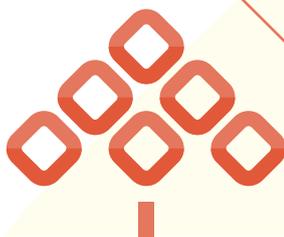


Serving you a better life

服務成就美好生活



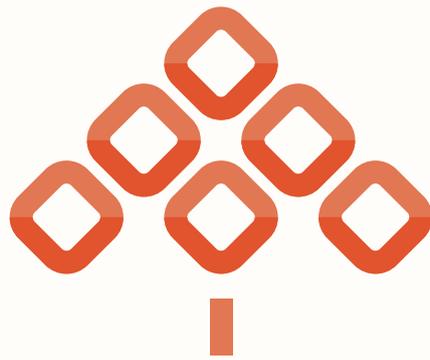
2022 INTERIM REPORT

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



Serving you a better life

服務成就美好生活

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Yang Huiyan (*Chairman*)
Mr. Yang Zhicheng (*resigned on 24 August 2022*)
Ms. Wu Bijun (*resigned on 24 August 2022*)

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
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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

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

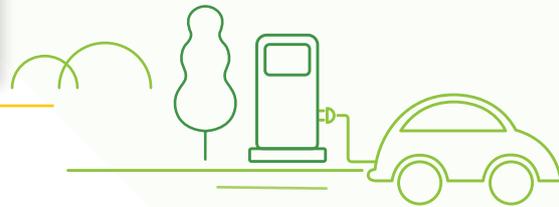
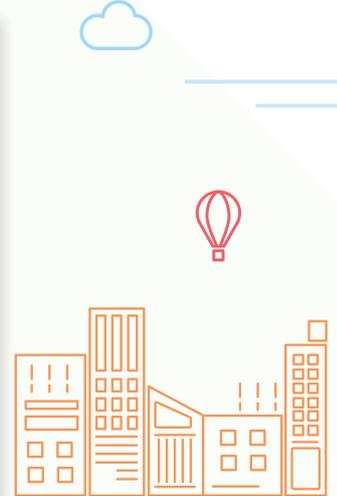
19 June 2018

AWARDS AND HONOURS

1



On 12 April 2022, the “2022 Guandian Property Conference” (2022觀點物業大會) was held in Guangzhou, during which the Guandian Index Academy (觀點指數研究院) released the list of “2022 Property Management Companies with Outstanding Performance” (2022物業服務企業卓越表現). The list, which ultimately included 50 companies, was produced through evaluating the annual operation and financial data of property management companies by way of extensive research, model building, etc., and through the comprehensive measurement of their brand, management and innovative capabilities. Country Garden Services Holdings Company Limited (“**CG Services**” or the “**Company**”) once again ranked first in the list with its excellent operation and management capabilities, brand power and innovative performance.



AWARDS AND HONOURS

2



On 26 April 2022, China Index Academy (“**CIA**”) and China Real Estate TOP10 Research Group (中國房地產TOP10研究組) jointly released the list of “Top 100 Property Management Companies in China in 2022” (2022年中國物業服務百強企業). Country Garden Life Services Group Co., Ltd. (“**CG Life Services**”) once again topped the list with its stable business strategy and outstanding comprehensive strength. Meanwhile, CG Life Services also won multiple accolades including “2022 Outstanding Enterprise for Commercial Property Services in China” (2022中國商業物業服務力優秀企業), “2022 Leading Specialized Property Management Companies in China – Innovation in Value Added Model” (2022中國特色物業服務領先企業—增值模式創新) and “2022 Property Management Companies in China with Excellent Diversified Operations” (2022中國物業服務多種經營優秀企業).



AWARDS AND HONOURS

3



On 26 May 2022, the 2022 Release of Research Results on Chinese Real Estate and Property Listed Companies (2022中國房地產及物業上市公司研究成果發佈會) was held by Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and “CRIC” (易居克而瑞), during which the “2022 Research Report on Listed Property Management Companies” (《2022物業服務企業上市公司研究報告》) was officially released. CG Services was awarded with: “No. 1 among the 2022 TOP10 Listed Property Management Companies in China” (2022物業服務企業上市公司10強第1名), “2022 TOP5 Leading Listed Property Management Companies in Business Performance” (2022物業上市公司領先企業經營績效TOP5), “2022 TOP5 Leading Listed Property Management Companies in Management Scale” (2022物業上市公司領先企業管理規模TOP5), “2022 TOP5 Leading Listed Property Management Companies in Market Value Recognition” (2022物業上市公司領先企業市值認可TOP5) and “2022 TOP5 Leading Listed Property Management Companies in Market Expansion Capabilities” (2022物業上市公司領先企業市拓能力TOP5).



CHAIRMAN'S STATEMENT



To create a better society
with our existence



Dear Shareholders,

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company is pleased to report that the Company and its subsidiaries (the “**Group**” or “**we**”) recorded revenue of approximately RMB20,055.4 million for the six months ended 30 June 2022 (the “**Period**”), representing an increase of 73.5% as compared to the corresponding period in 2021, and gross profit of approximately RMB5,387.0 million, representing a year-on-year increase of 39.6%. The net profit for the first half of this year was approximately RMB2,751.9 million, representing an increase of 23.6% compared to the corresponding period in 2021. The profit attributable to the owners of the Company increased from approximately RMB2,113.0 million for the corresponding period in 2021 to approximately RMB2,575.8 million, representing an increase of approximately 21.9%. The basic earnings per share were RMB76.51 cents, representing an increase of approximately 9.5%.

We continued to consolidate our fundamental business-property management services, and the scale and nationwide geographical coverage of our property management services have further expanded. We have also provided services to more diversified projects, including residential properties, office buildings, shopping malls, industrial parks, public buildings, etc.. As at 30 June 2022, apart from the “Three Supplies and Property Management” businesses, our contracted gross floor area (“**GFA**”) was approximately 1,608.9 million sq.m., representing an increase of 171.0 million sq.m. as compared to that as at the end of 2021, and our revenue-bearing GFA was approximately 843.2 million sq.m., representing an increase of 77.5 million sq.m. as compared to that as at the end of 2021. In addition, the contracted GFA and the revenue-bearing GFA of the property management services of the “Three Supplies and Property Management” businesses were 85.3 million sq.m. and 85.2 million sq.m., respectively.

