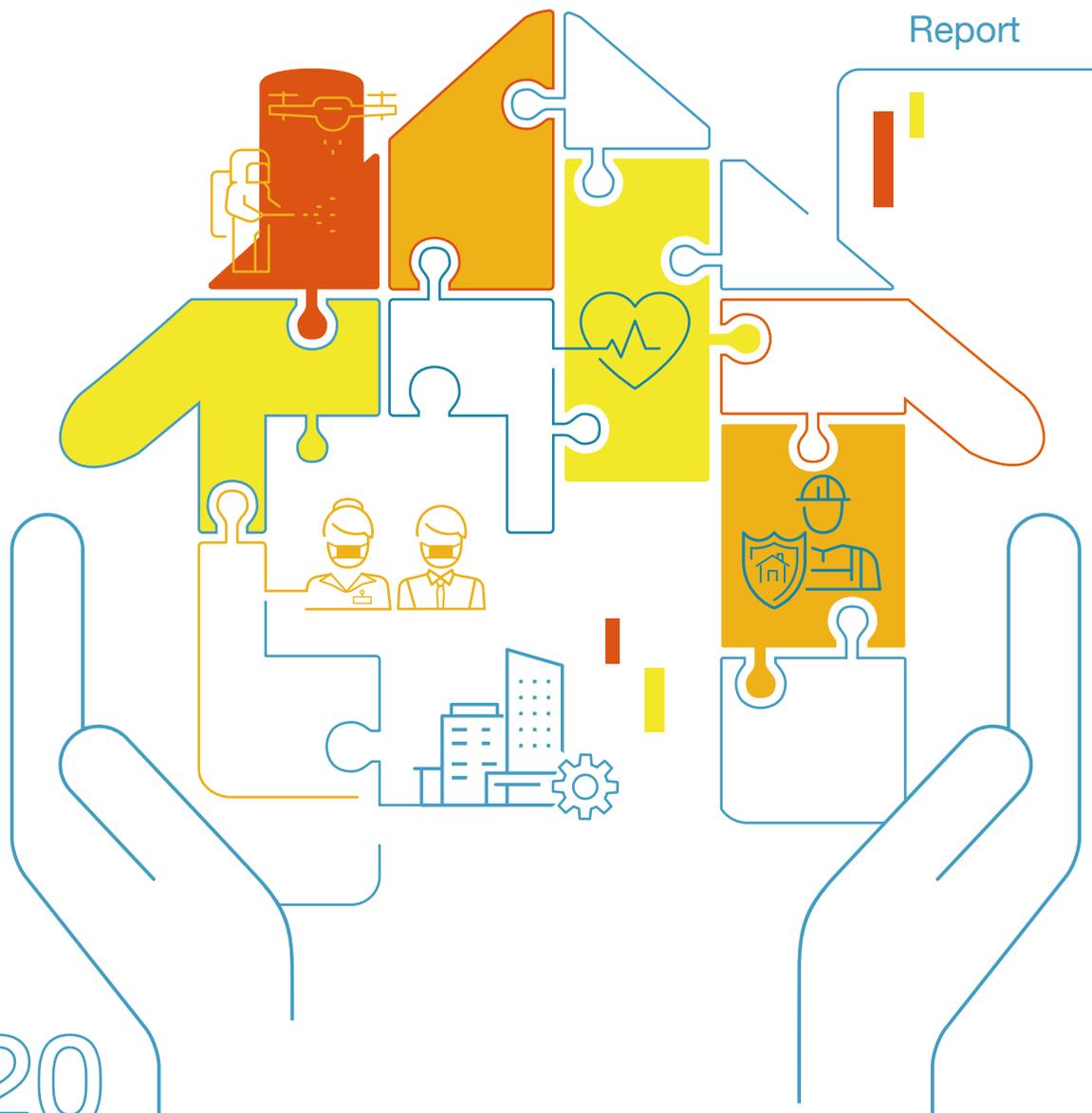
碧桂園服務控股有限公司

Country Garden Services Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

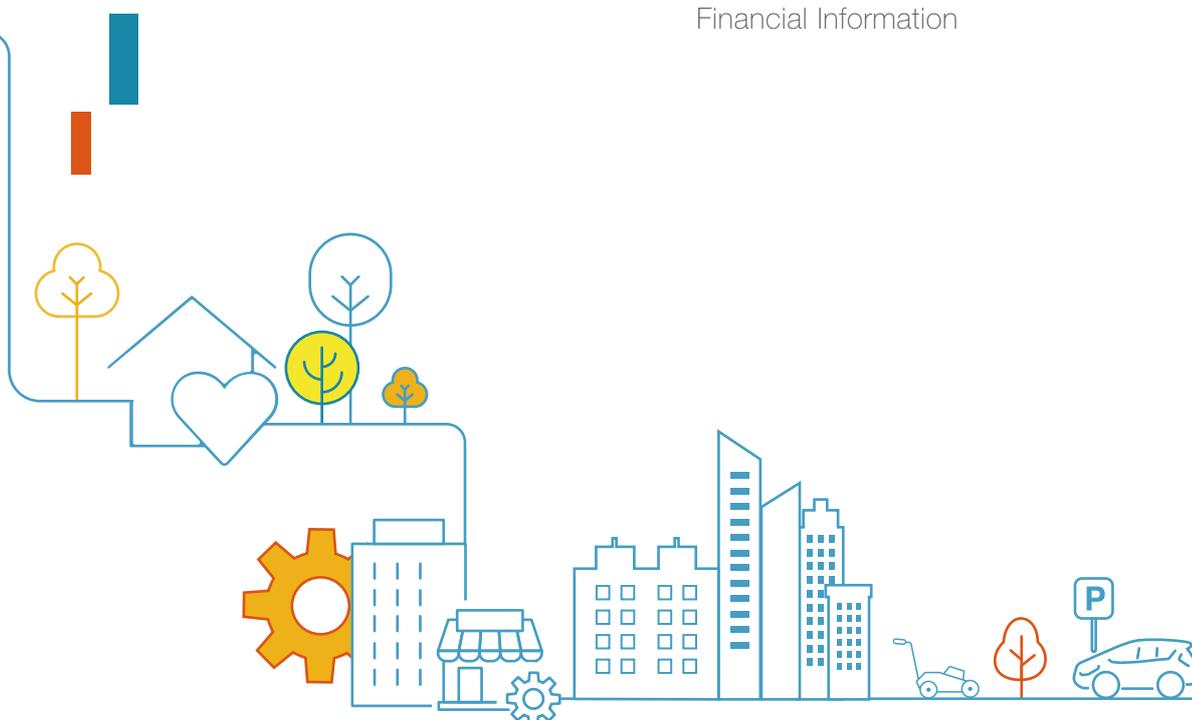
Stock Code: 6098

Interim
Report



Contents

2	Corporate Information
4	Awards and Honours
6	Chairman's Statement
10	Management Discussion and Analysis
32	Corporate Governance and Other Information
34	Interests Disclosure
37	Interim Condensed Consolidated Statement of Comprehensive Income
38	Interim Condensed Consolidated Balance Sheet
40	Interim Condensed Consolidated Statement of Changes in Equity
41	Interim Condensed Consolidated Statement of Cash Flows
42	Notes to the Interim Financial Information





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Changjiang
Mr. Xiao Hua
Mr. Guo Zhanjun

Non-executive Directors

Ms. Yang Huiyan (*Chairman*)
Mr. Yang Zhicheng
Ms. Wu Bijun

Independent Non-executive Directors

Mr. Mei Wenjue
Mr. Rui Meng
Mr. Chen Weiru

AUDIT COMMITTEE

Mr. Rui Meng (*Chairman*)
Mr. Mei Wenjue
Mr. Chen Weiru

REMUNERATION COMMITTEE

Mr. Chen Weiru (*Chairman*)
Ms. Yang Huiyan
Mr. Mei Wenjue

NOMINATION COMMITTEE

Ms. Yang Huiyan (*Chairman*)
Mr. Rui Meng
Mr. Chen Weiru

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Li Changjiang (*Chairman*)
Mr. Xiao Hua
Mr. Guo Zhanjun

JOINT COMPANY SECRETARIES

Mr. Huang Peng
Mr. Leung Chong Shun (*Solicitor in Hong Kong*)

AUTHORISED REPRESENTATIVES

Mr. Li Changjiang
Mr. Huang Peng

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4th Floor, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

West Building of Country Garden Office
Beijiao Town
Shunde District, Foshan
Guangdong Province, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong laws:

WOO KWAN LEE & LO

26/F, Jardine House, 1 Connaught Place, Central, Hong Kong

As to PRC laws:

DeHeng Law Offices (Shenzhen)

11/F, Section B, Anlian Plaza No. 4018 Jintian Road, Futian District Shenzhen, PRC

PRINCIPAL BANKERS (In Alphabetical Order)

Agricultural Bank of China Limited

Bank of China Limited

China Construction Bank Corporation

China Merchants Bank Co., Ltd.

Industrial and Commercial Bank of China Limited

COMPANY WEBSITE

www.bgyfw.com

STOCK CODE

6098

LISTING DATE

19 June 2018

AWARDS AND HONOURS



Top 100 Chinese Real Estate Companies – One of the “Top 20 Property Management Companies in terms of Operational Performance in China in 2020”

On March 16, 2020, Country Garden Services Holdings Company Limited (the “**Company**” or “**CG Services**”) was honoured as one of the “Top 20 Property Management Companies in terms of Operational Performance in China in 2020 (2020中國物業服務企業運營表現TOP20)” at the “Anti-pandemic Period and Era of Renewal – Top 100 Chinese Real Estate Companies Award Ceremony and Annual Forum 2020”, which was streamed live on the internet.



Awarded four No. 1 honours by CIA including the “Top 100 Property Management Companies in China in 2020” and “Leading Property Management Companies in China in terms of Technology Empowerment in 2020”

On May 13, 2020, at two press conferences held by China Index Academy (“**CIA**”) and China Real Estate TOP 10 Research Team to release their “Research on the Top 100 Property Management Companies in China in 2020” and “Research on the Listed Real Estate Companies in China in 2020”, CG Services received four top honours. CG Services was selected as one of the “Top 100 Property Management Companies in China in 2020 (2020中國物業服務百強企業)”, and ranked “Top 100 Property Management Companies in China in terms of Operational Performance in 2020 (2020中國物業服務百強企業經營績效)”, “Top 100 Property Management Companies in China in terms of Service Scale in 2020 (2020中國物業服務百強企業服務規模)” and “The Listed Property Management Companies in China in terms of Comprehensive Strength in 2020 (2020中國上市物業服務企業綜合實力)”. It was also honoured as one of the “Leading Property Management Companies in China in terms of Technology Empowerment in 2020 (2020中國物業科技賦能領先企業)”.



One of the “Top 10 Listed Property Management Companies in 2020” and “Leading Companies in terms of Innovation Ability”

On May 26, 2020, a press conference, jointly held by the China Real Estate Association, the China Property Management Association and the China Real Estate Appraisal under E-house China R&D Institute and hosted by Beijing CREA Technology Services Ltd. and Beijing CPMRI Information Technology Ltd., took place in Shanghai to release the “Appraisal of the Listed Real Estate and Property Companies in China in 2020”. CG Services was honoured as one of the “Top 10 Listed Property Management Companies in 2020 (2020 物業服務企業上市公司十強)” and “Leading Companies in terms of Innovation Ability (創新能力領先企業)”.



“No. 1 in Top 100 Listed Property Management Companies in China in 2020” and “No. 1 in Top 10 Property Management Companies in China in terms of Investment Value in 2020”

On May 28, 2020, the research on the “Top 100 Listed Property Management Companies in China in 2020”, conducted by EH Consulting, Jiahe Jiaye Property Management Research Institute and Tianwu Cloud Computing, was officially released. CG Services ranked “No. 1 in Top 100 Listed Property Management Companies in China in 2020 (2020中國上市物業企業百強TOP1)” and “No. 1 among the Top 10 Property Management Companies in China in terms of Investment Value in 2020 (2020中國物業企業投資價值十強TOP 1)”.



CHAIRMAN'S STATEMENT

“To create a better society with
our existence
— Yeung Kwok Keung”



Dear Shareholders,

The board (the “**Board**”) of directors (“**Directors**”) of the Company is pleased to report that the Company and its subsidiaries (the “**Group**” or “**We**”) recorded revenue of approximately RMB6,271.3 million for the six months ended 30 June 2020 (the “**Period**”), representing an increase of 78.4% compared to the same period in 2019, and gross profit of approximately RMB2,332.5 million, representing a year-on-year increase of 69.3%. The net profit achieved during the first half of the year was approximately RMB1,335.2 million, representing an increase of 61.6% compared to the same period in 2019. The profit attributable to the owners of the Company increased from approximately RMB816.9 million for the same period in 2019 to approximately RMB1,314.8 million, representing an increase of approximately 60.9%. The basic earnings per share were RMB48.26 cents, representing an increase of approximately 56.3%.

A large-scale property management portfolio, excellent operating results, industry-leading customer satisfaction rate as well as a strong commitment to social responsibility have earned the Group a string of honors. We won the awards of “No. 1 in terms of Comprehensive Strength (綜合實力第一)”, “No. 1 in terms of Operational Performance (經營績效第一)” and “No. 1 in terms of Service Scale (服務規模第一)” among the “2020 Top 100 Property Management Companies in China (2020年中國物業服務百強企業)” granted by China Index Academy, and the authoritative awards such as “Top 1 among Property Management Companies in China in terms of Comprehensive Strength (中國物業企業綜合實力Top 1)”, “Top 1 of the top 10 in terms of Investment Value (投資價值十強Top 1)” and “Top 1 among Top 100 Listed Property Management Companies in China (中國上市物業企業百強Top 1)” in 2020 granted by YIHAN (億翰智庫). With the management scale of the Group expanding steadily, as at 30 June 2020, apart from the property management of the “Three Supplies and Property Management” businesses, the Group achieved a contracted GFA of 745.8 million sq.m., representing an increase of 61.1 million sq.m compared to the end of 2019; the revenue-bearing GFA was 319.5 million sq.m., representing an increase of 43.4 million sq.m compared to the end of 2019. In addition, both of the revenue-bearing and contracted GFA of the property management services of “Three Supplies and Property Management” businesses were 85.2 million sq.m..

2020 is a year that will be remembered for years to come. At the beginning of the year, the outbreak of the coronavirus epidemic started to emerge. In the face of the pandemic, the Chinese people united, and all sectors of society joined forces to fight the disease together. The indispensable and valuable role of the property management industry in society became more prominent during the pandemic, as we and our peers in the sector took the initiative to help government departments fight a grid-by-grid battle of infection prevention in communities, and provided all-around protection of health and safety to homeowners in communities as well as urban residents. The public has come to better appreciate the value of property management services, and the worth of quality property

CHAIRMAN'S STATEMENT

management services has been further recognized. All sectors of society have shown their support for the industry, as subsidies and tax concessions for property management companies have been introduced across the country, homeowners in communities actively joined the battle against the disease through donating supplies and other actions, and capital markets smile on property management companies, whose share prices have been soaring despite the economic slump. Instead of playing a behind-the-scenes role, property management services have now come to the forefront, enjoying yet more room for development.

Where there are challenges, there are opportunities. The pandemic has also proved a “touchstone” for the sector, as the service capabilities and professionalism of each property management company were put to the test when they engaged in infection prevention and control, and those companies who provided customised services and possessed technological innovation capabilities managed to score extra points. As we can see, good service should always be the heart of a property management company. Good service, advanced technology and a good brand are essential to the development of good property management companies in China. Only by continuously improving service and enhancing quality can we gain the trust of homeowners and let the word of mouth spread.