CHAIRMAN'S STATEMENT

Given the complex and ever-changing environment, 2022 is destined to be a year of ups and downs with severe hardships and efforts. In the past, we had built up strength amid growth, and we need to be resilient to accommodate more uncertainties when risks and challenges arise. In the face of challenges, we firmly adhered to the original intention of “to create a better society with our existence”, maintained strategic determination, insisted on seeking progress amid stability, adopted effective measures, facilitated the quality and diversity upgrading of our property management services, and promoted in-depth integration of property management and community-level social governance, built a new pattern of property management, opened up the “last mile” of serving residents, and strived to become a leading enterprise in the industry, satisfying property owners, garnering society’s recognition, and giving assurance to the government.

In the extremely challenging first half of the year, we continued to win a number of industry awards, including “No. 1 in terms of Corporate Excellence” (企業卓越表現第一), “No. 1 in terms of Capital Market Excellence” (資本市場卓越表現第一), and “No. 1 among the Top 100 Enterprises” (百強企業第一) among the Top 100 Property Management Companies in China in 2022 granted by the China Index Academy. Meanwhile, we have received numerous industry recognitions in various segments such as commercial properties, special property management services, diversified operations, and brand expansion.

Since the beginning of 2022, China’s economy has been hit by the unexpected domestic outbreak of the COVID-19 pandemic in various regions. Facing the complex and severe international environment and the arduous tasks of domestic reform, development and stabilization, China has adopted the approach of “pandemic prevention and economic development in parallel”. Under the general principle of “preventing the pandemic and prioritizing people’s life safety and health”, property management services has accelerated its integration into the community-level governance of the society and has become an important part of the pandemic prevention system. We are grateful to every frontline employee of CG Services for their “warm and attitudinal” professional services from beginning to end in meticulously completing every pandemic prevention task. During this period, property management employees took the initiative to undertake more emergency work such as environmental disinfection, organizing nucleic acid testing, personnel screening, etc., to ensure the basic living needs of the property owners. At the same time, door-to-door testing was conducted for special groups, including the disabled and solitary elderly, with the aim of making sure that the nucleic acid testing was available for whoever ought to be tested.

In the long term, the property management services industry is still highly scalable. Today’s property management industry has moved beyond the confines of providing only basic community management and has expanded into all aspects of urban development. We have every reason to believe that the property industry will continue to thrive as long as cities continue to grow and the residents’ demand for high-quality services remains. From the perspective of the service targets of property management, the demands for high-quality property management services from the B-, C- and G-sides are still growing rapidly. From the perspective of the outreach sector with property management as the core, the property management and commercial management services of aftersales market, and the resulting extended consumer services will soon experience an explosive period.

We are storing up energy and moving forward stably. Based on the services demand of assets and clients, we expect the overall market space for property management services to reach a scale of up to RMB1 trillion in the future. In view of the huge market space in the industry in the future, we believe that only leading-edge and high-quality services can win the favour of customers and the market in the long run. Therefore, we defined 2022 as the “Year of Endogenous Development” for CG Services. While maintaining steady growth, we need to plan for the future with a vision of sustainable development. We will intensify our training, cultivate our internal skills, build a good service product and operation system with customer experience as the core, enhance our product and service capabilities, promote the digitalisation of our properties to improve efficiency and consolidate our core competitiveness.

We insist on our “customer-oriented” service philosophy, to innovate and reshape the customer experience.

Adhering to the original mission and always caring for the needs of customers, we are the first property management company to set up a customer experience research institute. Through the comprehensive digitalisation of the property owners experience process, we collect and analyse data and propose solutions to continuously optimise the customer experience of CG Services. We have designed and launched a series of innovative customer interaction activities to enable the entire company to understand the real needs of our customers, integrate all levels of strength to provide high-quality, practical and warm property management services to property owners, enhance our understanding of the ever-changing needs of our customers, and help create long-lasting happy communities and homes. We will continue to upgrade our service quality and customer experience to enhance customer satisfaction, operation quality and service quality, in order to live up to the trust and recognition of each property owner.

CHAIRMAN'S STATEMENT

We actively respond to national policies and residents' needs to build a "better life" service camp. By making full use of the natural scenarios in the community, we have explored and developed a variety of value-added community service models to provide more diversified and better services to the property owners and the community. We are actively promoting the construction of a "Quarter-hour Convenient Living Circle" to build a "better life" service camp. Taking local life services as an example, concerning the immediate needs of community residents, we have launched the innovative "Intelligent Downstairs" (智享樓下) service module, which gradually covers services including property service centre, express delivery station, real estate agency, laundry, fitness, childcare, elderly care and community canteens, to meet the one-stop living service needs of residents. Against the backdrop of the pandemic, the focus of property management services became the living needs of property owners at home, including grocery purchasing, medicine purchasing and logistics procurement. With the surge in demand from property owners during the pandemic, the local life business has become one of our outstanding business lines so far.

We continue to focus on digital management and comprehensively improve service quality through technology empowerment. We placed a high priority on digitalisation and elevated it to our core strategy, leveraging it to transform our operations to becoming more refined and diversified, and continuing to increase investment in this area. In the past three years, we have actively made investments in technology research and development, making continuous efforts to build a benchmark digital enterprise in the industry. We have built a data-driven service experience management system, with three major modules of "experience design – experience management – experience operation" working in parallel, digitising the experience model dominated by offline services, continuously promoting the digital construction of experience touchpoints, iterating towards a digital experience model that integrates online + offline, and continuously strengthening the sense of penetrating experience of high-quality services with technology.

We regard talent cultivation as corporate foundation, and proactively care for and listen to employees. We attached great importance to the cultivation of outstanding talent and promoted talent incubation to provide stable and continuous talent for the rapid development of the enterprise. We established a "leadership successor" program, which was open to management positions, department heads, backbone employees and fresh graduates, and developed various training programs such as "Field Program" and "Excellence Program" to facilitate rapid development of talent in various positions and assist their career planning and promotion. We valued employee communication and held regular CEO seminars, inviting employees to share and exchange ideas with the CEO and other executives face-to-face. We set up a special program of "Happy Workplace", launched a survey on employee happiness for all colleagues, and created a happy workplace culture and atmosphere using a two-pronged approach: building horizontally a happy workplace atmosphere, and establishing vertically a clear job promotion system.

We pursued to give back to society through engaging in charity and to become a good social enterprise. We proactively responded to the call of the Party and the government, undertook the corporate social responsibility of giving back to the public, and continued to explore innovations in our philanthropic works by combining our advantages and experiences. We gathered resources to jointly fight against disasters and emergencies, and worked together with the country. We responded to the call of the Party to construct habitable rural areas, and revitalized the talent industry to facilitate the modernization of the rural areas. We shared our experience to renew old communities, and injected new vitality in communities with innovative approaches. We established a "Hongxin Bihai Community Service (紅心碧海社區服務)" platform to lead community governance with Party infrastructure, promoted joint building and governance of communities, and empowered communities with a cleaner, safer and more harmonious environment. We took care of the community to convey love and warmth, and promoted public charity to create a harmonious and wonderful society.

CHAIRMAN'S STATEMENT

Looking forward to a new era, we aim to become a “world-leading new property management services group”. Focusing on people’s needs for architectural space, we will engage in customer-oriented horizontal and vertical development, explore new services, develop new technologies, build new ecological systems, and create new value. With customer experience as the core driver, we will continue to promote the realization of corporate value under the double-wheel strategy of “property management” + “value-added services”.

For the “property management” wheel, we continued to achieve horizontal development and vertical deepening of basic services, and focused on developing technological capabilities.

Our management continued to deepen. Horizontally, we achieved steady growth in commercial operational services, commercial and office building services and city services. Vertically, we continued to promote the integration of equity companies and completed the organizational structure adjustment, management appointment, and system alignment in the first half of the year. We have enhanced the application of our technological capabilities. We realized the pilot application of three types of intelligent cleaning robots in buildings, namely handheld scrubber, outdoor cleaning robot, and building cleaning robot. In the future, we will continue to strengthen the research and development and application of robots, and continue to improve service efficiency.

For the “value-added services” wheel, we promoted the specialized development of value-added services and continued to incubate new businesses.

We drove the specialization of established businesses. In the first half of the year, the value-added business achieved year-on-year growth despite a challenging external environment. We promoted full self-operation of the advertising business, focusing on the construction of the headquarters’ national key account and local account teams, strengthening the construction of point resources and operation system. Our national key account team achieved a breakthrough of 10 million sales orders. For our local life business, we focused on the deployment of near field retail and laundry stores in key cities. We achieved rapid development in near field retail, with more than 1,000 stores and front warehouses currently. The total number of laundry stores exceeded 500 stores, providing residents with a convenient, professional and clean laundry experience.

Never forget the original intention, and your goal will ultimately be achieved. Finally, on behalf of the Board, I would like to express my appreciation to all staff and the management team for their consistent dedication and devotion to the Company and the property service business, and especially extend my heartfelt gratitude and highest respect to frontline colleagues who adhere to the service concept of “property owners’ welfare always takes priority”. I would also like to thank our stakeholders for their trust and support to the Group. The level of property management services is related to the happiness of the residents and the harmony of society. In the future, we will be more actively integrated into the community-level governance system, continue to improve the service experience, and jointly create a better home to meet the people’s pursuit of a better life, and to contribute to the new era and a new journey.

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

Foshan, China, 24 August 2022

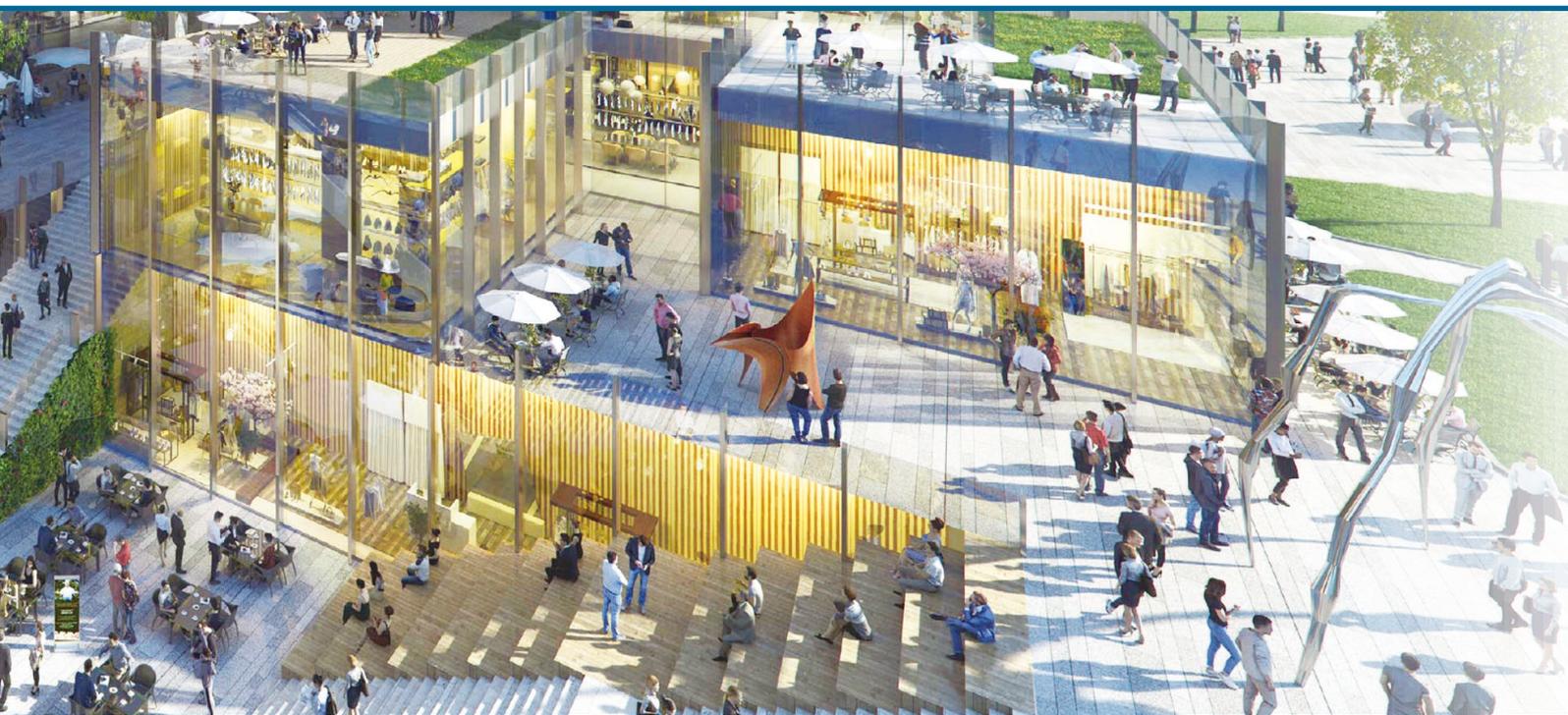
MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