It is not enough to have the courage to swim against the tide. You also need to have the strength to ride the wave when opportunities arise. In recent years, with the expansion of their service scale, property management companies have been pushing the boundaries of their business, and further tapping the value of the industry chain. The property management industry has entered a golden age of development and is ushering in a new era. From basic property management services to community life services, the content of property management services is being constantly updated. With the needs of homeowners in mind, the scope of property management services is being further extended to encompass asset services and technological services.

At the same time, the boundaries of property management services continue to broaden. The 2020 Government Work Report proposes to strengthen the development of the New Urbanization Plan and speed up the transformation of old communities. The central government also encourages the use of market-oriented methods to attract social forces to participate. Property management companies can take advantage of this to engage in the provision of urban services. Leveraging their advantages of quality services, large-scale business, professional operation and the use of smart tech, they can provide refined and integrated urban service solutions. Property management companies can go from serving homeowners in communities to serving residents in cities, thus becoming a backbone of the government’s urban governance.

Always with homeowners in mind, we create good living with our service. “Meeting homeowners’ urgent needs and addressing their concerns”, “homeowners’ welfare always takes priority” — these have always been our service philosophies. With them in mind, we have established a sound and lean property management and service system with solid business and lean management. Leveraging a powerful offline service system and with the upgrading of business models and the deepening of platform operations, we have been working on community value-added services with utmost attention to detail, integrating community business resources, and striving to create a top-notch brand of community life services encompassing every aspect of a resident’s life in a community. In addition, with the diverse needs of homeowners in mind, we provide a full range of services including housekeeping services, community group purchase, community media as well as asset appreciation and preservation to homeowners. By providing homeowners with comprehensive services that are targeted, refined, professional, convenient and thoughtful at the same time, we create good living for homeowners and more value for homeowners and society.

We have established a full-coverage network to achieve market linkage, thus promoting business enrichment and diversification. The boundaries of property management services continue to be expanded and extended. We have rich experience in service management for different types of business, from community service management to urban public services, with full coverage from headquarters to regional cities, and from developing new cities to transforming old communities. We have established a full-coverage network and, with our understanding of the different cultures and markets in different cities, we have achieved the linkage of resources across the country, which allows us to have a competitive edge in terms of market expansion. We promote business enrichment and diversification through forming joint ventures or taking part in cooperation projects and through expansion into urban services. With the innovative models of “Urban Co-existence Programme” (城市共生計劃) and “Community Renewal Programme” (社區煥新計劃), we lead the charge for the development of urban services, a new blue ocean for the property management sector. We have entered into strategic cooperation agreements with Shouyang County in Shanxi Province, Junliang City in Tianjin, Jinpu New District in Dalian and Quzhou Communications Investment Group to open a new chapter on the cooperation for urban “Big Property Management”.



CHAIRMAN'S STATEMENT

We actively promote the technological upgrade of the industry to build a digital engine in this era of “Big Property Management”. In this age of internet, digitization and smart tech solutions are prerequisites for the development of property management companies, as well as a positive response to the needs of homeowners, as digitization and smart tech solutions can help homeowners find convenience and safety in community life. Meanwhile, in the new blue ocean of urban services, digitalization is the cornerstone of the expansion of property management companies. Although digitalization and smart tech solutions are the general trend for property management, there are unavoidable obstacles to the transformation and upgrade of property management companies, as digital reforms often involve large investments and long return periods, and professional and systematic projects have high trial and error costs for a company’s digital development. We are committed to building a digital engine in this era of “Big Property Management”. Adhering to the two-pronged strategy of carrying out internal and external digital development at the same time, we have launched the “cloud + edge computing + devices” system, the first complete AI full-stack solution in the industry, in order to empower and upgrade community services with AI. We have also built the Tianshi Cloud Platform (天石雲平台), paving the way for the digitalization of property management. We will facilitate the technological transformation and upgrade of the property management industry, join hands with our peers and share the future with them.

We spare no effort to fulfill our social responsibilities with the hope of creating a better society with our existence. With a strong commitment to social responsibility, we actively respond to calls of the government and the industry, strongly support initiatives for environmental protection, education, and poverty alleviation, and constantly explore innovative models of community initiatives so that they can go beyond companies and communities and unite all sectors of society to exert greater social influence. We actively participated in the special project “Join Hands with Tibetan Children” (藏區青苗牽手計劃) to help poor families in Tibet through paired-up poverty alleviation. Connecting communities in China and those in Tibet, we supported the charitable cause by means of poverty alleviation through consumption. During the coronavirus pandemic, we actively provided help to the affected areas, donating 40,000 liters of disinfectant and other epidemic prevention supplies to our peers operating in Wuhan. We also purchased over 400 tonnes of agricultural products aimed at poverty alleviation to support many prefecture-level cities in Hubei Province. We actively responded to the call made during a recent executive meeting of the State Council, creating more jobs and development opportunities for migrant workers and local employees and actively fulfilling our tax obligation to contribute to the harmony and stability of society.

We have established a “people-oriented, scientific” talent training system to facilitate the rapid development of the Company. We continue to improve our employee rights protection system and talent training mechanism, introduce outstanding talents needed for corporate development, and provide talents with ample room for career development so that they can grow together with the Company. We have created a three-tier talent scheme to meet the Company’s talent needs and to build talent reserves, thus ensuring an efficient supply of talents and optimization of our talent structure. Staying true to our corporate motto of “treating others well and benefiting society”, we continue to optimize the working environment of our employees, strengthen safety management and daily training, improve our employees’ safety awareness, advocate work-life balance, and ensure the physical and mental health of our employees. At the same time, by creating a series of warm and heartening activities and striving to improve our communication and interaction platform where everyone is treated equally, we promote communication among our employees at all levels and from all departments, reduce employee turnover, and enhance employee satisfaction and their sense of belonging.

Today, we have entered a new era of property management and we aim to become a “world-leading group providing new property management services”. Focusing on people and the space they live in, we engage in two-way (horizontal and vertical) and in-depth development, exploring new services, developing new technologies, building new ecological systems, and creating new value. Based on the development model of “Service + Technology” and “Service + Ecology”, we focus on the business portfolio strategies of “Big Property Management” and “Big Community Services” to strengthen our four core capabilities — service capabilities, technological capabilities, channel capabilities and investment capabilities, and to promote the implementation of the strategies.

CHAIRMAN'S STATEMENT

We have enhanced our service capabilities and technological capabilities under the business strategy of “Big Property Management”.

We have enhanced our professional service capabilities. By combining years of service experience in diverse types of business and the consolidation of our basic services, we have acquired professional capabilities for facility management. We have carried out professional operation and improved our standardized system of basic services. We are committed to injecting AI technology and mechanical tools into basic property management services, creating a smart management platform, promoting the mechanization, intelligentization and intensification of services, and becoming an industry-leading service company.

We have enhanced the application of our technological capabilities. We have integrated our business with new technologies in a comprehensive and in-depth manner, allowing technologies to be implemented in various service scenarios. Leveraging our own patented AI capabilities and platforms and through the development of “three processes and one chain” – the automation of work orders, the visualization of processes, the digitization of performance assessment and the business data chain, we have enhanced the automated operation capabilities of our projects. Through the application of robotic process automation (RPA) together with data intelligence, we have further expanded the service scope of the headquarters shared center. Meanwhile, we have cooperated with operators to lay out the edge cloud applications of “5G + AI” to reduce the cost of AI in community applications, as well as a robot matrix for community services. We have also sold smart community implementation solutions to the industry to empower small- and medium-sized companies and to share the fruits of AI with our peers.

We have enhanced our channel capabilities and investment capabilities under the business strategy of “Big Community Services”.

We have enhanced our channel capabilities. We have established a membership system, linked up various value-added businesses, provided members with various benefits in daily life, increased homeowner loyalty, and promoted a win-win situation where the good living of homeowners coexists with our business development.

We have enhanced our investment capabilities. Through our own development as well as mergers and acquisitions, we have improved our value-added business portfolio and ecological layout, quickly strengthened our professional capabilities for business, and become ready for the marketization of potential business.

Finally, on behalf of the Board, I would like to express my appreciation to the whole staff and the management team for their unwavering dedication to the Company, and extend my heartfelt gratitude and highest respect to our front-line colleagues, who have selflessly and fearlessly protected homeowners in communities through their efforts in pandemic prevention and flood prevention. I would also like to express my sincere appreciation to all shareholders and stakeholders for their trust and support. The year 2020 will be a milestone in history, and more than half of it is gone. We will keep pace with the times and work tirelessly, in order to create good living with our service and embrace a new era for the industry.

We wish to create a better society with our existence.

We are determined to shape a prosperous future through our conscience and social responsibility awareness.

Yang Huiyan
Chairman of the Board

Hong Kong, 26 August 2020



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is a leading service provider in comprehensive property management in China with residential property as its major focus. Due to our excellent service and brands, we have earned a high customer satisfaction rate as well as high recognition in the industry. We won the awards of “No. 1 in terms of Comprehensive Strength (綜合實力第一)”, “No. 1 in terms of Operational Performance (經營績效第一)” and “No. 1 in terms of Service Scale (服務規模第一)” among the “2020 Top 100 Property Management Companies in China (2020年中國物業服務百強企業)” granted by China Index Academy, and the authoritative awards such as “Top 1 among Property Management Companies in China in terms of Comprehensive Strength (中國物業企業綜合實力Top 1)”, “Top 1 of the top 10 in terms of Investment Value (投資價值十強Top 1)” and “Top 1 among Top 100 Listed Property Management Companies in China (中國上市物業企業百強Top 1)” in 2020 granted by YIHAN (億翰智庫).

The Group covers four major business sectors: (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) the “Three Supplies and Property Management” businesses, which constitute part of our comprehensive services we provide to customers that cover the full range of value chain in property management.

Property Management Services

We provide property owners, residents and property developers with a series of property management services, including security, cleaning, green landscaping, repair and maintenance, and other services. Currently, we still focus on residential communities. Yet, with the steady growth of third-party projects, our property management portfolio has become diversified by extending community living services to an integrated portfolio of city services that serve non-residential properties, including commercial properties, office buildings, multi-purpose complexes, government buildings, hospitals and other public facilities, industrial parks, highway service stations, parks, scenic areas and schools.

We own a large-scale property management portfolio. As at 30 June 2020, apart from the property management of the “Three Supplies and Property Management” businesses, our contracted GFA recorded approximately 745.8 million sq.m., while our revenue-bearing GFA was approximately 319.5 million sq.m.. In addition, both of the revenue-bearing and contracted GFA of the property management services of “Three Supplies and Property Management” businesses were 85.2 million sq.m.. Our projects cover more than 350 cities in 31 provinces, municipalities, autonomous regions and Hong Kong Special Administrative Region across China and overseas markets, with a focus on five key economically developed city clusters, including the Pearl River Delta, the Yangtze River Delta, the middle reaches of the Yangtze River, Beijing-Tianjin-Hebei Region and Chengdu-Chongqing Region in China. We manage a total of 2,769 properties and provide property management services to approximately 3.77 million local and overseas property owners and commercial tenants. During the Period, the revenue from property management services was approximately RMB3,999.4 million, representing a growth of 57.3% when compared with the same period of last year, gross profit margin increased by 2.4 percentage points to approximately 38.1%.



MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2020, a breakdown of geographical coverage for managed properties based on i) contracted GFA, and ii) revenue-bearing GFA respectively is listed as follows:

Contracted GFA

(million sq.m.)

<1	Jilin, Tibet Autonomous Region, Hong Kong Special Administration Region, Thailand, Myanmar
1–5	Inner Mongolia Autonomous Region, Beijing, Malaysia, Xinjiang Uygur Autonomous Region, Heilongjiang, Qinghai, Ningxia Hui Autonomous Region
5–10	Gansu, Shanxi, Hainan
≥10	Guangdong, Jiangsu, Anhui, Hunan, Hubei, Henan, Shandong, Guangxi Zhuang Autonomous Region, Guizhou, Zhejiang, Jiangxi, Sichuan, Hebei, Liaoning, Fujian, Shanghai, Shaanxi, Tianjin, Yunnan, Chongqing

Revenue-bearing GFA

(million sq.m.)

<1	Shanxi, Ningxia Hui Autonomous Region, Jilin, Qinghai, Hong Kong Special Administration Region, Tibet Autonomous Region, Xinjiang Uygur Autonomous Region, Thailand
1–5	Shaanxi, Chongqing, Beijing, Malaysia, Hainan, Gansu, Inner Mongolia Autonomous Region, Yunnan, Heilongjiang
5–10	Zhejiang, Shandong, Tianjin, Henan, Guangxi Zhuang Autonomous Region, Sichuan, Guizhou, Fujian, Jiangxi, Hebei
≥10	Guangdong, Jiangsu, Anhui, Hubei, Hunan, Liaoning, Shanghai



MANAGEMENT DISCUSSION AND ANALYSIS



Community Value-added Services

In community value-added service sector, we are committed to becoming an “integrated whole cycle community life services operator” by focusing on the mature development cycle of communities, the family growth cycle of property owners and the property value cycle, in order to provide comprehensive community value-added services to property owners and to integrate community commercial resources, thus committed to enabling property owners to experience quality property management services. The Group has vigorously promoted the community value-added services. We started from providing the basic living needs for the property owners with butler services, and smoothly achieved a merging of sales and marketing and channel developments, which enables us to link up external business resources with the property owners’ needs. Currently, six major segments of community value-added services have been formed, which specifically include: (i) housekeeping services; (ii) turnkey furnishing and move-in services; (iii) community media services; (iv) value-added innovations services; (v) real estate brokerage services; and (vi) community area services.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the revenue generated from community value-added services was approximately RMB602.6 million, representing an increase of 96.2% compared to the corresponding period last year; which accounted for 9.6% of the Company's total revenue, representing an increase of 0.9 percentage point compared to the corresponding period last year. Relying on the huge traffic flow of property owners online and offline, rich community life scenario and quality business resources, our community value-added services has already taken shape into four major branded business segments: "Phoenix Home-furnishing", specific branded services for one-stop turnkey home furnishing services; "Phoenix Home Services", for safe, convenient, professional and attentive housekeeping services; community media services, a portal that reaches for the full-range of media matrix that helps promote close-tie link-up between consumers and various branded products; real estate brokerage services, a portal that serves as the property owners' exclusive property consultant to help boost and preserve the owners' asset value.

Our community value-added services scale has gradually formed, and our business model has been verified. Among which, turnkey furnishing and move-in services as well as value-added innovations services have both achieved remarkable performances, which provided new momentum for the continuous growth of the revenue from community value-added services. Turnkey furnishing and move-in services recorded revenue of approximately RMB123.5 million during the period, representing an increase of approximately 213.5% as compared to the same period of last year. We promoted the layout upgrade of turnkey furnishing and move-in services, and adopted the parallel development strategy for both incremental housing and inventory housing markets, integrated the resources of well-known home decoration brands, as well as provided comprehensive one-stop household bespoke services for property owners. In terms of value-added innovations services business, we have been focusing on building a new community life service platform in order to develop a pan-community economy that adapts to the consumption needs (i.e. community group purchase and community pop-up stalls (社區生活驛站)) of the local property owners. During the Period, we recorded revenue of approximately RMB172.6 million, representing an increase of approximately 375.5% compared with the same period last year. We promoted the specialization, scale and brand development of housekeeping service brand "Phoenix Home Services", and recorded a revenue of approximately RMB113.9 million during the Period, representing an increase of 29.6% compared to the corresponding period last year. In terms of community media business, we intensively explored into the needs of customers and provided a community context-based integrated marketing plan, and the revenue of such business during the period was approximately RMB65.0 million, representing an increase of 98.2% compared to the corresponding period last year.





MANAGEMENT DISCUSSION AND ANALYSIS

Value-added Services for Non-property Owners

During the Period, the revenue from our value-added services for non-property owners was approximately RMB674.4 million, and accounting for approximately 10.8% of the total revenue of the Company. The value-added services we provide to non-property owners mainly include (i) management consultancy services to property developers for their pre-sale activities, as well as consultancy services for properties managed by other property management companies, and (ii) cleaning services, green landscaping, repair and maintenance services to property developers at the pre-delivery stage, and (iii) sales and leasing agency services of unsold parking spaces and properties.

The “Three Supplies and Property Management” Businesses

The Group established a joint venture in 2018 and began to enter the separation and transfer of property management and heat supply on “Three Supplies and Property Management” Reform. We have begun to enter into agreements for and took over the projects since 2019. As of 30 June 2020, the revenue-bearing GFA and contracted GFA from the property management services of the “Three Supplies and Property Management” businesses were both approximately 85.2 million sq.m. while the revenue-bearing GFA from the heat supply business was approximately 40.8 million sq.m. During the Period, the revenue generated from property management business was approximately RMB266.2 million; the revenue generated from heat supply business was approximately RMB656.9 million.

We will continue to promote in-depth collaboration between both parties, persist in gradual progress, continue in reform and innovation, optimize management system, gradually improve property quality and per capita efficiency, as well as upgrade the information system. We will orderly carry out major work such as butler services, community value-added services, and market development. In addition, we will strengthen team building, enhance talent training programs, and build a long-term incentive mechanism for talents. Both parties will strive to create a benchmark project for the separation and transfer reform of “Three Supplies and Property Management” business, while intensively explore the potentials for cooperation in other areas and join hands to achieve a win-win situation.

MANAGEMENT DISCUSSION AND ANALYSIS



PROSPECTS AND FUTURE PLANS

Intensively explore and integrate resources of community value-added services; introduce its brand and services into a broader market

Based on the idea of “service + ecology”, CG Services aims to provide diversified community value-added services for property owners. We will continue to build up our capabilities in channels and investment to provide a comprehensive portfolio of community value-added services, deeply explore and integrate the resources of community value-added services. Leveraging on the natural competitive edge of the properties’ proximity to the community, we will elaborately provide “Phoenix Home Services” housekeeping services, and with our high-quality teachers and our international, standardized and professional housekeeping service team receiving high-standard trainings, our quality housekeeping services are able to reach more households in the community. In addition, we obtained professional capabilities from the fields of community media and community insurance through mergers and acquisitions. Synergy can be achieved through integrating both parties’ resources and influences, thus allowing our brand and services to be introduced to a wider market.

Meanwhile, regarding the facility management, asset management and community living services sectors, we will further refine our corporate business portfolio and ecological framework, as well as allow a full-launch of offline channels that facilitates a close matching between the needs of property owners and services provided by commercial operators, which in turn enable an optimal allocation of resources among diverse needs. With the enormous loyalty and recognition we earned from property owners through our provision of excellent services for longstanding years, We will leverage the core coverage advantages of population, assets, and channels to reap benefits from the potential growth in the business of community value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

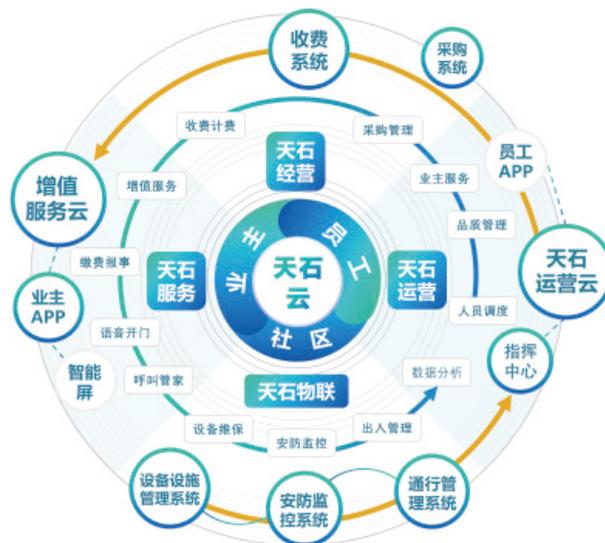
Continue to improve “Urban Co-existence Programme”; promote the digitalization, standardization and refinement of urban management

“Urban Co-existence Programme” is a product system which CG Services commits in promoting the refinement and community governance modernization of urban management using digitalization. From communities to cities, from property management to urban services, we have constantly expanded our service contents and boundaries, strived to satisfy people’s yearnings for better urban life, and actively responded to national policies, serving as a pioneer in providing public services oriented to the theme of city-governance. Since this year, we have gained fruitful results in the expansion of urban services, and have won tenders for the project in Shouyang county, Shanxi Province as well as reached strategic cooperation with the Dalian Jinpu New Area, Junliang City of Tianjin and Quzhou Communications Investment Group (衢州交投集團), etc.

In the future, we will continue to improve our city service mode 3.0 in order to promote the synergy effect of urban and industrial resources. We will not only actively respond to the government’s demands for municipal public services such as environmental protection and hygiene management, landscaping maintenance, municipal road maintenance, and underground pipeline network management and maintenance, but also actively participate in the construction of an urban public health emergency community system, the government’s transformation of old community and others. With our smart technology as a platform, the use of our advanced management methods such as asset operations and value-added services, the active integration of urban public operations with public resource services, the construction of a new model for digitalized, standardized and refined city-based big property operations, thus raising the efficiency of urban management and the level of public services.



MANAGEMENT DISCUSSION AND ANALYSIS



Digital transformation and upgrade of empowered industry; create a digital engine for the big property era

All along, CG Services has always been the pioneer that actively promotes the technological upgrade and smart development of property management industry. We have successfully launched the industry's first complete AI Full-stack Solutions (AI全栈方案) and Tianshi cloud platform (天石云平台) to solve the difficult problems of efficiency enhancement and empowerment in the industry with AI technology. On the one hand, through digitalization of internal management, we propel the whole-chain digitalization reform in various areas, such as quality management, operational management, value-added management and decision-making management, to achieve quality and efficiency enhancement. On the other hand, through digitalization of property owner services, we promote our rich and diversified community life services as well as expand the property service boundaries with our well-received fundamental services. We reached strategic cooperation with technology companies including Alibaba, Huawei and Tencent. Moreover, we have provided community smart solutions to over a hundred property management companies, assisted in the smart upgrade in the property management industry, so as to let more property owners and users appreciate the wonders of smart technology.

Targeting on this new realm of urban services, we will also develop an urban management platform system. We rely on our technology investments and smart methods to enhance the efficiency of urban management, and also use internet, IoT and AI technology to connect with various terminal devices in the cities, so as to enhance the efficiency in urban management and to lower operating costs, and authorities in the cities can facilitate their decision-making processes through the smart system which provide appropriate assistance.



MANAGEMENT DISCUSSION AND ANALYSIS

Center on “Big Property Management”; promote the vertical and horizontal extensions of the service model

We are in the grand era of property management, there is huge space for the expansion of property management companies both in the horizontal and vertical dimensions within the context of “Big Property Management. We have deployed in-depth layouts in the professional fields such as elevator repair, maintenance and sales, community insurance and community media. In the future, on the basis of providing security, cleaning, green landscaping, maintenance and repair, and butler services, we will vertically explore more professional services, deeply integrate and synergize our resources, and strive to introduce our professional services into a more extensive market.

We will provide high-tech and digital facilities and equipment management services on the basis of the integrated property services through intensive management and technology empowerment; realize the full coverage of asset facilities operation and asset value management through the upgrading of professional capabilities. At the same time, we will further promote the horizontal extension of service types to extend the services to the ends of living and assets. In the space of “Big Property Management”, we will open up more room for development by means of cooperation, merger and acquisition, self-development to drive the Group to fulfil the corporate vision of becoming an international leading new property management services group.

Material acquisitions

The Group currently has a large area of reserved GFA and is well positioned to have access to acquire GFA. Since the listing, the Company has been closely focusing on the merger and acquisition opportunities in the market and prudently assessing the matching degree of each project with the existing businesses of the Company and their potential profitability. During the Period, we completed several material equity acquisitions (details are set out in note 27 to the Interim Financial Information). The acquisitions will enable CG Services to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

FINANCIAL REVIEW

Revenue

The Group’s revenue is mainly derived from (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) “Three Supplies and Property Management businesses. For the six months ended 30 June 2020, the total revenue increased by approximately 78.4% to approximately RMB6,271.3 million from approximately RMB3,515.7 million for the six months ended 30 June 2019.

(1) *Property management services*

During the Period, the revenue from property management services increased by approximately 57.3% to approximately RMB3,999.4 million from approximately RMB2,542.1 million for the six months ended 30 June 2019, accounting for approximately 63.8% of the total revenue (for the corresponding period in 2019: approximately 72.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the breakdown of (i) our revenue-bearing GFA, and (ii) our revenue generated from the management of properties developed by the Country Garden Holdings Company Limited and its subsidiaries (together, the “CGH Group”) and independent third-party property developers respectively, as at the dates or for the periods indicated:

	For the six months ended/ As at 30 June 2020				For the six months ended/ As at 30 June 2019			
	Revenue (RMB'000)	(%)	Revenue- bearing GFA ('000 sq.m.)	(%)	Revenue (RMB'000)	(%)	Revenue- bearing GFA ('000 sq.m.)	(%)
Properties developed by the CGH Group	2,883,220	72.1	233,535	73.1	1,986,417	78.1	172,405	79.5
Properties developed by independent third-party property developers	1,116,130	27.9	85,915	26.9	555,637	21.9	44,407	20.5
Total	3,999,350	100.0	319,451	100.0	2,542,054	100.0	216,812	100.0

The revenue-bearing GFA increased by approximately 102.7 million sq.m. from approximately 216.8 million sq.m. for the same period in 2019 to approximately 319.5 million sq.m.; among which, the revenue-bearing GFA from management of properties developed by independent third-party property developers increased by approximately 93.5%, and its percentage of the total revenue-bearing GFA increased by 6.4 percentage points from approximately 20.5% for the same period in 2019 to approximately 26.9%. This was mainly due to the Group has already continue to strengthen our market expansion activities and seeking quality business targets in order to cover residential properties, commercial properties, public and city services facilities to achieve diversity and to promote steady growth of property developed by independent third party property developers.

(2) Community value-added services

During the Period, the revenue from community value-added services increased by approximately 96.2% to approximately RMB602.6 million from approximately RMB307.2 million for the six months ended 30 June 2019, accounting for approximately 9.6% of the total revenue (for the corresponding period in 2019: approximately 8.7%).

The increase in revenue from community value-added services was mainly attributable to:

- During the Period, the revenue from housekeeping services increased by approximately 29.6% to approximately RMB113.9 million from approximately RMB87.9 million for the six months ended 30 June 2019.
- During the Period, the revenue from turn-key furnishing and move-in services increased by approximately 213.5% to approximately RMB123.5 million from approximately RMB39.4 million for the six months ended 30 June 2019.
- During the Period, the revenue from community media services increased by approximately 98.2% to approximately RMB65.0 million from approximately RMB32.8 million for the six months ended 30 June 2019.
- During the Period, the revenue from value-added innovations services increased by approximately 375.5% to approximately RMB172.6 million from approximately RMB36.3 million for the six months ended 30 June 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

- (e) During the Period, the revenue from real estate brokerage services decreased by approximately 6.5% to approximately RMB64.3 million from approximately RMB68.8 million for the six months ended 30 June 2019.
- (f) During the Period, the revenue from community area services increased by approximately 50.7% to approximately RMB63.3 million from approximately RMB42.0 million for the six months ended 30 June 2019.

As discussed above, we have provided property owners with a full range of community value-added services, and as the new business gradually mature (i.e. turn-key furnishing and move-in services and value-added innovations services), the Group has enjoyed a rapid growth in community value-added services.

(3) Value-added services to non-property owners

During the Period, the revenue from value-added services to non-property owners increased by approximately 13.2% to approximately RMB674.4 million from approximately RMB595.7 million for the six months ended 30 June 2019, accounting for approximately 10.8% of the total revenue (for the corresponding period in 2019: approximately 16.9%).

The growth in value-added services to non-property owners was mainly attributed to the increase in income from pre-delivery cleaning and other services and sales and leasing agency services of unsold parking spaces and properties.

(4) Three Supplies and Property Management Businesses

During the Period, the revenue from “Three Supplies and Property Management” businesses currently include the revenue arising from property management services and heat supply services.

Among which, the revenue from property management services was approximately RMB266.2 million, the revenue-bearing GFA of the property management services was approximately 85.2 million sq.m. as of 30 June 2020; the revenue from heat supply services was approximately RMB656.9 million, the revenue-bearing GFA of the heat supply services was approximately 40.8 million sq.m. as of 30 June 2020.

Costs

The Group’s costs include (i) staff cost, (ii) cleaning cost, (iii) heat supply cost, (iv) maintenance cost, (v) utilities, (vi) greening and gardening cost, (vii) security expenses, (viii) cost of goods sold, (ix) transportation cost, (x) office and communication cost, (xi) taxes and surcharges, (xii) employee uniform expenses, (xiii) depreciation and amortisation charges, (xiv) community activities cost, (xv) travelling and entertainment cost, and (xvi) others. During the Period, the costs were approximately RMB3,938.7 million, representing an increase of approximately 84.2% as compared to approximately RMB2,137.8 million for the six months ended 30 June 2019. Such increase in costs was mainly due to the continuous expansion of the revenue-bearing GFA of the Group and business diversification, resulting in an increase of various costs.

Gross Profit and Gross Profit Margin

During the Period, the overall gross profit increased by approximately RMB954.6 million to approximately RMB2,332.5 million from approximately RMB1,377.9 million for the six months ended 30 June 2019, representing an increase of approximately 69.3%.

During the Period, the overall gross profit margin decreased by 2.0 percentage points to approximately 37.2% from approximately 39.2% for the six months ended 30 June 2019, and the overall gross profit margin decreased was mainly due to that the gross profit margin of the “Three Supplies and Property Management” businesses was lower than the average gross profit margin of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Property management services

During the Period, the gross profit margin of property management services increased by 2.4 percentage points to approximately 38.1% from approximately 35.7% for the six months ended 30 June 2019.

The increase in the gross profit margin of property management services was mainly due to (i) the exemption of corporate social insurance premiums by the Ministry of Human Resources and Social Security of the State Council because of the COVID-19 pandemic, which lead to a decrease in the cost of property management services; (ii) the Group's organizational structure went through further adjustments during the Period, thus lowering the cost of the property management staffs.

(ii) Community value-added services

During the Period, the gross profit margin of community value-added services increased by 3.1 percentage points to approximately 65.9% from approximately 62.8% for the six months ended 30 June 2019.

The increase in the gross profit margin of community value-added services was mainly due to the cost-saving and higher efficiency effect brought by the expansion of business scale.

(iii) Value-added services to non-property owners

During the Period, the gross profit margin of value-added services to non-property owners increased by 4.0 percentage points to approximately 46.3% from approximately 42.3% for the six months ended 30 June 2019.