The Group is a leading integrated service provider in the PRC covering diversified business forms. Our business covers many business forms including services to residential properties, commercial properties, office buildings, industrial parks, multi-purpose complexes, government buildings, hospitals, schools and other public facilities, such as airport terminals, highway service stations and cultural scenic areas. We have won industry-leading customer satisfaction and brand reputation with quality services, as well as gained high recognition in a number of sub-segments of the industry. We have ranked first among the “Top 100 Property Management Companies in China in 2022” (2022年中國物業服務百強企業), first in terms of service scale, “Outstanding Enterprise for Commercial Property Services” (商業物業服務力優秀企業) and “Benchmarking Enterprise for Commercial Property” (商業地產標杆企業) granted by the China Index Academy; “Top 5 among 2022 Leading Listed Company of China Property Management Service in terms of Market Development Capability” (2022年物業上市公司領先企業市拓能力 TOP5) and “Leading Company in Property Service Satisfaction” granted by CRIC Property Management and Shanghai E-House Real Estate Research Institute, etc. We are highly recognized in the international capital market continuously. We were included in the Hang Seng China Enterprises Index as a constituent on 15 March 2021, and in the Hang Seng Index as a constituent on 7 June 2021.

The major business sectors of the Group include: (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, (iv) the “Three Supplies and Property Management” businesses, (v) city services, and (vi) commercial operational services, 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, gardening, repair and maintenance, and other services. During the Period, the revenue from property management services was approximately RMB10,986.3 million, representing an increase of approximately 112.4% compared to the same period last year, and its percentage of total revenue increased to approximately 54.8%.

The scale and nationwide geographical coverage of the property management business of the Group continued to expand. As at 30 June 2022, apart from the “Three Supplies and Property Management” businesses, our contracted GFA was approximately 1,608.9 million sq.m., and our revenue-bearing GFA was approximately 843.2 million sq.m.. In addition, the contracted GFA and the revenue-bearing GFA of the property management services of the “Three Supplies and Property Management” businesses were 85.3 million sq.m. and 85.2 million sq.m., respectively. Our projects cover more than 400 cities in 31 provinces, municipalities, autonomous regions in Mainland China and Hong Kong Special Administrative Region and overseas, 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, the Beijing-Tianjin-Hebei Region and the Chengdu-Chongqing Region in China. The percentage of the revenue-bearing GFA of projects in first- and second-tier cities has reached 44.6%. We manage a total of 6,622 property projects and provide property management services to approximately 8.15 million domestic and overseas property owners and merchants.

MANAGEMENT DISCUSSION AND ANALYSIS

We insist on low-cost-oriented brand expansion and maintain high quality development and cooperation. In the first half of the year, our bid acceptance rate remained at an industry-leading level, and the contracted GFA newly acquired through brand expansion reached 44.2 million sq.m., contributing approximately 72.2% of the newly added contracted GFA in the first half of the year (excluding mergers and acquisitions). By strengthening the expansion of existing projects and non-residential projects, we are driving a more balanced management projects portfolio in terms of business forms. Benefiting from continuous efforts in expansion of existing market, we signed 86 new contracts of property owners committee projects in the first half of the year. Through the “Community Renewal Program”, we further upgraded community facilities and equipment and enhanced the public environment of the community, which gain a high level of customer satisfaction. For non-residential projects, we successfully won the bids for projects including the Beibu Gulf Center Building in Guangxi Province, the Zhongqing Building of State Grid Nanjing, the Mianyang Technology Building in Sichuan Province and other projects, further expanding the scale of our non-residential projects.

Community Value-added Services

We are committed to becoming an “integrated whole-cycle community life services operator”. By focusing on the family growth cycle of property owners, the property value cycle and the mature development cycle of communities, we strive to provide property owners with comprehensive community life services to meet their needs for asset value preservation and appreciation and daily life needs, so as to enable property owners to experience the beauty of property management services. Community value-added services have been developed as a new engine to drive sustainable and stable growth of the Group. By building a professional team, expanding resource integration capability, collaborating with strong partners from various industries and leveraging our natural advantage as a property management service provider of close proximity to community scenarios and our huge traffic, we are promoting the professional and market-oriented development of community value-added services in wider areas across China. During the Period, the Group’s revenue from community value-added services was approximately RMB2,112.3 million, representing an increase of approximately 51.1% compared to the same period last year, and its percentage of total revenue of the Group was approximately 10.5%.

Six major businesses have formed in our community value-added services sector: (i) home services – providing property owners with safe, convenient, professional and considerate full-range home services through a standardized operation system; (ii) home decoration services – integrating resources from well-known home decoration brand to provide one-stop home decoration services; (iii) community media services – establishing deep connection between consumers and brands through the community media matrix; (iv) local life services – setting up local consumption scenarios for customers and continuously adapting to the needs of property owners to customize diversified life services; (v) real estate brokerage services – serving the needs of property owners for asset management and further developing second-hand property rental and sale; and (vi) community area services – making full use of community space resources and carrying out business with the aim of providing convenience to the life of property owners and improving their sense of happiness in their living.

Against the backdrop of the pandemic, the living needs of property owners to stay at home increased significantly, and the growth of local life services is strong. The revenue from local life services increased by approximately 94.6% compared to the same period last year to approximately RMB741.7 million. We have created “Downstairs (樓下)”, a brand for local life business line, to enrich the “Quarter-hour Convenient Living Circle” of communities and provide property owners with fine goods in a convenient and efficient way. We have completed the construction of over 1,300 regular “Downstairs” outlets, covering 268 cities, accumulating over 700 active communities with more than 100,000 users. The revenue from real estate brokerage services increased by 65.1% compared to the same period last year to approximately RMB195.6 million. By deep integration of real estate brokerage services of various jointly invested companies and continuing creation of our own whole new rental and sale brand “Youwa” (有瓦), we provide customers with services including second-hand property rental and sale, transfer agent and shop rental. The revenue from home services increased by approximately 50.8% compared to the same period last year to approximately RMB250.6 million. We have over 500 laundry outlets in over 20 cities across China, providing laundry services to property owners through “self-operated clothing collection stands + central factories”. The revenue from home decoration services increased by approximately 46.4% compared to the same period last year to approximately RMB310.7 million. We focused on exploring the potentials of our existing business and opened 35 new community stores targeting at existing business in the first half of the year. Efforts were put on partial renovation and general refurbishment services to meet the needs of property owners. The revenue from community media services increased by approximately 3.2% compared to the same period last year to approximately RMB437.1 million due to weak advertising demand and subdued bidding density caused by the pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Value-added Services to Non-Property Owners

During the Period, the revenue from value-added services to non-property owners was approximately RMB1,424.0 million, which further decreased to approximately 7.1% of the total revenue of the Group. 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, (ii) cleaning services, green landscaping, repair and maintenance services to property developers at the pre-delivery stage, (iii) sales and leasing agency services of unsold parking spaces and properties, and (iv) elevator products installation, supporting services and other services.