The increase in the gross profit margin of value-added services to non-property owners was mainly due to the increase in a higher gross profit margin of sales and leasing agency services of unsold parking spaces and properties.

(iv) Three Supplies and Property Management Business

During the Period, for the "Three Supplies and Property Management" business, the gross profit margin of its property management services was approximately 6.1%, and the gross profit margin of heat supply services was approximately 5.4%.

Among which, the gross profit margin of the property management services was lower than the gross profit margin average level in the Group, which was mainly due to the fact that service targets of Three Supplies and Property Management were mostly state-owned enterprise communities that established early, and the unit price of property charges were low; in addition, the proportion of maintenance costs for old facilities of property in Three Supplies and Property Management is higher than that of the Group; the gross profit margin of the heat supply services was slightly lower than the average level in the industry, which was mainly because subject to the background as state-owned enterprises, the heat supply service level was higher than the market level which resulted in higher costs.

Selling and Marketing Expenses

During the Period, selling and marketing expenses were approximately RMB46.9 million, representing an increase of approximately 133.3% as compared with approximately RMB20.1 million for the six months ended 30 June 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

The increase in selling and marketing expenses was mainly due to an increase in the cost of marketing incurred by the Group during its search for better business targets and continuing mergers and acquisitions of third-party properties.

General and Administrative Expenses

During the Period, general and administrative expenses were approximately RMB646.4 million, representing an increase of approximately 38.9% as compared with approximately RMB465.4 million for the six months ended 30 June 2019. The general and administrative expenses ratio has decreased 2.9 percentage points to approximately 10.3% from approximately 13.2% for the same period in 2019.

The increase in general and administrative expenses was mainly due to the growth in scale of the business of the Group along with the increase of its revenue-bearing GFA, while the decrease in the general and administrative expenses ratio was mainly due to (i) the exemption of corporate social insurance premiums by the Ministry of Human Resources and Social Security of the State Council because of the COVID-19 pandemic, which lead to a decrease in the staff cost of the management; (ii) the Group's continuous effort in innovating its organizational and management pattern to promote merging of various segments, resulting in a decrease in general and administrative expenses ratio; (iii) the share-based compensation expenses have decreased approximately RMB3.8 million to approximately RMB3.4 million from approximately RMB7.2 million for the same period in 2019.

Other Income

During the Period, other income was approximately RMB44.2 million, representing an increase of approximately 136.4% as compared with approximately RMB18.7 million for the six months ended 30 June 2019.

The increase in other income was mainly due to (i) the increase in employment, epidemic prevention subsidy, tax refund and other relevant government subsidies compared to the same period of last year as the Group expanded its business; (ii) the taxation benefit of 10% on deductible input tax enjoyed by the Group as a taxpayer in the industries of productions living services from 1 April 2019 to 31 December 2021 with the implementation of the policies on substantial reduction of value added tax in mainland China.

Other Gains — Net

During the Period, other gains — net were approximately RMB108.7 million, representing an increase of approximately RMB37.0 million as compared with approximately RMB71.7 million for the six months ended 30 June 2019.

The increase in other gains — net was mainly due to the realised and unrealised investment return from financial assets at fair value through profit and loss have increased approximately RMB41.2 million as compared with the same period last year.

Finance Income — Net

During the Period, the finance income — net was approximately RMB51.0 million, representing an increase of approximately 40.1% compared with approximately RMB36.4 million for the six months ended 30 June 2019.

The increase in finance income — net was mainly due to (i) an increase in interest income from deposits resulting from higher cash level and more efficient deposit management as compared to that as at the end of the corresponding period last year; (ii) partially offset by the interest expense on convertible bonds during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

During the Period, income tax expense was approximately RMB478.5 million, representing an increase of approximately 179.0% compared to approximately RMB171.5 million for the six months ended 30 June 2019.

The increase in income tax expense was mainly due to (i) the applicable tax rate for the Period was 25% after the expiry of the “High and New Technology Enterprise” (“**HNTE**”) qualification received by a major subsidiary of the Group in 2020, and the subsidiary is in the process of applying for the renewal of the HNTE qualification; (ii) the increase in income tax expense due to the increase in total profit before tax of the Group for the six months ended 30 June 2020.

Profit for the Period

During the Period, the net profit of the Group was approximately RMB1,335.2 million, representing an increase of approximately 61.6% compared to approximately RMB826.2 million for the six months ended 30 June 2019.

During the Period, the profit attributable to the owners of the Company increased from approximately RMB816.9 million for six months ended 30 June 2019 to approximately RMB1,314.8 million, representing an increase of approximately 60.9%.

During the Period, the profit attributable to the non-controlling interests of the Company increased by approximately 119.4% from approximately RMB9.3 million for the six months ended 30 June 2019 to approximately RMB20.4 million.

Property, Plant and Equipment

Property, plant and equipment of the Group comprise transportation equipment, machinery equipment, electronic equipment, building, office equipment and leasehold improvements.

As at 30 June 2020, the property, plant and equipment of the Group was approximately RMB299.1 million, representing a decrease of approximately RMB12.8 million from approximately RMB311.9 million as at 31 December 2019, mainly due to the fixed assets had incurred a relatively significant depreciation during the Period, which was partially offset by an increase in procurement of transportation equipment, machinery equipment, electronic equipment and others due to its business development needs.

Intangible Assets

The intangible assets of the Group mainly comprise goodwill arising from equity acquisitions, property management contracts and customer relationships, software assets and insurance brokerage license.

As at 30 June 2020, the intangible assets of the Group were approximately RMB1,870.4 million, representing an increase of approximately RMB266.5 million compared to approximately RMB1,603.9 million as at 31 December 2019, which was mainly due to several equity acquisitions completed by the Group during the Period, resulting in goodwill of approximately RMB208.1 million, property management contracts and customer relationships of approximately RMB58.7 million and insurance brokerage license of approximately RMB28.7 million. Besides, the amortization of property contracts, customer relationships and insurance brokerage license arising from the acquisitions during the Period was approximately RMB32.4 million.

Trade and Other Receivables

Trade and other receivables include trade receivables, other receivables and prepayments.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group recorded net trade receivables of approximately RMB2,753.0 million, representing an increase of approximately RMB1,179.0 million compared to approximately RMB1,574.0 million as at 31 December 2019, mainly due to the significant increase in the total revenue of the Group.

The net other receivable increased by approximately 50.6% from approximately RMB367.2 million as at 31 December 2019 to approximately RMB552.9 million as at 30 June 2020, mainly due to the increase in security deposits, utilities, garbage fee paid for property owners and other receivables.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include wealth management products, investment in a listed entity and investment in a close-ended fund.

As at 30 June 2020, the balance of financial assets at fair value through profit or loss of the Group amounted to approximately RMB2,327.6 million, increased by approximately RMB1,046.9 million as compared with approximately RMB1,280.7 million at 31 December 2019. Such increase was mainly due to the Group's purchase of new wealth management products for providing yields for its idle funds, and its acquisition of approximately 3.53% equity interest in Hopefluent during the Period.

Contract Liabilities

The contract liabilities mainly arose from the advance payments made by customers for the underlying services such as property management services and community value-added services, which are yet to be provided.

The contract liabilities increased from approximately RMB1,618.1 million as at 31 December 2019 to approximately RMB1,837.3 million as at 30 June 2020, representing an increase of approximately RMB219.2 million, which was mainly due to an increase in prepayment for property services as a result of an increase in the revenue-bearing GFA.

Trade and Other Payables

Trade and other payables include trade payables, other payables, payroll payables and other taxes payables.

Trade payables primarily represent payables for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of materials and utilities as well as purchase from sub-contractors.

As at 30 June 2020, trade payables of the Group were approximately RMB2,005.2 million, representing an increase of approximately RMB525.0 million compared to approximately RMB1,480.2 million as at 31 December 2019, primarily due to the Group's business expansion resulting in an increase in material procurement costs, labor outsourcing costs and utility fees.

Other payables primarily include (i) deposits from property owners in relation to interior decorations; (ii) temporary receipts from properties owners (mainly consisting of utilities fees collected from properties owners and income generated from common area value-added services that belongs to properties owners); (iii) outstanding considerations payable for business combinations; (iv) payables for transaction cost related to the issue of convertible bonds; (v) accruals and others (mainly in relation to withholding funds for utilities and advance).

Other payables increased from approximately RMB2,012.8 million as at 31 December 2019 to approximately RMB2,209.5 million as at 30 June 2020, primarily due to (i) the impact of an increase in deposits from property owners for interior decorations and the income generated from community area services that belong to properties owners; and (ii) payables for transaction costs related to the issue of convertible bonds during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, repay debt, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total interest bearing debt divided by total equity.

On 20 May 2020, Best Path Global Limited, a wholly-owned subsidiary of the Company, issued convertible bonds in a principal amount of HKD3,875.0 million, as at 30 June 2020, the balance of convertible bonds of the Group was approximately RMB3,390.9 million. Other than convertible bonds, there are no other borrowings or loans.

As at 30 June 2020, the gearing ratio of the Group was approximately 50.0% (31 December 2019: 0%).

Liquidity, Financial and Capital Resources

As at 30 June 2020, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB9,950.3 million, representing an increase of approximately RMB3,024.3 million as compared with approximately RMB6,926.0 million as at 31 December 2019.

Total bank deposits and cash were denominated in the following currencies:

	30 June 2020		31 December 2019	
	(RMB'000)	(%)	(RMB'000)	(%)
RMB	5,303,643	53.3	5,822,749	84.1
HKD	4,330,847	43.5	1,082,229	15.6
Other currencies	315,822	3.2	21,031	0.3
	9,950,312	100.0	6,926,009	100.0

Among which the increase in the percentage of the amounts denominated in HKD was mainly due to the issuance of the HKD settled convertible bonds in the Period.

Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB23.0 million (31 December 2019: approximately RMB11.9 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of the local government authorities.

As at 30 June 2020, the net current assets of the Group were approximately RMB4,694.8 million (31 December 2019: approximately RMB3,797.1 million). The current ratio (current assets/current liabilities) of the Group was 1.4 times (31 December 2019: 1.6 times).



MANAGEMENT DISCUSSION AND ANALYSIS

Key Risk Factors and Uncertainties

The following content lists out the key risks and uncertainties confronted by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Industry Risk

The Group's operations are subject to the regulatory environment and measures affecting the property management industry in the PRC. In particular, the fees that property management companies may charge for property management services are subject to regulation and supervision by relevant regulatory authorities. The Group's business performance primarily depends on the total contracted and revenue-bearing GFA and the number of properties the Group manages, but the Group's business growth is, and will likely continue to be affected by the PRC government regulations of the Group industries.

Business Risk

The Group's ability to maintain or improve the Group's current level of profitability depends on the Group's ability to control operating costs (particularly labour costs) and the Group's profit margins and results of operations may be materially and adversely affected by the increase in labour or other operating costs; The Group may not procure new property management service contracts as planned or at desirable pace or price; The Group may not be able to collect property management fees from customers and as a result, may incur impairment losses on receivables; Termination or non-renewal of the Group's property management services for a significant number of properties could have a material adverse effect on business, financial position and results of operations.

Foreign Exchange Risk

The Group's businesses were principally located in the PRC. Except for bank deposits and trade receivables denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. During the Period, the Directors expected that fluctuations of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

Employees and Remuneration Policies

As at 30 June 2020, the Group had 56,038 employees (31 December 2019: 54,085 employees). During the Period, the total staff costs were approximately RMB2,160.0 million.

The remuneration package of the employees includes salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system.

The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of its employees, a monthly social insurance funds covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and the housing provident fund, or to contribute regularly to other mandatory provident fund schemes on behalf of its employees. The Group has also approved and/or adopted a certain share option scheme, details of which are disclosed in the paragraph headed "Pre-Listing Share Option Scheme" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Employee Training and Development

The Group organized various special talent training camps, quality development training, cross-district exchange and learning, video conferences, mobile online learning, etc. We also evaluated and fed back the training effectiveness by means of training assessment, implementation of key tasks, rotation practice, etc.

In the first half of 2020, in response to the pandemic, the Group organized online trainings of various subjects, with approximately 700,000 participants and tens of thousands of training hours in total. Such measures ensured the general employees' ability in performing their duties and increased the management level of management cadres at all levels, thus provided timely and effective support for the Company's business development.

Charge on Assets

As at 30 June 2020, the Group did not have any charges on its assets.

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.

INTERIM DIVIDENDS

The final dividend for 2019 was RMB15.14 cents (equivalent to HK\$16.58 cents) per share, totalling RMB416,944,000, has been approved at the Annual General Meeting held on 16 June 2020 and were paid in cash in August 2020.

The Board has decided not to declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

MAJOR EVENTS DURING THE PERIOD

Elevators installation and other services framework agreement

On 18 March 2020, the Company entered into the elevators installation and other services framework agreement with Country Garden Holdings Company Limited ("**CGH**"), which sets out the principal terms for the provision of elevators products installation, supporting services and other services by the Group to CGH Group for a term commencing on 18 March 2020 until 31 December 2020 (the "**Elevators Installation and Other Services Framework Agreement**"). The annual cap for fees payable by CGH Group to the Group (excluding tax) is RMB460 million. Since CGH is a 30%-controlled company indirectly held by Ms. YANG Huiyan, a non-executive Director and a substantial shareholder of the Company, it is an associate of Ms. YANG Huiyan and thus a connected person of the Company. Transactions contemplated under the Elevators Installation and Other Services Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The Company believes that entering into of the Elevators Installation and Other Services Framework Agreement helps raise the Group's income from value-added services, which will thereby increase the total revenue and improve the profitability of the Group, and is in conformity with the Group's strategic development needs. Please refer to the announcement of the Company dated 18 March 2020 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition of 100% equity interest in Wenjin and acquisition of loans from Elite Architectural Co.

On 9 April 2020, Guangdong Country Garden Modern Life Property Management Co., Ltd* (廣東碧桂園現代生活物業管理有限公司) (“**CG Modern Life**”, an indirect wholly-owned subsidiary of the Company) entered into the equity transfer agreement and the loans transfer agreement with Guangdong Elite Architectural Co., Ltd.* (廣東博意建築設計院有限公司) (“**Elite Architectural Co.**”), pursuant to which CG Modern Life has agreed to acquire and Elite Architectural Co. has agreed to dispose of (i) its 100% equity interest in Wenjin (the “**Equity Transfer**”); and (ii) the non-interest-bearing long-term loans receivable by Elite Architectural Co. as creditor as at the date of the loans transfer agreement amounting in aggregate to RMB48,193,000 (the “**Loan Transfer**”). The aggregate consideration payable by CG Modern Life for such transfer is RMB84,113,000, comprising (i) RMB35,920,000 for the Equity Transfer; and (ii) RMB48,193,000 for the Loan Transfer.

As Elite Architectural Co. is an indirect majority-controlled company held by Ms. YANG Meirong, who is an aunt of Ms. YANG Huiyan, a non-executive Director and a substantial shareholder of the Company. As such, Elite Architectural Co. is a connected person of the Company. The Equity Transfer and the Loan Transfer therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transfers exceed 0.1% but all of them are below 5%, the transfers are subject to the reporting and announcement requirements but exempt from the requirement of independent shareholders’ approval under Chapter 14A of the Listing Rules.

The Company believes the acquisition of Wenjin will enable the Group to speed up its development of community insurance sales business, improve its community value-added business and enhance the Company’s profitability in the future. The abovementioned equity and loans acquisitions have been completed as of the date of this report. Wenjin has become a wholly-owned subsidiary of the Company and its financial results have been consolidated into the consolidated financial statements of the Group. Please refer to the announcement of the Company dated 13 April 2020 for further details.

Acquisition of approximately 3.53% equity interest in Hopefluent

On 15 April 2020, Country Garden Property Services HK Holdings Company Limited (“**CG Property Services HK**”, an indirect wholly-owned subsidiary of the Company) entered into the concert group agreement (the “**Concert Group Agreement**”) with China-net Holding Ltd. (“**China-net**”, together with CG Property Services HK, the “**Offerors**”) pursuant to which, in respect of the unconditional mandatory cash offer to be made by ABCI Capital Limited, for and on behalf of the Offerors, to acquire all of the shares of Hopefluent (Stock Code of the Stock Exchange: 733) (“**Offer Share(s)**”) (the “**Offer**”), the Offerors have conditionally agreed that CG Property Services HK shall first accept and acquire the Offer Shares subject to the lower of (i) a maximum purchase amount of HK\$120,000,000 (excluding any stamp duty or other fees or expenses arising in connection with the acquisition of the Offer Shares); and (ii) a maximum number of 67,380,000 Offer Shares, and thereafter China-net shall accept and acquire the remaining Offer Shares (“**Potential Acquisition**”). On the same date, China-net entered into the share purchase agreements (the “**Share Purchase Agreements**”), pursuant to which China-net agreed to purchase a total of approximately 11.87% equity interest in Hopefluent. Completion of the Share Purchase Agreements took place on 17 April 2020, and the offer price shall be HK\$1.50 per Offer Share. As such, CG Property Services HK shall first accept and acquire a maximum of 67,380,000 Offer Shares (representing less than 10% of the total issued shares of Hopefluent) at a maximum total consideration of HK\$101,070,000 pursuant to the Concert Group Agreement and the Offer. The Group expects that the acquisition will create financial revenue for the Group, and at the same time, the Group actively explores wider and deeper business cooperation opportunities with Hopefluent.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Potential Acquisition exceed 5% but all are below 25%, the Potential Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Based on the valid acceptances in respect of 23,784,002 Offer Shares received at the close of the Offer on 17 June 2020, CG Property Services HK would have to accept and acquire 23,784,002 Offer Shares at the price of HK\$1.50 per Offer Share, the total consideration is HK\$35,676,003. As of the date of this report, the above acquisition has been completed, and the Company, through CG Property Services HK, owns indirectly approximately 3.53% of the equity interest in Hopefluent. The financial results of Hopefluent have not been consolidated into the financial statements of the Group.

Please refer to the announcements of the Company dated 28 April 2020 and 17 June 2020 and the relevant joint announcements and circulars of China-net, CG Property Services HK and Hopefluent during the period from 28 April 2020 to 17 June 2020.

EQUITY FUNDRAISING ACTIVITIES AND USE OF PROCEEDS

Placing and Subscription Agreement

On 11 January 2019, the Company entered into the placing and subscription agreement (the “**Placing and Subscription Agreement**”) with J.P. Morgan Securities PLC (the “**Placing Agent**”), and Concrete Win Limited (“**Concrete Win**”) (as the Vendor) pursuant to which, the Placing Agent has conditionally agreed to place, on a fully underwritten basis, 168,761,000 existing ordinary shares of the Company (the “**Share(s)**”) at the placing price of HK\$11.61 per Share (the “**Placing Price**”) to not less than six independent placees, and Concrete Win has conditionally agreed to subscribe at the Placing Price for the same number of new Shares (the “**Subscription Shares**”) as the placing Shares that have been placed by the Placing Agent. The Subscription Shares have a nominal value of US\$16,876.1 and a market value of HK\$2,177,016,900, based on the closing price of HK\$12.90 per Share on the last trading day immediately preceding the date of the Placing and Subscription Agreement. The net price of the subscription is HK\$11.49 per Share. On 24 January 2019, the Company issued 168,761,000 Shares based on a subscription price of HK\$11.61 per Share and completed the placing of the existing Shares as well as the allotment and issuance of the Subscription Shares under the relevant general mandate. The net proceeds received by the Company were approximately HK\$1,943.1 million (the “**Placing Proceeds**”).

Issue of convertible bonds under general mandate

On 27 April 2020, the Company, Best Path Global Limited (the “**Issuer**”, a wholly-owned subsidiary of the Company) and UBS AG Hong Kong Branch (as the sole lead manager) entered into the agreement in relation to the issue of convertible bonds by the Issuer (the “**Bonds**”), pursuant to which UBS AG Hong Kong Branch agreed to subscribe for, or procure subscribers to subscribe for, the Bonds in the aggregate principal amount of HK\$3,875 million. The Bonds will be interest-free, unsecured and unconditionally and irrevocably guaranteed by the Company.

Shares which may fall to be allotted and issued upon the conversion of the Bonds (the “**Conversion Shares**”) will be issued under the general mandate granted to the Directors to issue up to 533,752,200 Shares at the annual general meeting held on 20 May 2019 (the “**General Mandate**”). As the total number of Conversion Shares which may fall to be issued upon full conversion of the Bonds will fall within the limit of the general mandate, no shareholders’ approval will be required for the issue of the Bonds or the Conversion Shares.

Based on an initial conversion price of HK\$39.68 per Share (the “**Conversion Price**”) and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 97,656,250 Shares, representing approximately 3.54% of the issued share capital of the Company as at the date of this report and approximately 3.42% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

The Conversion Price was determined by the Company and UBS AG Hong Kong Branch after arm's length negotiations with reference to the price of the Shares quoted on the Stock Exchange and after a book-building exercise. The Conversion Shares have a nominal value of US\$9,765.63 and a market value of approximately HK\$3,491 million based on the closing price of the Shares of HK\$35.75 per Share on 27 April 2020, the date of execution of the agreement.

The gross proceeds from the issue of the Bonds are HK\$3,875 million. The net price per Conversion Share is estimated to be approximately HK\$39.28. The Company intends to use the net proceeds for potential future mergers and acquisitions, strategic investments, working capital and general corporate purposes. The Listing Committee of the Stock Exchange has approved the listing and dealing of Conversion Shares and the Bonds have listed and quoted on the Singapore Exchange ("**SGX**"), and its offering circular is available on the website of the SGX.

Details of the intended and actual uses of net proceeds from the above equity fundraising activities are as follows:

Announcement date	Fundraising activities	Net proceeds	Intended uses of net proceeds	Actual uses of net proceeds during the Period
10 January 2019 and 11 January 2019	Placing of 168,761,000 Shares	Approximately HK\$1,943.1 million	To apply as to approximately 70% for mergers and acquisitions to expand geographical coverage and service scope within the Group's core businesses or related businesses, and as to approximately 30% for technologies investment, urban services and value-added services new business development.	For the six months ended 30 June 2020, the Group has used approximately HK\$747.76 million of the Placing Proceeds ^(Note) , of which approximately HK\$555.70 million was used for mergers and acquisitions to expand geographical coverage and service scope within the Group's core businesses or related businesses and approximately HK\$192.06 million was used for technologies investment, urban services and value-added services new business development.
27 April 2020, 28 April 2020 and 1 June 2020	Issue of convertible bonds	Approximately HK\$3,837.9 million	For potential future mergers and acquisitions, strategic investments, working capital and general corporate purposes	The Group has not yet used the proceeds from the issue of convertible bonds. The Company will use the proceeds according to its development strategies, market conditions and the abovementioned intended use of proceeds.

Note:

As of 30 June 2020, the Group has used a total of approximately HK\$1,569.54 million of the Placing Proceeds, of which: approximately HK\$1,175.53 million (approximately 60.50% of the Placing Proceeds) was used for mergers and acquisitions to expand geographical coverage and service scope within the Group's core businesses or related businesses; and approximately HK\$394.01 million (approximately 20.28% of the Placing Proceeds) was used for technologies investment, urban services and value-added services new business development. The remaining unutilized proceeds of approximately HK\$373.56 million is expected to be utilized according to the intended uses of proceeds by 31 December 2020.

Save as disclosed above, the Company has not conducted any equity fundraising activity during the Period.

EVENTS AFTER THE PERIOD

The acquisition of 100% equity interest in City-Media

On 30 July 2020, Country Garden Life Services Group Co., Ltd.* (碧桂園生活服務集團股份有限公司) (“**CG Life Services**”, an indirect wholly-owned subsidiary of the Company) entered into the equity transfer agreement with the original shareholders of City-Media (Shanghai) Corporation, Limited* (城市縱橫(上海)文化傳媒有限公司) (formerly known as City-Media (Shanghai) Corporation, Limited*, 城市縱橫(上海)文化傳媒股份有限公司, “**City-Media**”), Zhoushan Maofenghe Equity Investment Partnership (Limited Partnership)* (舟山茂豐和股權投資合夥企業(有限合夥)) (“**First Vendor**”), Zhoushan Bairuitong Equity Investment Partnership (Limited Partnership)* (舟山佰瑞通股權投資合夥企業(有限合夥)) (“**Second Vendor**”) and City-Media (the “**Equity Transfer Agreement**”), pursuant to which CG Life Services has agreed to conditionally acquire a total of 100% equity interest in City-Media in phases in accordance with the terms of the Equity Transfer Agreement.

According to the Equity Transfer Agreement, CG Life Services agreed to conditionally acquire the first phase target shares held by the First Vendor, representing 65% equity interest of City-Media. The consideration of the first phase target shares is subject to the performance guarantee and valuation adjustment mechanism, and will not exceed RMB511.94 million (the “**First Phase Acquisition**”); CG Life Services will conditionally acquire the second phase target shares held by the Second Vendor in accordance with the fulfilment of the performance guarantee, representing 35% equity interest of City-Media, and the highest purchase price of the second phase target shares shall not exceed RMB1 billion (the “**Second Phase Acquisition**”).

As one or more of the applicable percentage ratios of the acquisition exceed 5% but all are below 25%, such acquisition therefore constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this report, the First Phase Acquisition has not yet been completed. Following the completion of the First Phase Acquisition, City-Media will become a subsidiary of the Group, and its results, assets and liabilities will be consolidated into the accounts of the Group; and following the completion of the Second Phase Acquisition, City-Media will become a wholly-owned subsidiary of the Group. Please refer to the announcement of the Company dated 30 July 2020 for further details.

Establishment of the Environmental, Social and Governance Committee

The Board of Directors of the Company announced that the environmental, social and governance committee (the “**ESG Committee**”) has established since 26 August 2020. On the same date, Mr. Li Changjiang, Mr. Xiao Hua and Mr. Guo Zhanjun were appointed as a member of the ESG Committee, while Mr. Li Changjiang was appointed as the chairman of the ESG Committee.

Save as disclosed above, there are no major events that would affect the Company from 30 June 2020 to the date of this report.

* For identification purpose only



CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Company has established the audit committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibility of the audit committee. The membership of the audit committee consists of three Independent Non-executive Directors, namely, Mr. Rui Meng, Mr. Mei Wenjue and Mr. Chen Weiru, Mr Rui Meng is the chairman of the committee. The primary duties of the audit committee include assisting the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system and overseeing the audit process.

The audit committee has reviewed the unaudited interim results for the Period. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited Interim Financial Information for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability system. The Company has adopted the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2020, the Company has complied with all applicable code provisions of the Corporate Governance Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors and employees (the “**Securities Dealing Code**”). The Company has made specific enquiries with all Directors on whether the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2020 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the above-mentioned period.

No incident of non-compliance was found by the Company for the six months ended 30 June 2020. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CHANGE IN INFORMATION OF DIRECTORS

Changes in Directors’ other major offices which are required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below.

Ms. Yang Huiyan, Non-executive Director and the Chairman of the Board

On 12 May 2020, Ms. Yang was appointed as a member of the environmental, social and governance committee of CGH.

Mr. Chen Weiru, Independent Non-executive Director

In October 2019, Mr. Chen was appointed as an independent non-executive director of Fangdd Network Group Ltd. (房多多網絡集團有限公司), a company listed on the Nasdaq (stock code: DUO).

On 21 April 2020, Mr. Chen was appointed as an independent director of Jack Sewing Machine Co.,Ltd. (傑克縫紉機股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603337).

On June 24, 2020, Mr. Chen was appointed as an independent director of WPG Holdings Limited (大聯大投資控股股份有限公司), a company listed on the Taiwan Stock Exchange (company code: 3702).

Mr. Rui Meng, Independent Non-executive Director

On June 2, 2020, Mr. Rui was appointed as an independent director of Shanghai Hydee Software Corp., Ltd. (上海海典軟件股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 831317).

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

INTERESTS DISCLOSURE

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required pursuant to Section 352 of the SFO to be entered in the register, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in Shares and underlying Shares of the Company

Name of Director	Capacity	Number of shares held	Number of interests in underlying shares held under equity derivatives	Total	Approximate % of Shares in issue ⁽¹⁾	Number of debentures held
Ms. Yang Huiyan	Interest of controlled corporations	1,451,120,428 ⁽²⁾	—	1,451,120,428	52.70%	—
Ms. Wu Bijun	Beneficial owner	5,095,190 ⁽⁴⁾	3,889,200 ⁽³⁾	8,984,390	0.33%	—
Mr. Li Changjiang (President)	Beneficial owner	4,732,000 ⁽⁵⁾	3,889,200 ⁽³⁾	8,621,200	0.31%	—
Mr. Xiao Hua	Beneficial owner	1,667,037 ⁽⁶⁾	1,428,600 ⁽³⁾	3,095,637	0.11%	—
Mr. Guo Zhanjun	Beneficial owner	1,645,500 ⁽⁷⁾	1,409,700 ⁽³⁾	3,055,200	0.11%	—

Notes:

- (1) Based on the 2,753,539,800 shares of the Company in issue as at 30 June 2020.
- (2) As at 30 June 2020, Concrete Win and Fortune Warrior Global Limited ("Fortune Warrior") held 1,326,120,428 Shares and 125,000,000 Shares, respectively. Concrete Win and Fortune Warrior are beneficially wholly-owned by Ms. Yang Huiyan. By virtue of the SFO, Ms. Yang Huiyan is deemed to be interested in the same number of Shares in which Concrete Win and Fortune Warrior were interested.
- (3) The relevant interests are unlisted physically settled options granted pursuant to the Company's Pre-Listing Share Option Scheme. Upon exercise of the share options in accordance with the Pre-Listing Share Option Scheme, the corresponding number of ordinary Shares of HK\$0.94 each will be issued. The share options are personal to the respective Directors.
- (4) These Shares represent 56,190 Shares distributed to Ms. Wu Bijun by virtue of the shares of Country Garden Holdings Company Limited held by her prior to the spin-off and separate listing of the Shares on the Main Board of the Stock Exchange, 177,000 Shares purchased by Ms. Wu Bijun from the secondary market and 4,862,000 Shares issued to Ms. Wu Bijun upon her exercise of the options granted to her under the Pre-Listing Share Option Scheme.
- (5) These Shares represent 4,732,000 Shares issued to Mr. Li Changjiang upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- (6) These Shares represent 37 Shares distributed to Mr. Xiao Hua by virtue of the shares of CGH held by him prior to the spin-off and separate listing of the Shares on the Main Board of the Stock Exchange and 1,667,000 Shares issued to Mr. Xiao Hua upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- (7) These Shares represent 1,645,500 Shares issued to Mr. Guo Zhanjun upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company (including their spouses and children under the age of 18) had been granted any right to subscribe for the shares of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such rights.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2020, according to the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had interest or short position in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate % of Shares in issue ⁽¹⁾
Concrete Win ⁽²⁾	Beneficial owner	1,326,120,428(L)	48.16%
Mr. CHEN Chong ⁽²⁾	Interest of spouse	1,451,120,428(L)	52.70%
JPMorgan Chase & Co. ⁽³⁾	Interest of controlled corporation/ Investment manager/ Person having a security interest in shares/ Approved lending agent	24,768,356(L) 18,935,544(S) 43,795,844(L) 26,404,832(L) 42,766,347(L)	0.90% 0.69% 1.59% 0.96% 1.55%

Note:

L — long position, S — short position

(1) Based on the 2,753,539,800 shares of the Company in issue as at 30 June 2020.