“Three Supplies and Property Management” Businesses

The Group established a subsidiary in 2018 and began to undergo the separation and transfer of property management and heat supply under “Three Supplies and Property Management” reform. As at 30 June 2022, the contracted GFA and the revenue-bearing GFA of the property management services of the “Three Supplies and Property Management” businesses were approximately 85.3 million sq.m. and 85.2 million sq.m., respectively, and the revenue-bearing GFA of the heat supply business was 42.3 million sq.m.. During the Period, the revenue from the property management business was approximately RMB1,508.5 million, and the revenue from the heat supply business was approximately RMB722.5 million.

In the first half of the year, we gave full play to our professional and market-oriented advantages, seized the opportunity presented by reforms, actively planned for business development, expanded the value-added space, and promoted the improvement in service standards. For market expansion, we actively explored new areas for industrial property management services, extending industrial property management from the logistics and office industries in mines to production sites, providing production support and front-line living services and opening up new room for expansion of the internal market. For community value-added services, we have actively laid out a community value-added service ecosystem and tapped into the needs of property owners, contributing to new developments in community retail, community media, convenient charging poles, vehicle maintenance, housekeeping, household repair, laundry and other businesses. We have strengthened the construction of information technology and built a service platform of “digitalized enterprise operation and management, intelligent property operation and management, and digitalized property owner service ecosystem” by focusing on our core business and taking care of diversified businesses in three aspects, i.e. enterprise operation and management, property operation and management, and property owner services.

City Services

The Group is a leading provider of integrated public services in the PRC. We adhere to our strategy of focusing on new urbanization. With “improving services and environment to benefit business and people” as core value, we promote high-quality development of cities through our three core businesses, being city municipal services, city area operation and city community services. Driven by market demand and core technologies, on the basis of sharing with ecological partners through resource platforms and with the balance between the comprehensive benefits and long-term benefits of “government-driven” public services in mind, the Group launched the City Co-existence Programme 2.0 as part of our city services by leveraging the resource advantage of our own whole industry chain to provide cities with full-scenario digital solutions for city operation, including smart operation of municipal services, refined city services, long-term management of old communities, city public resources and assets operation, and modern community governance.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, our city services recorded revenue of approximately RMB2,635.2 million, covering over 150 cities. For market expansion, the Group successfully won the tender for transportation hub projects including Kunming Changshui Airport, Luoyang Metro in Henan Province, Dongguan-Huizhou Intercity High-Speed Railway and successfully won the tender for the greater city property management project in Tianshan District, Urumqi City, the integrated sanitation project in Gulou District, Fuzhou City, the urban and rural integrated sanitation project for Jinghong city and other projects. Our innovative practice in the Binhai New Area in Tianjin is steadily advancing, providing services including long-term transformation of old communities, municipal and sanitation integration, gardening and greening maintenance, smart parking and asset operation, etc. Our greater city property management model has been proven in the market. We announced the “CG Services City Partner 2.0 Programme”, strategically focusing on the core tracks of government public services, industrial parks, university and college logistics, hospital services and city-wide parking, with an aim to systematize the development of product categories and enhance the product capacities and core competitiveness of urban services by integrating the ecological and partner enterprises in each segment.

Commercial Operational Services

The Group provides shopping malls, neighborhood centers, office buildings and other projects with full-chain services such as business planning consulting, tenant sourcing, operation and planning services, mainly including (i) conducting commercial operation and management of the properties owned by leasing developers or property owners; (ii) providing property market research and positioning services to property developers at the investment stage; (iii) providing market research and positioning, business planning consulting, tenant solicitation and opening preparation services to property developers or owners at the preparation stage before the opening of the properties; and (iv) providing tenant solicitation, operation and management services to property owners or tenants at the stage of property operation. During the Period, the Group’s commercial operational services segment recorded total revenue of approximately RMB588.8 million.

Our commercial operational services have established a diversified product line, including high-quality one-stop shopping mall “Bele city” (碧樂城), neighborhood center “Bele fun” (碧樂坊) and commercial block “Bele time” (碧樂時光). We have established presence in more than 60 cities, with over 100 commercial projects and over 2,000 strategic well-known brand partners. In the first half of the year, we fully utilized our own strengths in quality commercial operational capabilities and extensive brand resources to successfully sign and expand 15 quality light asset projects, including Lanzhou East Lake Plaza Project (蘭州東湖廣場項目), Wuxi Bele City (無錫碧樂城), Dalian Inn Fine Plaza (大連銀帆廣場) and other projects; we commenced 3 new projects, namely Guangzhou Panyu Bele City (廣州番禺碧樂城), Shaoguan Sun City Bele Fun (韶關太陽城碧樂坊) and Guiyang Guanshan Lake Bele time (貴陽觀山湖碧樂時光), bringing a comprehensive quality of life upgrade to residents surrounding the projects and new commercial experiences and vitality to the cities with craftsmanship and warmth.

PROSPECTS AND FUTURE PLANS

Adhering to the original mission and being committed to providing customer satisfaction-oriented property services

2022 is the “Year of Endogenous Development” and “Year of Consolidation” for CG Services. We will adhere to the original mission of property services and commit to providing customer satisfaction-oriented property services by centering on customers and adhering to our responsibilities. We will listen to the needs of customers carefully and offer them better services and create more value in the long run. In terms of the operation system, we strive to promote stable development in business to cope with the challenges brought by external objective factors, maintain sufficient competitiveness, stabilize our principal businesses, offer differentiated and professional services, further promote endogenous business growth, and consolidate service quality.

We will continue to promote the intensification, regional platformization, and project independence of the equity cooperation companies. We will build a more comprehensive assessment system by focusing on basic property management services and exploring the endogenous growth of projects. We will pay attention to the satisfaction of property owner customers, comply with the strict quality control system, and constantly carry out service upgrades and improvements by focusing on customer needs. We will also pay attention to the establishment of cultural living within the community, promoting rich and colorful community activities to enhance the happiness of property owners.