(2) Concrete Win and Fortune Warrior held 1,326,120,428 Shares and 125,000,000 Shares, respectively. Concrete Win and Fortune Warrior are beneficially wholly-owned by Ms. Yang Huiyan.

By virtue of the SFO, Mr. Chen Chong is deemed to be interested in the Shares held by his spouse, Ms. Yang Huiyan, whose interests are disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company".

(3) JPMorgan Chase & Co. is interested in 137,735,379 Shares (long position, of which 42,766,347 Shares are in a lending pool) and 18,935,544 Shares (short position), accounting for approximately 5.00% and 0.69% of Shares in issue, respectively. As shown in the Disclosure of Interests, these Shares are held by JPMorgan Asset Management (Asia Pacific) Limited (a corporation held indirectly by JPMorgan Chase & Co. as to 99.99% control) and by other corporations held directly or indirectly by JPMorgan Chase & Co. as to 100% control. Among which, 24,929,672 Shares (long position) and 5,995,778 Shares (short position) are derivatives interests, including 78,400 Shares (short position) as cash-settled listed derivatives, 132,078 Shares (long position) and 3,143,015 Shares (short position) as cash-settled unlisted derivatives, 6,123,200 Shares (long position) and 2,774,363 Shares (short position) as physically settled unlisted derivatives and 18,674,394 Shares (long position) as convertible instruments of listed derivatives.

Save as disclosed above, as at 30 June 2020, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS DISCLOSURE

PRE-LISTING SHARE OPTION SCHEME

On 13 March 2018, a pre-listing share option scheme (“**Pre-Listing Share Option Scheme**”) was adopted by the then shareholders of the Company. The Pre-Listing Share Option Scheme was subsequently amended by a resolution passed at the extraordinary general meeting held on 7 November 2019 (for details of the amendment, please refer to the announcement of the Company dated 16 October 2019 and the circular of the Company dated 22 October 2019).

On 21 May 2018, share options for 132,948,000 Shares with a fair value on the grant date of approximately HK\$108,375,000 (equivalent to approximately RMB86,667,000) were granted by the Company to eligible participants in accordance with the terms of the Pre-Listing Share Option Scheme.

During the Period, 42,646,000 Shares were allotted and issued pursuant to the exercise of share options by certain eligible grantees. The weighted average closing price of the Shares immediately before 18 March 2020, 17 April 2020, 28 April 2020 and 20 May 2020 (being the dates on which the options were exercised) was HK\$35.41 per Share. Save as disclosed above, there are no outstanding share options under the Pre-Listing Share Option Scheme exercised, cancelled or lapsed during the Period.

During the six months ended 30 June 2020, details of movements in the share options under the Pre-Listing Share Option Scheme are as follows:

Category and name of grantee	Options to subscribe for Shares						Exercise price per Share (HK\$)	Date of grant	Exercise period
	Outstanding as at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2020			
Directors									
Ms. Wu Bijun	7,778,400	–	3,889,200	–	–	3,889,200	0.940	21 May 2018	Vesting date ⁽¹⁾ – 20 May 2023
Mr. Li Changjiang	7,778,400	–	3,889,200	–	–	3,889,200	0.940	21 May 2018	Vesting date ⁽¹⁾ – 20 May 2023
Mr. Xiao Hua	2,857,200	–	1,428,600	–	–	1,428,600	0.940	21 May 2018	Vesting date ⁽¹⁾ – 20 May 2023
Mr. Guo Zhanjun	2,819,400	–	1,409,700	–	–	1,409,700	0.940	21 May 2018	Vesting date ⁽¹⁾ – 20 May 2023
Sub-total	21,233,400	–	10,616,700	–	–	10,616,700			
Other participants	69,581,800	–	32,029,300	–	–	37,552,500	0.940	21 May 2018	Vesting date ⁽¹⁾ – 20 May 2023
Sub-total	69,581,800	–	32,029,300	–	–	37,552,500			
Total	90,815,200	–	42,646,000	–	–	48,169,200			

Notes:

- Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the auditors' report of the Company for the relevant financial year was issued. (a) For the purpose of the financial year in which the Shares were listed on the Main Board of the Stock Exchange on the Listing Date, 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees; (b) for the financial year immediately following the Listing Date, 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees; and (c) for the second financial year following the Listing Date, 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees.
- The closing price of the Shares immediately preceding the grant date of 21 May 2018 is not applicable as the Shares were listed on the Main Board of the Stock Exchange on 19 June 2018.
- The expense of share options charged to profit or loss during the six months ended 30 June 2020 was approximately RMB3.4 million (for the corresponding period in 2019: RMB7.2 million). The relevant accounting policy is depicted in Note 2.20 'Share-based payments' of the notes to the consolidated financial statements of the 2019 annual report of the Company published on 21 April 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	6	6,271,278	3,515,687
Cost of services	9	(3,873,802)	(2,137,759)
Cost of sales of goods	9	(64,929)	—
Gross profit		2,332,547	1,377,928
Selling and marketing expenses	9	(46,942)	(20,127)
General and administrative expenses	9	(646,436)	(465,408)
Net impairment losses on financial assets	9	(34,981)	(22,824)
Other income	7	44,170	18,671
Other gains — net	8	108,724	71,705
Operating profit		1,757,082	959,945
Finance income	10	71,687	36,885
Finance costs	10	(20,686)	(495)
Finance income — net	10	51,001	36,390
Share of results of investments accounted for using the equity method	16	5,706	1,356
Profit before income tax		1,813,789	997,691
Income tax expense	11	(478,543)	(171,511)
Profit for the period		1,335,246	826,180
Profit attributable to:			
— Owners of the Company		1,314,838	816,891
— Non-controlling interests		20,408	9,289
		1,335,246	826,180
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Currency translation differences		(441)	80
Total other comprehensive income for the period, net of tax		(441)	80
Total comprehensive income for the period		1,334,805	826,260
Total comprehensive income attributable to:			
— Owners of the Company		1,314,397	816,971
— Non-controlling interests		20,408	9,289
		1,334,805	826,260
Earnings per share attributable to the owners of the Company (expressed in RMB cents per share)			
— Basic	12	48.26	30.87
— Diluted	12	48.16	30.34

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	14	299,093	311,873
Right-of-use assets		34,602	28,790
Intangible assets	15	1,870,356	1,603,853
Investments accounted for using the equity method	16	91,033	79,514
Financial assets at fair value through other comprehensive income		9,950	9,950
Deferred income tax assets		21,861	10,938
		2,326,895	2,044,918
Current assets			
Inventories		30,094	13,943
Trade and other receivables	17	3,415,015	2,003,770
Financial assets at fair value through profit and loss	19	2,327,581	1,280,682
Restricted bank deposits	18	22,968	11,861
Cash and cash equivalents	18	9,927,344	6,914,148
		15,723,002	10,224,404
Total assets		18,049,897	12,269,322

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	1,826,129	1,756,918
Other reserves	21	635,548	531,581
Retained earnings	22	3,982,551	3,084,657
		6,444,228	5,373,156
Non-controlling interests		341,325	306,370
Total equity		6,785,553	5,679,526
LIABILITIES			
Non-current liabilities			
Lease liabilities		26,378	19,418
Deferred income tax liabilities		209,805	143,079
		236,183	162,497
Current liabilities			
Contract liabilities	6	1,837,278	1,618,059
Trade and other payables	24	5,462,563	4,690,033
Current income tax liabilities		326,117	108,202
Lease liabilities		11,335	11,005
Convertible bonds	25	3,390,868	—
		11,028,161	6,427,299
Total liabilities		11,264,344	6,589,796
Total equity and liabilities		18,049,897	12,269,322

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Approved by the Board of Directors on 26 August 2020 and were signed on its behalf.

LI Changjiang
Director

Guo Zhanjun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
		Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2019		1,584	601,003	1,658,200	2,260,787	68,919	2,329,706
Comprehensive income							
Profit for the period		—	—	816,891	816,891	9,289	826,180
Other comprehensive income		—	80	—	80	—	80
Total comprehensive income for the period ended 30 June 2019		—	80	816,891	816,971	9,289	826,260
Transactions with owners of the Company							
Issue of shares		1,679,435	—	—	1,679,435	—	1,679,435
Acquisition of non-controlling interests		—	(65,650)	—	(65,650)	(24,350)	(90,000)
Employee share schemes							
— value of employee services		—	7,186	—	7,186	—	7,186
Capital injection from non-controlling interests		—	—	—	—	13,960	13,960
Dividends		—	—	(226,309)	(226,309)	(10,175)	(236,484)
Total transactions with owners		1,679,435	(58,464)	(226,309)	1,394,662	(20,565)	1,374,097
Balance at 30 June 2019		1,681,019	542,619	2,248,782	4,472,420	57,643	4,530,063
Balance at 1 January 2020		1,756,918	531,581	3,084,657	5,373,156	306,370	5,679,526
Comprehensive income							
Profit for the period		—	—	1,314,838	1,314,838	20,408	1,335,246
Other comprehensive income		—	(441)	—	(441)	—	(441)
Total comprehensive income for the period ended 30 June 2020		—	(441)	1,314,838	1,314,397	20,408	1,334,805
Transactions with owners of the Company							
Acquisition of non-controlling interests		—	(280)	—	(280)	(1,070)	(1,350)
Employee share schemes							
— value of employee services	23	—	3,376	—	3,376	—	3,376
— exercise of options	20	69,211	(32,612)	—	36,599	—	36,599
Capital injection from non-controlling interests		—	—	—	—	28,551	28,551
Non-controlling interests arising from							
business combinations	27	—	—	—	—	705	705
Equity component of convertible bonds	25	—	133,924	—	133,924	—	133,924
Dividends	13	—	—	(416,944)	(416,944)	(13,639)	(430,583)
Total transactions with owners		69,211	104,408	(416,944)	(243,325)	14,547	(228,778)
Balance at 30 June 2020		1,826,129	635,548	3,982,551	6,444,228	341,325	6,785,553

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	871,040	983,271
Income tax paid	(227,078)	(119,767)
Net cash generated from operating activities	643,962	863,504
Cash flows from investing activities		
Payments for acquisition of subsidiaries, net of cash acquired	(155,267)	(180,102)
Settlement of outstanding considerations payable for business combinations in prior years	(157,672)	—
Payments for investments in associates	(5,813)	—
Purchases of property, plant and equipment	(51,746)	(30,052)
Purchases of intangible assets	(6,986)	(5,419)
Payments for financial assets at fair value through profit and loss	(962,621)	(1,005,000)
Proceeds from disposal of property, plant and equipment	1,482	1,882
Interest received	71,687	36,885
Net cash used in investing activities	(1,266,936)	(1,181,806)
Cash flows from financing activities		
Net proceeds from issue of convertible bonds	3,546,449	—
Issue of shares pursuant to share option scheme	36,599	—
Capital injection from non-controlling interests	28,551	13,960
Issue of shares	—	1,679,435
Acquisition of non-controlling interests	(1,350)	(90,000)
Principal elements of lease payments	(6,316)	(2,926)
Interest paid on leases	(1,924)	(495)
Dividends paid to non-controlling interests	(13,639)	(10,175)
Net cash generated from financing activities	3,588,370	1,589,799
Net increase in cash and cash equivalents	2,965,396	1,271,497
Cash and cash equivalents at beginning of the period	6,914,148	3,868,921
Effects of exchange rate changes on cash and cash equivalents	47,800	28,766
Cash and cash equivalents at end of the period	9,927,344	5,169,184

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

Country Garden Services Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 24 January 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

This interim financial information for the six months ended 30 June 2020 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated.

2. Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2019 (“2019 Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance, and any public announcement made by the Company during the interim reporting period.

3. Significant accounting policies

The accounting policies applied are consistent with those as described in the 2019 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for reporting period commencing on or after 1 January 2020 and Note 3(c) below. Income tax expense was recognised based on management’s estimate of the annual income tax rate expected for the full financial year.

- (a) The adoption of the amendments to HKFRSs effective for reporting period commencing on or after 1 January 2020 did not have a material impact to the Group.
- (b) New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Leases — COVID-19 related rent concessions	1 June 2020
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Cost of fulfilling a contract	1 January 2022
Annual Improvements project	Annual Improvements 2018–2020 cycle	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

None of the above new standards and amendments to existing standards is expected to have a significant impact on the Group’s accounting policies.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3. Significant accounting policies *(continued)*

(c) Convertible bonds

The Company issued convertible bonds in May 2020 (Note 25). The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remaining of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity. Any directly attributable transaction costs are allocated to the liability and equity component in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry.

4. Estimates

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Financial Statements.

5. Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: mainly credit risk, liquidity risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2019 Financial Statements.

There have been no significant changes in the risk management policies since the year ended 31 December 2019.

5.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management *(continued)*

5.2 Liquidity risk *(continued)*

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, if applicable.

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2020					
Trade and other payables	4,631,657	—	—	—	4,631,657
Convertible bonds	3,539,425	—	—	—	3,539,425
Lease liabilities	12,233	11,245	17,420	3,896	44,794
Total	8,183,315	11,245	17,420	3,896	8,215,876
At 31 December 2019					
Trade and other payables	3,493,045	—	—	—	3,493,045
Lease liabilities	13,126	9,158	9,016	6,986	38,286
Total	3,506,171	9,158	9,016	6,986	3,531,331

5.3 Fair value measurement of financial instruments

(a) Fair value hierarchy

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

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

At 30 June 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss	—	—	2,327,581	2,327,581
Financial assets at fair value through other comprehensive income	—	—	9,950	9,950
Total financial assets	—	—	2,337,531	2,337,531

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management *(continued)*

5.3 Fair value measurement of financial instruments *(continued)*

(a) Fair value hierarchy *(continued)*

At 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss	—	—	1,280,682	1,280,682
Financial assets at fair value through other comprehensive income	—	—	9,950	9,950
Total financial assets	—	—	1,290,632	1,290,632

The following table presents the changes in level 3 instruments for the six months ended 30 June 2020:

	Financial assets at fair value through profit or loss (Note 19) RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Opening balance 31 December 2019	1,280,682	9,950	1,290,632
Additions	962,621	—	962,621
Fair value changes	78,758	—	78,758
Net foreign exchange gains	5,520	—	5,520
Closing balance 30 June 2020	2,327,581	9,950	2,337,531
Gains recognised in 'Other gains – net'	84,278	—	84,278

There were no transfers between the levels of the fair value hierarchy during the six months ended 30 June 2020. There were also no changes made to any of the valuation techniques applied as of 31 December 2019.