MANAGEMENT DISCUSSION AND ANALYSIS

Focusing on building the product strength of city services and constructing the core competitiveness of city services

CG Services is strategically focusing on new urbanization development. Seizing the opportunity to reform in the new age of full-scale intelligentization of city services and focusing on user experience, we continue to construct core capabilities, strive to solve the operational issues that occur in the process of high-quality development for more cities, and offer economically feasible service solutions that allow stable operation. We believe that urban development will bring operational value with practical value. The core competitiveness of city services derives from the cost advantage, technology advantage, and scale advantage built based on itemized service types, which constitute a competitive product strength.

In the future, we will firmly promote management innovation, technology innovation, product innovation, and business model innovation, aiming to facilitate the development of high-quality and resilient urban construction. Besides, by commencing professional services with the establishment of Bicheng City Service Group# (碧城城市服務集團), we will continue to promote the “CG Services City Partner Programme 2.0” through sincere cooperation with city service developers, creating greater values with high-quality development and offering a better brand experience for customers.

Constantly promoting the core strategy of digitalization with customer experience and value as the core

Property digitalization is the core competitive advantage for property management enterprises while improving customer experience is the goal of our digital transformation. The digitalization of dedicated service managers is an important indicator reflecting whether the digitalization of property management enterprises can empower frontline staff. We have set up the dedicated service managers operation division to support the sustainable development of managers’ services, focusing on the shift of service managers in the business model and carrying out refined division of service managers’ work. With the application of digital tools and intelligent robots, routine tasks are gradually being handled through intelligence processing, reducing the intensity of service managers’ work, while performing effective management of respective customer contacts with digital measures, offering better service to customers as well as empowering service managers.

In addition, as data has become a factor of production, data governance is our priority when coping with digital challenges. We will continue to increase investment in terms of data governance, data application development and big data platform, and strengthen the existing platform for data analysis and intelligent application. We believe that the applications of the results of our digitalization processes will promote the cost reduction and efficiency improvement of the entire business system, the standardization of business processes and the improvement of customer satisfaction in the future.

Exploring the extension of property management service boundaries to construct a vertical professional service value chain

Under the background of greater property management, property management services, evolving from the management of properties to the management of people, and further to the management of the ecology of the cities, are undergoing profound changes in terms of the scope, target, and content of services and further extending to property owners and assets. Our in-depth vertical deployment includes city public services, community media, real estate brokerage services, commercial operational services, community insurance, professional pest control and elimination, elevator maintenance, and other professional service divisions.

In the future, CG Services will adhere to the new demand-oriented service reconstruction, and empower property management by utilizing new technology, new services, new ecology, and new values, while reconstructing and designing our own greater property management services by focusing on customers. We will constantly explore more advanced and comprehensive greater information management services, such as areas in equipment and facilities management, asset management, city services and technology. We will also build a professional service value chain vertically, constantly enhance our core competitiveness within the industry, integrate and build more comprehensive professional capabilities, carry out in-depth integration and resource coordination, and strive to promote professional services to a broader market.

MANAGEMENT DISCUSSION AND ANALYSIS

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, (iv) "Three Supplies and Property Management" businesses, (v) city services, and (vi) commercial operational services. For the six months ended 30 June 2022, the total revenue increased by approximately 73.5% to approximately RMB20,055.4 million from approximately RMB11,559.8 million for the six months ended 30 June 2021.

(1) Property management services

During the Period, the revenue from property management services increased by approximately 112.4% to approximately RMB10,986.3 million from approximately RMB5,172.3 million for the six months ended 30 June 2021, accounting for approximately 54.8% of the total revenue (for the same period in 2021: approximately 44.7%).

The table below sets out the breakdown of our revenue generated from the management of properties developed by the CGH Group and independent third-party property developers respectively, as at the dates or for the periods indicated:

	For the six months ended 30 June 2022				For the six months ended 30 June 2021			
	Revenue (RMB'000)	(%)	Revenue- bearing GFA ('000 sq.m.)	(%)	Revenue (RMB'000)	(%)	Revenue- bearing GFA ('000 sq.m.)	(%)
Properties developed by the CGH Group (Note 1)	4,555,843	41.5	379,156	45.0	3,615,443	69.9	303,401	70.7
Properties developed by independent third-party property developers	6,430,478	58.5	464,001	55.0	1,556,859	30.1	125,710	29.3
Total	10,986,321	100.0	843,157	100.0	5,172,302	100.0	429,111	100.0

Note 1: Properties developed by Country Garden Holdings Company Limited ("CG Holdings" or "CGH") and its subsidiaries, joint ventures and associates independently or jointly with other parties.

The revenue-bearing GFA increased by approximately 414.1 million sq.m. from approximately 429.1 million sq.m. for the same period in 2021 to approximately 843.2 million sq.m., mainly due to: (i) the conversion of the reserved GFA of the Group into revenue-bearing GFA during the Period; and (ii) the increase in the revenue-bearing GFA of the Group as a result of the acquisitions of relatively large property management companies including Sichuan Justbon Life Services Group Co., Ltd.# (四川嘉寶生活服務集團股份有限公司) (formerly known as Sichuan Languang Justbon Services Group Co, Ltd.# (四川藍光嘉寶服務集團股份有限公司)) ("Justbon Services"), Wealth Best Global Limited ("Wealth Best Global") and Link Joy Holdings Group Co., Limited ("Link Joy Holdings") in 2021 and Everjoy Services Company Limited (中梁百悅智佳服務有限公司) ("Everjoy Services") during the Period; (iii) the continuous intensity in the competition in market brand expansion as well as the Group's continuous efforts in expansion of existing market and non-residential projects.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Community value-added services*

During the Period, the revenue from community value-added services increased by approximately 51.1% to approximately RMB2,112.3 million from approximately RMB1,398.3 million for the six months ended 30 June 2021, accounting for approximately 10.5% of the total revenue (for the same period in 2021: approximately 12.1%).

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

- (a) During the Period, the revenue from home services increased by approximately 50.8% to approximately RMB250.6 million from approximately RMB166.2 million for the six months ended 30 June 2021.
- (b) During the Period, the revenue from home decoration services increased by approximately 46.4% to approximately RMB310.7 million from approximately RMB212.2 million for the six months ended 30 June 2021.
- (c) During the Period, the revenue from community media services increased by approximately 3.2% to approximately RMB437.1 million from approximately RMB423.6 million for the six months ended 30 June 2021.
- (d) During the Period, the revenue from local life services increased by approximately 94.6% to approximately RMB741.7 million from approximately RMB381.1 million for the six months ended 30 June 2021.
- (e) During the Period, the revenue from real estate brokerage services increased by approximately 65.1% to approximately RMB195.6 million from approximately RMB118.5 million for the six months ended 30 June 2021.
- (f) During the Period, the revenue from community area services increased by approximately 82.6% to approximately RMB176.6 million from approximately RMB96.7 million for the six months ended 30 June 2021.