6. Revenue and segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Makers ("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 segments:

- Property management and related services other than the Three Supplies and Property Management businesses, which include property management services, community value-added services and value-added services to non-property owners
- The provision of water, electricity and heat supplies and property management services under the state-owned enterprises separation and reform program (hereinafter referred to as "Three Supplies and Property Management"). During the current period, Three Supplies and Property Management businesses include property management services and heat supply business

The CODM assesses the performance of the operating segments based on a measure of operating profit, adjusted by excluding realised and unrealised gains from financial assets at fair value through profit or loss, and including share of results of investments accounted for using the equity method.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(continued)*

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, investments accounted for using the equity method, inventories, receivables, and operating cash. They exclude deferred income tax assets, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Segment liabilities consist primarily of operating liabilities. They exclude current and deferred income tax liabilities, convertible bonds and dividend payables.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets and intangible assets, excluding those arising from business combinations.

Revenue mainly comprises of proceeds from provision of property management services, value-added services to non-property owners, community value-added services, and heat supply services. An analysis of the Group's revenue by category for the six months ended 30 June 2020 and 2019 was as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from property management and related services other than Three Supplies and Property Management		
— Property management services	3,999,350	2,542,054
Recognised over time	3,999,350	2,542,054
— Value-added services to non-property owners	674,377	595,664
Recognised over time	674,377	595,664
— Community value-added services	602,616	307,240
Recognised over time	529,489	307,240
Recognised at a point time	73,127	—
— Other services	71,831	5,469
Recognised over time	71,831	5,469
	5,348,174	3,450,427
Revenue from Three Supplies and Property Management recognised over time		
— Heat supply services	656,927	21,115
— Property management services	266,177	44,145
	923,104	65,260
	6,271,278	3,515,687

For the six months ended 30 June 2020, revenue from Country Garden Holdings Company Limited ("CGH") and its subsidiaries (together, the "CGH Group") contributed approximately 9.5% of the Group's revenue (six months ended 30 June 2019: approximately 15.2%). Other than the CGH Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2020 and 2019.

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

Nearly 100% of the Group's revenue is attributable to the markets in Mainland China and nearly 100% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(continued)*

(a) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contract liabilities	1,837,278	1,618,059

(b) Segment information

The segment information provided to the CODM of the Company for the reportable segments is as follows:

	Six months ended 30 June 2020		
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	Total RMB'000
Revenue from contracts with customers			
Total segment revenue	5,348,174	923,104	6,271,278
Less: inter-segment revenue	—	—	—
Revenue from external customers	5,348,174	923,104	6,271,278
Timing of revenue recognition:			
Recognised over time	5,275,047	923,104	6,198,151
Recognised at a point time	73,127	—	73,127
	5,348,174	923,104	6,271,278
Segment results	1,681,707	2,323	1,684,030
Share of results of investments accounted for using the equity method	5,706	—	5,706
Depreciation and amortisation charges	90,570	19,647	110,217
Net impairment losses on financial assets	32,553	2,428	34,981
Capital expenditure	69,723	4,939	74,662

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(continued)*

(b) Segment information *(continued)*

	As at 30 June 2020		
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	Total RMB'000
Segment assets	13,135,804	2,554,701	15,690,505
Investments accounted for using the equity method	49,003	42,030	91,033
Segment liabilities	5,032,738	1,887,872	6,920,610
	Six months ended 30 June 2019		
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	Total RMB'000
Revenue from contracts with customers			
Total segment revenue	3,450,427	65,260	3,515,687
Less: inter-segment revenue	—	—	—
Revenue from external customers	3,450,427	65,260	3,515,687
Timing of revenue recognition:			
Recognised over time	3,450,427	65,260	3,515,687
Segment results	924,989	(1,240)	923,749
Share of results of investments			
accounted for using the equity method	1,356	—	1,356
Depreciation and amortisation charges	36,033	421	36,454
Net impairment losses on financial assets	22,295	529	22,824
Capital expenditure	37,970	6,661	44,631

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(continued)*

(b) Segment information *(continued)*

	As at 31 December 2019		
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	Total RMB'000
Segment assets	8,744,977	2,222,775	10,967,752
Investments accounted for using the equity method	39,250	40,264	79,514
Segment liabilities	4,775,313	1,563,202	6,338,515

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Segment results	1,684,030	923,749
Realised and unrealised gains from financial assets at fair value through profit and loss	78,758	37,552
Finance income — net	51,001	36,390
Profit before income tax	1,813,789	997,691

A reconciliation of segment assets to total assets is provided as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
Segment assets	15,690,505	10,967,752
Deferred income tax assets	21,861	10,938
Financial assets at fair value through other comprehensive income	9,950	9,950
Financial assets at fair value through profit and loss	2,327,581	1,280,682
Total assets	18,049,897	12,269,322

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(continued)*

(b) Segment information *(continued)*

A reconciliation of segment liabilities to total liabilities is provided as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Segment liabilities	6,920,610	6,338,515
Convertible bonds	3,390,868	—
Dividend payables	416,944	—
Deferred income tax liabilities	209,805	143,079
Current income tax liabilities	326,117	108,202
Total liabilities	11,264,344	6,589,796

7. Other income

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Government subsidy income	32,754	10,436
Late payment charges	11,416	8,235
	44,170	18,671

8. Other gains – net

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Realised and unrealised gains from financial assets at fair value through profit or loss (Note 19)	78,758	37,552
Net foreign exchange gains	26,906	31,429
Gains on disposal of property, plant and equipment	426	210
Gains on early termination of lease contracts	77	9
Others	2,557	2,505
	108,724	71,705

NOTES TO THE INTERIM FINANCIAL INFORMATION

9. Expenses by nature

Expenses included in cost of services, cost of goods sold, selling and marketing expenses, general and administrative expenses and net impairment losses on financial assets are analysed as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Employee benefit expenses	2,159,971	1,676,442
Cleaning expenses	832,291	409,886
Heat supply costs	588,740	10,140
Maintenance expenses	199,991	101,318
Utilities	187,376	126,085
Greening and gardening expenses	135,551	57,559
Security expenses	134,823	42,326
Depreciation and amortisation charges	110,217	36,454
Cost of goods sold	64,929	—
Office and communication expenses	47,879	28,889
Net impairment losses on financial assets	34,981	22,824
Transportation expenses	30,635	31,959
Taxes and surcharges	30,062	18,363
Professional service fees	12,722	4,465
Travelling and entertainment expenses	20,893	27,882
Bank charges	19,842	11,707
Community activities expenses	12,093	7,638
Employee uniform expenses	5,728	3,326
Other expenses	38,366	28,855
	4,667,090	2,646,118

10. Finance income — net

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Finance income:		
Interest income on bank deposits	71,687	36,885
Finance costs:		
Interest expense on convertible bonds	(18,762)	—
Interest expense on lease liabilities	(1,924)	(495)
	(20,686)	(495)
Finance income — net	51,001	36,390

NOTES TO THE INTERIM FINANCIAL INFORMATION

11. Income tax expense

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax – PRC		
Provision of current income tax	442,044	151,622
Deferred income tax		
Corporate income tax	2,785	(795)
Withholding income tax on profits to be distributed in future	33,714	20,684
	36,499	19,889
	478,543	171,511

The estimated average annual tax rate used for the six months ended 30 June 2020 was approximately 26.4%, compared to approximately 17.2% for the six months ended 30 June 2019. The tax rate was higher in 2020 due to that a major subsidiary of the Company was entitled to a preferential income tax rate of 15% from 2017 to 2019 as it was qualified as “High and New Technology Enterprise” (“HNTE”), while such qualification was expired in 2020 and thus the applicable income tax rate for the current period is 25%. The subsidiary is in the process of applying for the renewal of the HNTE qualification as of the date of the Interim Financial Information.

12. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
Profit attributable to the owners of the Company (RMB'000)	1,314,838	816,891
Weighted average number of ordinary shares in issue (thousands shares)	2,724,678	2,646,384
Basic earnings per share (RMB cents)	48.26	30.87

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. Earnings per share *(continued)*

(b) Diluted

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 Company has dilutive potential ordinary shares arising from the pre-listing share option scheme (Note 23) and convertible bonds (Note 25). For the pre-listing share option scheme, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. For the convertible bonds, they are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the conversion of convertible bonds. For the six months ended 30 June 2020, the effect of the Company's convertible bonds was anti-dilutive and therefore not included in the calculation of the diluted earnings per share.

	Six months ended 30 June	
	2020	2019
Profit attributable to the owners of the Company (RMB'000)	1,314,838	816,891
Weighted average number of ordinary shares in issue (thousands shares)	2,724,678	2,646,384
Adjustments — pre-listing share option schemes (thousands shares)	5,664	46,062
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	2,730,342	2,692,446
Diluted earnings per share (RMB cents)	48.16	30.34

13. Dividends

The final dividend in respect of 2019 of RMB15.14 cents (equivalent to HKD16.58 cents) per share, totalling RMB416,944,000, has been approved at the Annual General Meeting on 16 June 2020 and paid in cash in August 2020.

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. Property, plant and equipment

	Machinery, electronic equipment, vehicles and furniture RMB'000	Leasehold improvement RMB'000	Total RMB'000
Six months ended 30 June 2020			
Opening net book amount	302,472	9,401	311,873
Acquisition of subsidiaries (Note 27)	2,909	5	2,914
Other additions	48,259	3,487	51,746
Disposals	(1,056)	—	(1,056)
Depreciation and amortisation	(63,753)	(2,631)	(66,384)
Net book amount	288,831	10,262	299,093
Six months ended 30 June 2019			
Opening net book amount	112,981	5,854	118,835
Acquisition of subsidiaries	650	—	650
Other additions	26,991	3,061	30,052
Disposals	(1,672)	—	(1,672)
Depreciation and amortisation	(14,451)	(1,809)	(16,260)
Net book amount	124,499	7,106	131,605

15. Intangible assets

	Software RMB'000	Property management contracts and customer relationships RMB'000 (i)	Insurance brokerage license RMB'000 (ii)	Goodwill RMB'000 (iii) & (iv)	Total RMB'000
Six months ended 30 June 2020					
Opening net book amount	44,952	341,566	—	1,217,335	1,603,853
Acquisition of subsidiaries (Note 27)	21	58,680	28,663	208,115	295,479
Other additions	6,986	—	—	—	6,986
Amortisation	(3,592)	(32,164)	(206)	—	(35,962)
Closing net book amount	48,367	368,082	28,457	1,425,450	1,870,356
Six months ended 30 June 2019					
Opening net book amount	21,142	159,803	—	505,362	686,307
Acquisition of subsidiaries	105	61,880	—	151,215	213,200
Other additions	5,419	—	—	—	5,419
Amortisation	(1,464)	(15,695)	—	—	(17,159)
Closing net book amount	25,202	205,988	—	656,577	887,767

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Intangible assets *(continued)*

(i) Property management contracts and customer relationships

During the six months ended 30 June 2020, the Group acquired several property management companies (Note 27). Total identifiable net assets of these companies acquired as at their respective acquisition dates amounted to approximately RMB65,414,000, including identified property management contracts and customer relationships of approximately RMB58,680,000 recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

A valuation was performed by an independent valuer to determine the fair value of the identified property management contracts and customer relationships. The valuation method used is the multi-period excess earnings method. The key assumptions in determining the fair value of property management contracts and customer relationships are disclosed as follows:

Gross profit margins	10.80%–73.43%
Earnings before interest, taxes, depreciation and amortisation margins ("EBITDA margins")	3.33%–6.53%
Post-tax discount rates	14.82%–16.60%
Expected useful lives	6 years

(ii) Insurance brokerage license

During the six months ended 30 June 2020, the Group acquired an insurance brokerage company (Note 27). Total identifiable net assets of the company acquired as at its acquisition date amounted to approximately RMB66,448,000, including identified insurance brokerage license of approximately RMB28,663,000 recognised by the Group. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

A valuation was performed by an independent valuer to determine the fair value of the identified insurance brokerage license. The valuation method used is the multi-period excess earnings method. The key assumptions in determining the fair value of insurance brokerage license are disclosed as follows:

Gross profit margin	45.61%
Earnings before interest, taxes, depreciation and amortisation margin ("EBITDA margin")	21.59%
Post-tax discount rate	11.50%
Expected useful life	12 years

(iii) Impairment tests for goodwill arising from business combinations in prior years

As there were no indicators for impairment of the cash-generating units ("CGUs") of the subsidiaries acquired in prior years as at 30 June 2020, management has not updated any impairment calculations.

(iv) Impairment tests for goodwill arising from business combinations in current period

Goodwill of RMB208,115,000 has been allocated to the CGUs of the subsidiaries acquired during the period for impairment testing. Management performed an impairment assessment on the goodwill prior to the period end. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Intangible assets *(continued)*

(iv) Impairment tests for goodwill arising from business combinations in current period *(continued)*

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

Revenue growth rates during the projection period	3.00%–5.00%
Gross profit margins during the projection period	10.80%–74.09%
EBITDA margins during the projection period	1.92%–24.59%
Terminal growth rate	3.00%
Pre-tax discount rates	14.59%–19.31%

Based on management's assessment on the recoverable amounts of the subsidiaries acquired during the period, no impairment provision was considered necessary to provide as at 30 June 2020.

16. Investments accounted for using the equity method

	30 June 2020 RMB'000	30 June 2019 RMB'000
At 1 January	79,514	27,025
Share of results	5,706	1,356
Additions	5,813	—
At 30 June	91,033	28,381

Set out below are the particulars of the principal investments accounted for using the equity method as at 30 June 2020:

	Place of incorporation and operation	Principal activities	Proportion of equity interest held by the Group
Huahui Jinfu Information Technology (Beijing) Company Limited 華惠金服信息科技(北京)有限公司 ("Huahui Jinfu")	Beijing, PRC	Community financial services	30%
Hubei Qingneng Country Garden Property Services Company Limited 湖北清能碧桂園物業服務有限公司	Wuhan, PRC	Property management	50%
Chongqing Rongbi Property Services Company Limited 重慶融碧物業服務有限公司	Chongqing, PRC	Property management	50%
Jiangxi Shengyu Property Services Company Limited 江西盛裕物業管理有限公司 ("Jiangxi Shengyu")	Nanchang, PRC	Property management	49%
Tianjin Baoshihua Enterprise Management Center Limited partnership 天津寶石花企業管理中心(有限合夥)	Tianjin, PRC	Management consulting	40%

* The English names of the principal investments accounted for using the equity method represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. Investments accounted for using the equity method *(continued)*

The directors of the Company consider that none of the investments accounted for using the equity method as at 30 June 2020 was significant to the Group and thus the individual financial information of those investments was not disclosed.

As at 30 June 2020, there were no significant contingent liabilities and commitments relating to the Group's interests in the investments accounted for using the equity method.

17. Trade and other receivables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables (a)		
— Related parties (Note 28)	251,998	115,237
— Third parties	2,588,176	1,516,618
	2,840,174	1,631,855
Less: allowance for impairment of trade receivables (b)	(87,205)	(57,868)
	2,752,969	1,573,987
Other receivables		
— Payments on behalf of property owners	204,725	153,197
— Deposits	82,354	65,647
— Others	278,576	158,419
	565,655	377,263
Less: allowance for impairment of other receivables (c)	(12,725)	(10,072)
	552,930	367,191
Prepayments to suppliers	101,474	56,670
Prepayments for tax	7,642	5,922
	3,415,015	2,003,770

As at 30 June 2020 and 31 December 2019, trade and other receivables were mainly denominated in RMB, and the fair value of trade and other receivables approximated their carrying amounts.

- (a) Trade receivables mainly arise from property management services income under lump sum basis, community value-added services, value-added services to non-property owners and heat supply services.