The Group continuously promoted the development of an emerging digitalization-featured intelligent community with characteristics of smart sharing and harmonious co-governance, and made full use of big data, cloud computing, artificial intelligence and other information technology tools to build a smart community service platform with gridding management, refined services, information support and public sharing. Relying on the digital platform and the construction of high-quality terminal service outlets in communities, the Group was able to demonstrate a highly online-offline integrated intelligent community governance scenario. Besides, the Group intensified its efforts to extend the border of its diverse life services and created business model to open up a new era of digital community life featuring multi-terminal interconnection, multi-party interaction and owner-tenant sharing. More and more intelligent achievements have been applied to every aspect of community life, and a variety of meticulous and humanized intelligent services have been delivered to benefit property owners, which highlighted the intelligent aspects of communities, making the owners' sense of gain more fulfilling, guaranteed and sustainable.

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

During the Period, the revenue from value-added services to non-property owners increased by approximately 34.6% to approximately RMB1,424.0 million from approximately RMB1,058.3 million for the six months ended 30 June 2021, accounting for approximately 7.1% of the total revenue (for the same period in 2021: approximately 9.2%).

The increase in the revenue from value-added services to non-property owners was mainly due to the promotion of full-cycle property services of the house, the expansion of pre-delivery services offering and the increase in business resulting from the newly acquired companies.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) *Three Supplies and Property Management Businesses*

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

Among which, the revenue from property management and other related services increased by approximately 63.2% to approximately RMB1,508.5 million from approximately RMB924.3 million for the six months ended 30 June 2021, accounting for approximately 7.5% of the total revenue (for the same period in 2021: approximately 8.0%).

The revenue from heat supply services increased by approximately 9.5% to approximately RMB722.5 million from approximately RMB659.6 million for the six months ended 30 June 2021, accounting for approximately 3.6% of the total revenue (for the same period in 2021: approximately 5.7%).

The increase in the revenue from the “Three Supplies and Property Management” businesses was mainly due to the steady increase in property management services and heat supply services after the separation and transfer reform, while diversified community value-added services has also yielded significant results.

(5) *City Services*

During the Period, the revenue from city services increased from approximately RMB2,095.0 million for the six months ended 30 June 2021 to approximately RMB2,635.2 million, representing an increase of approximately 25.8% and accounting for approximately 13.1% of total revenue (for the same period in 2021: approximately 18.1%).

The growth of revenue from city services was mainly due to the increase in project numbers during the Period. The Group adhered to the strategy of focusing on new urbanization. With “improving services and environment to benefit business and people” as core value, driven by market demand and core technologies, on the basis of sharing ecological partners and resource platforms and with the balance between the comprehensive benefits and long-term benefits of government-driven public services in mind, the Group launched the City Co-existence Programme 2.0 under our city services by leveraging our own resource advantage of whole industry chain to provide cities with full-scenario digital solutions for city operation, including smart operation of municipal services, refined city services, long-term management of old communities, public city resources and assets operation, and modern community services, to promote transformation of urban development approach and achieve high-quality development.

(6) *Commercial Operational Services*

During the Period, the revenue from commercial operational services increased from approximately RMB140.0 million for the six months ended 30 June 2021 to approximately RMB588.8 million, representing an increase of approximately 320.6%, accounting for approximately 2.9% of the total revenue (for the same period in 2021: approximately 1.2%).

The growth of revenue from commercial operational services was mainly due to the significant increase in number of commercial projects during the Period as compared to the same period last year as the Group has focused on development of commercial operational business since April last year. The Group integrated high-quality business resources and new business models to build a diversified commercial ecosystem integrating shopping malls, commercial blocks and characteristic cultural tourism and upgrade from a single-model traditional commercial operator into a multiple-model creator of beautiful lives with advanced thinking and innovative consciousness.

MANAGEMENT DISCUSSION AND ANALYSIS

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, (xvi) construction costs for infrastructure under service concession arrangements, and (xvii) others. During the Period, the costs were approximately RMB14,668.5 million, representing an increase of approximately 90.5% as compared to approximately RMB7,700.1 million for the six months ended 30 June 2021. The 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, as well as the increase in the amortization costs of intangible assets — property management contracts and customer relationships and brands — arising from mergers and acquisitions.

Gross Profit and Gross Profit Margin

During the Period, the overall gross profit increased by approximately RMB1,527.3 million to approximately RMB5,387.0 million from approximately RMB3,859.7 million for the six months ended 30 June 2021, representing an increase of approximately 39.6%.

During the Period, the overall gross profit margin decreased by 6.5 percentage points to approximately 26.9% from approximately 33.4% for the six months ended 30 June 2021, and the overall gross profit margin decreased mainly due to (i) the increase in amortisation charges of intangible assets — contracts and customer relationships and brands — arising from mergers and acquisitions; (ii) the Group's adjustment of management staff to front-line operations during the Period; (iii) the corresponding restraint in growth rate of business resulting from impact of the pandemic and macroeconomic fluctuations, and the Group's expansion of its talent pool for the business development in the future; (iv) changes in the business structure of the Group during the Period.

During the Period, adjusted overall gross profit was approximately 30.4% (for the same period in 2021: approximately 34.6%) excluding the impact of amortisation charges of intangible assets — contracts and customer relationships and brands — arising from mergers and acquisitions and adjustment of management staff.

(i) *Property management services*

During the Period, the gross profit margin of property management services decreased by 7.7 percentage points to approximately 25.9% from approximately 33.6% for the six months ended 30 June 2021.

The decrease in the gross profit of property management services was mainly due to (i) the increase in the amortization costs of intangible assets — property management contracts and customer relationships and brands — arising from mergers and acquisitions; (ii) the relatively low gross profit margins of newly acquired companies; and (iii) the adjustment of some management staff to front-line operations resulting from the Group's continuous innovation of its organizational management model.

The adjusted gross profit margin of property management segment decreased by 4.8 percentage points from approximately 34.3% for six months ended 30 June 2021 to approximately 29.5%, excluding the impact of amortisation charges of intangible assets — contracts and customer relationships and brands — arising from mergers and acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) *Community value-added services*

During the Period, the gross profit margin of community value-added services decreased by 6.5 percentage points to approximately 59.7% from approximately 66.2% for the six months ended 30 June 2021.