Property management services income under lump sum basis and heat supply services income are received in accordance with the term of the relevant service agreements. Service income from property management services and heat supply services are due for payment by the residents upon the issuance of demand note.

For community value-added services and value-added services to non-property owners, customers are generally given a credit term of up to 60 days.

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. Trade and other receivables *(continued)*

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
0 to 180 days	2,396,973	1,333,903
181 to 365 days	157,206	97,389
1 to 2 years	149,654	113,267
2 to 3 years	67,612	46,661
Over 3 years	68,729	40,635
	2,840,174	1,631,855

(b) Movement of allowance for impairment of trade receivables was as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	57,868	33,166
Provision for loss allowance recognised in profit or loss	32,328	17,697
Receivables written off as uncollectable	(2,991)	(2,667)
At 30 June	87,205	48,196

(c) Movement of allowance for impairment of other receivables was as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	10,072	4,976
Provision for loss allowance recognised in profit or loss	2,653	5,127
At 30 June	12,725	10,103

18. Cash and cash equivalents and restricted bank deposits

	30 June 2020 RMB'000	31 December 2019 RMB'000
Cash at banks (a)	9,950,312	6,926,009
Less: Restricted bank deposits (b)	(22,968)	(11,861)
Cash and cash equivalents	9,927,344	6,914,148

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. Cash and cash equivalents and restricted bank deposits *(continued)*

- (a) Cash at banks were denominated in the following currencies:

	30 June 2020 RMB'000	31 December 2019 RMB'000
RMB	5,303,643	5,822,749
HKD	4,330,847	1,082,229
Other currencies	315,822	21,031
	9,950,312	6,926,009

- (b) Restricted bank deposits mainly represent the cash deposits in bank as performance security for property management services according to the requirements of local government authorities.

19. Financial assets at fair value through profit or loss

	30 June 2020 RMB'000	31 December 2019 RMB'000
Wealth management products (i)	2,003,414	1,000,052
Investment in a listed entity (ii)	38,017	—
Investment in a close-ended fund (iii)	286,150	280,630
	2,327,581	1,280,682

- (i) The Group invested in various wealth management products. These products have a term of 8 to 12 months. They have an expected return rate ranging from 8.6% to 10.0%. The fair values of these investments were determined based on the expected return as stipulated in relevant contracts with the counterparties. The significant unobservable input for the fair value measurement is the expected annual return rate. The higher the expected annual return rate, the higher the fair value.
- (ii) In June 2020, the Group acquired 3.53% of equity interest in Hopefluent Group Holdings Limited ("Hopefluent"), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The fair value of this investment was determined based on the stock price of the ordinary shares of Hopefluent.
- (iii) This represented the Group's investment in a close-ended fund. The fair value of this investment was determined based on the valuation report provided by the fund manager.

NOTES TO THE INTERIM FINANCIAL INFORMATION

20. Share capital and share premium

	Note	Number of shares	Nominal value of shares	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Upon incorporation at 24 January 2018, HKD0.10 per share		3,800,000	380,000			
Cancellation of ordinary shares of HKD0.10 each		(3,800,000)	(380,000)			
Increase in authorised share capital of USD0.0001 each		10,000,000,000	1,000,000			
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020		10,000,000,000	1,000,000			
At 1 January 2019		2,500,000,000	250,000	1,584	—	1,584
Issue of shares		168,761,000	16,876	114	1,679,321	1,679,435
At 30 June 2019		2,668,761,000	266,876	1,698	1,679,321	1,681,019
At 1 January 2020		2,710,893,800	271,089	1,728	1,755,190	1,756,918
Exercise of options	(a)	42,646,000	42,646	30	69,181	69,211
At 30 June 2020		2,753,539,800	313,735	1,758	1,824,371	1,826,129

- (a) On 18 March 2020, 17 April 2020, 28 April 2020 and 20 May 2020, the Company issued 4,000,000, 3,778,400, 17,433,800 and 17,433,800 shares as a result of the exercise of share options by certain directors and other eligible participants, respectively, which were granted under the pre-listing share option scheme adopted by the Company in 2018, and raised net proceeds of approximately HKD40,087,000 (equivalent to approximately RMB36,599,000) in total; in addition, the related share-based payments reserve of RMB32,612,000 was transferred to the share premium account as a result of the above exercise of the options.

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Other reserves

	Statutory Reserves RMB'000	Currency translation reserve RMB'000	Share-based payment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	198,770	—	47,918	354,315	601,003
Other comprehensive income	—	80	—	—	80
Transaction with non-controlling interests (Note 26)	—	—	—	(65,650)	(65,650)
Employee share schemes — value of employee services	—	—	42,056	(34,870)	7,186
At 30 June 2019	198,770	80	89,974	253,795	542,619
At 1 January 2020	216,668	327	36,819	277,767	531,581
Other comprehensive income	—	(441)	—	—	(441)
Transaction with non-controlling interests (Note 26)	—	—	—	(280)	(280)
Employee share schemes — value of employee services	—	—	6,203	(2,827)	3,376
— exercise of options (Note 20(a))	—	—	(32,612)	—	(32,612)
Equity component of convertible bonds (Note 25)	—	—	—	133,924	133,924
At 30 June 2020	216,668	(114)	10,410	408,584	635,548

22. Retained earnings

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At 1 January	3,084,657	1,658,200
Profit for the period	1,314,838	816,891
Dividends (Note 13)	(416,944)	(226,309)
At 30 June	3,982,551	2,248,782

NOTES TO THE INTERIM FINANCIAL INFORMATION

23. Share-based payments

In May 2018, the Company granted share options under the pre-listing share option scheme under which the option holders are entitled to acquire an aggregate of 132,948,000 shares of the Company. Pursuant to the terms of pre-listing share option scheme, the options granted are subject to certain performance conditions.

The options granted to the grantees will be vested based on the following rates on the date of the audit report of the Group for the relevant financial year, provided that the vesting conditions above are satisfied in the relevant financial year: (i) 40% of the total number of the share options will be vested in the financial year the Group successfully listed ("Listing Year"); (ii) 30% of the total number of the share options will be vested in the financial year immediately following the Listing Year; and (iii) 30% of the total number of the share options will be vested in the second financial year after the Listing Year. If the vesting conditions above have not been fulfilled during the relevant financial year, the corresponding percentage of the share options granted will lapse.

All the options under the pre-listing share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD0.94 per share.

Movements in the number of shares options outstanding are as follows:

	2020		2019	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	0.94	90,815,200	0.94	132,948,000
Exercised	0.94	(42,646,000)	—	—
As at 30 June	0.94	48,169,200	0.94	132,948,000
Vested and exercisable at 30 June	0.94	5,833,800	0.94	49,911,200

During the current period, 42,646,000 share options were exercised (six months ended 30 June 2019: nil).

The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

The Group has to estimate the expected percentage of grantees that will stay within the Group (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 30 June 2020, the Expected Retention Rate was assessed to be 100% (As at 31 December 2019: 100%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

24. Trade and other payables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade payables (a)		
— Related parties (Note 28)	21,876	14,240
— Third parties	1,983,288	1,465,991
	2,005,164	1,480,231
Other payables		
— Deposits	705,054	608,731
— Temporary receipts from properties owners	1,009,006	804,851
— Outstanding considerations payable for business combinations	218,967	293,177
— Payables for transaction costs related to the issue of convertible bonds (Note 25)	32,857	—
— Accruals and others	243,665	306,055
	2,209,549	2,012,814
Dividend payables	416,944	—
Payroll payables	658,814	1,038,683
Other taxes payables	172,092	158,305
	5,462,563	4,690,033

As at 30 June 2020 and 31 December 2019, the carrying amounts of trade and other payables approximated their fair values.

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Up to 1 year	1,962,554	1,445,228
1 to 2 years	32,010	22,410
2 to 3 years	5,708	6,053
Over 3 years	4,892	6,540
	2,005,164	1,480,231

NOTES TO THE INTERIM FINANCIAL INFORMATION

25. Convertible bonds

On 27 April 2020, a wholly owned subsidiary of the Company, Best Path Global Limited and UBS AG Hong Kong Branch entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD3,875,000,000 (equivalent to approximately RMB3,547,524,000) due 18 May 2021, with an initial conversion price of HKD39.68 per share. On 20 May 2020 (the "Issue Date"), the convertible bonds were issued. The net proceeds from the issue of the convertible bonds were approximately RMB3,513,592,000, after the deduction of transaction costs approximately RMB33,932,000, of which approximately RMB32,857,000 remained unsettled as of 30 June 2020. The initial value of the liability component of approximately RMB3,379,668,000 (the fair value was calculated using a market interest rate for equivalent non-convertible bonds) is subsequently stated at amortised cost until conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

The convertible bonds recognised are calculated as follows:

	30 June 2020 RMB'000
Face value of the convertible bonds on the Issue Date	3,547,524
Less: transaction costs	(33,932)
Net proceeds	3,513,592
Less: equity component	(133,924)
Liability component on initial recognition	3,379,668
Currency translation differences	(7,562)
Interest accrued	18,762
Liability component at 30 June 2020	3,390,868

Interest expense on the liability component of the convertible bonds were calculated using the effective interest method, applying the effective interest rate of 4.99% per annum.

The convertible bonds were guaranteed by the Company.

Up to 30 June 2020, there has been no conversion or redemption of the convertible bonds.

26. Transaction with non-controlling interests

Acquisition of additional interests in a subsidiary

In March 2020, the Group acquired additional 27% equity interest in Zhejiang Jiahang Property Management Company Limited ("浙江嘉杭物業管理有限公司") at a consideration of RMB1,350,000. The consideration was fully paid in March 2020. The effect of the acquisition is summarised as follows:

	Six months ended 30 June 2020 RMB'000
Consideration paid to non-controlling interests	1,350
Carrying amount of non-controlling interests acquired	(1,070)
Difference recorded within equity	280

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Business combinations

In May 2020, the Group acquired 100% equity interest in Shanghai Jinchen Property Management Company Limited (“上海金晨物業經營管理有限公司”) (“Jinchen”) from third parties at a fixed cash consideration of RMB200,768,000 and a contingent cash consideration not exceeding RMB50,192,000. In May 2020, the Group acquired 100% equity interest in Wenjin International Insurance Brokerage Company Limited (“文津國際保險經紀有限公司”) (“Wenjin”) from a related party at a fixed cash consideration of RMB84,113,000. The Group also acquired several other property management companies from third parties during the current year at an aggregate fixed cash considerations of RMB13,823,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

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

	Jinchen RMB'000	Wenjin RMB'000	Others RMB'000	Total RMB'000
Total purchase considerations				
– Fixed cash considerations	200,768	84,113	13,823	298,704
Settled up to 30 June 2020	160,614	84,113	11,083	255,810
Outstanding as at 30 June 2020	40,154	–	2,740	42,894
– Estimated contingent cash consideration	40,568	–	–	40,568
	241,336	84,113	13,823	339,272
Total recognised amounts of identifiable assets acquired and liabilities assumed are as follows:				
– Property, plant and equipment (Note 14)	736	16	2,162	2,914
– Property management contracts and customer relationships (Note 15)	56,627	–	2,053	58,680
– Insurance brokerage license (Note 15)	–	28,663	–	28,663
– Other intangible assets (Note 15)	–	21	–	21
– Trade and other receivables	42,572	2,478	47,453	92,503
– Deferred income tax assets	266	717	1,375	2,358
– Inventories	–	–	357	357
– Cash and cash equivalents	48,421	38,285	13,837	100,543
– Restricted bank deposits	–	5,000	–	5,000
– Contract liabilities	(14,399)	–	(11,001)	(25,400)
– Trade and other payables	(54,986)	(1,566)	(52,614)	(109,166)
– Current income tax liabilities	(2,793)	–	(156)	(2,949)
– Deferred income tax liabilities	(14,157)	(7,166)	(339)	(21,662)
Total identifiable net assets	62,287	66,448	3,127	131,862
Non-controlling interests	–	–	(705)	(705)
Goodwill	179,049	17,665	11,401	208,115
	241,336	84,113	13,823	339,272
Outflow of cash to acquire business, net of cash acquired:				
– Partial settlement of cash considerations	160,614	84,113	11,083	255,810
– Cash and cash equivalents in the subsidiaries acquired	(48,421)	(38,285)	(13,837)	(100,543)
Net cash outflow on acquisitions	112,193	45,828	(2,754)	155,267

NOTES TO THE INTERIM FINANCIAL INFORMATION

28. Related party transactions *(continued)*

(c) Free trademark license agreement

A trademark licencing agreement was entered into between the Company and a subsidiary of CGH, Foshan Shunde Country Garden Property Development Company Limited (“佛山區順德碧桂園物業發展有限公司”) (“Foshan Shunde”) and a deed of trademark licencing was entered into between the Company and CGH (the “Trademark Licencing Arrangement”). Pursuant to the Trademark Licencing Arrangement, Foshan Shunde agreed and CGH would procure Foshan Shunde to irrevocably and unconditionally grant to the Group a non-transferable licence to use several trademarks registered in the PRC and Hong Kong for a perpetual term commencing from the date of the Trademark Licencing Agreement and the deed of trademark licencing, which are subject to the renewal of the licenced trademarks, on a royalty-free basis.

(d) Key management compensation

Key management includes directors and senior management. Compensations for key management are set out below:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Salaries, bonus, share-based compensation expenses and other employee benefits	15,796	18,674

(e) Balances with related parties

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Receivables from related parties		
Trade receivables		
– Entities controlled by the Ultimate Controlling Shareholder	187,738	98,038
– Entities over which the Ultimate Controlling Shareholder has significant influence	16,195	5,079
– Entities jointly controlled by the Ultimate Controlling Shareholder	48,065	12,120
	251,998	115,237
Payables to related parties		
Trade payables		
– Entities controlled by the Ultimate Controlling Shareholder	19,931	11,216
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	1,945	3,024
	21,876	14,240

NOTES TO THE INTERIM FINANCIAL INFORMATION

29. Events occurred after the reporting period

On 30 July 2020, Country Garden Life Services Group Co., Ltd. (“CG Life Services”, an indirect wholly-owned subsidiary of the Company) entered into the equity transfer agreement with the original shareholders of City-Media (Shanghai) Corporation Limited (“City-Media”), Zhoushan Maofenghe Equity Investment Partnership (Limited Partnership) (“First Vendor”), Zhoushan Bairuitong Equity Investment Partnership (Limited Partnership) (“Second Vendor”) and City-Media (the “Equity Transfer Agreement”), pursuant to which CG Life Services has agreed to conditionally acquire a total of 100% equity interest in City-Media in phases in accordance with the terms of the Equity Transfer Agreement.

According to the Equity Transfer Agreement, CG Life Services agreed to conditionally acquire the first phase target shares held by the First Vendor, representing 65% equity interest of City-Media. The consideration of the first phase target shares is subject to the performance guarantee and valuation adjustment mechanism, and will not exceed RMB511,940,000 (the “First Phase Acquisition”); CG Life Services will conditionally acquire the second phase target shares held by the Second Vendor in accordance with the fulfilment of the performance guarantee, representing 35% equity interest of City-Media, and the highest purchase price of the second phase target shares shall not exceed RMB1,000,000,000 (the “Second Phase Acquisition”).

As at the date of the Interim Financial Information, the First Phase Acquisition has not yet completed. Following the completion of the First Phase Acquisition, City-Media will become a subsidiary of the Group, and its results, assets and liabilities will be consolidated into the accounts of the Group; and following the completion of the Second Phase Acquisition, City-Media will become a wholly-owned subsidiary of the Group.