The decrease in gross profit margins of community value-added services was mainly due to (i) weak demand in the advertising market as a result of the recurring pandemic and (ii) in view of the consumer potential of its property owner base, the Group is proceeding a business transformation from sales agency to purchase and sales, to improve its bargaining power on the supply side and generate excess margins. The Company is currently going through the early stage of transformation and the costs of recruiting new professionals therefore increased comparably.

The adjusted gross profit margin of community value-added services segment decreased by 6.7 percentage points from approximately 67.4% for the six months ended 30 June 2021 to approximately 60.7%, excluding the impact of amortisation charges of intangible assets — contracts and customer relationships and brands — arising from mergers and acquisitions.

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

During the Period, the gross profit margin of value-added services to non-property owners decreased by 23.2 percentage points to approximately 27.2% from approximately 50.4% for the six months ended 30 June 2021.

The decrease in the gross profit margin of value-added services to non-property owners was mainly due to the increased proportion of cleaning services and specially engaged services which had low gross profit margins and the decreased proportion of sales services for parking spaces and unsold properties which had high gross profit margins.

The adjusted gross profit margin of value-added services to non-property owners segment decreased by 23.1 percentage points from approximately 50.4% for the six months ended 30 June 2021 to approximately 27.3% excluding the impact of amortisation charges of intangible assets — contracts and customer relationships and brands — arising from mergers and acquisitions.

(iv) *Three Supplies and Property Management Businesses*

During the Period, for the “Three Supplies and Property Management” businesses, the gross profit margin of property management and other related services decreased from approximately 9.4% for the six months ended 30 June 2021 to approximately 8.7%, representing a decrease of 0.7 percentage points. The decrease in the gross profit margin of the property management and other related services under the “Three Supplies and Property Management” businesses was mainly due to the larger proportion of businesses with low gross profit margins in the community value-added services which recorded a significant increase during the Period.

During the Period, for the “Three Supplies and Property Management” businesses, the gross profit margin of heat supply services increased from approximately 5.9% for the six months ended 30 June 2021 to approximately 7.7%, representing an increase of 1.8 percentage points. The increase in the gross profit margin of heat supply services under the “Three Supplies and Property Management” businesses was mainly due to the energy saving and efficiency improvement as a result of the upgrading and renovation of equipment and facilities under the separation and transfer reform.

MANAGEMENT DISCUSSION AND ANALYSIS

(v) *City Services*

During the Period, the gross profit margin of city services decreased from approximately 19.3% for the six months ended 30 June 2021 to approximately 18.1%, representing a decrease of 1.2 percentage points.

The decrease in the gross profit margin of city services was mainly due to the increase in operating costs as a result of the increased oil prices during the Period.

The adjusted gross profit margin of city services segment decreased by 2.1 percentage points from approximately 23.6% for the six months ended 30 June 2021 to approximately 21.5% excluding the impact of amortisation charges of intangible assets — contracts and customer relationships and brands — arising from mergers and acquisitions.

(vi) *Commercial Operational Services*

During the Period, the gross profit margin of commercial operational services decreased from approximately 56.1% for the six months ended 30 June 2021 to approximately 36.4%, representing a decrease of 19.7 percentage points.

The decrease in the gross profit margin of commercial operational services was mainly due to the relatively low gross profit margin from emerging businesses projects at ramp-up stage.

The adjusted gross profit margin of commercial operational services segment decreased by 17.3 percentage points from approximately 56.1% for the six months ended 30 June 2021 to approximately 38.8% excluding the impact of amortisation charges of intangible assets — contracts and customer relationships and brands — arising from mergers and acquisitions.

Selling and Marketing Expenses

During the Period, selling and marketing expenses were approximately RMB161.5 million, representing an increase of approximately 54.5% as compared with approximately RMB104.5 million for the six months ended 30 June 2021.

The increase in selling and marketing expenses was mainly due to the increase in the market expansion expenses required for the diversified business development, business merger and acquisition, community value-added services and city services segments of the Group.

General and Administrative Expenses

During the Period, general and administrative expenses were approximately RMB1,939.1 million, representing an increase of approximately 58.4% as compared with approximately RMB1,224.0 million for the six months ended 30 June 2021.

The increase in general and administrative expenses was mainly due to the expansion of the Group's business scale with the increase in its total revenue-bearing GFA, and the percentage of general and administrative expenses decreased by 0.9 percentage point from 10.6% for the same period in 2021 to approximately 9.7%.

The adjusted percentage of general and administrative expenses decreased by 0.1 percentage point from approximately 9.7% for the same period in 2021 to approximately 9.6% excluding the expense of share options.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

During the Period, other income was approximately RMB174.8 million, representing an increase of approximately 92.9% as compared with approximately RMB90.6 million for the six months ended 30 June 2021.

The increase in other income was mainly due to the acquisition of certain large property management companies last year, resulting in the expansion of business scale and the corresponding increase in employment, individual income tax refunds and other related government subsidies received compared to the same period last year.

Other Gains – Net

During the Period, other gains – net were approximately RMB357.8 million, representing a decrease of approximately RMB67.0 million as compared with approximately RMB424.8 million for the six months ended 30 June 2021.

The decrease in other gains – net was mainly due to the decreases in the net foreign exchange gains and the realised and unrealised gains on the financial assets at fair value through profit or loss as compared with the same period last year.

Finance Costs – Net

During the Period, finance costs – net were approximately RMB80.1 million, representing an increase of approximately RMB63.8 million compared with approximately RMB16.3 million for the six months ended 30 June 2021.

The increase in finance costs – net was mainly due to the increase in interest expenses on borrowings and the amortization of unrecognized finance costs on lease liabilities.

Income Tax Expense

During the Period, income tax expense was approximately RMB818.7 million, representing an increase of approximately 5.7% compared to approximately RMB774.3 million for the six months ended 30 June 2021.

The increase in income tax expense was mainly due to the increase in total profit before tax of the Group for the six months ended 30 June 2022.

Profit for the Period

During the Period, the net profit of the Group was approximately RMB2,751.9 million, representing an increase of approximately 23.6% compared to approximately RMB2,226.2 million for the six months ended 30 June 2021.

During the Period, the profit attributable to the Shareholders of the Company increased from approximately RMB2,113.0 million for the six months ended 30 June 2021 to approximately RMB2,575.8 million, representing an increase of approximately 21.9%.

During the Period, the profit attributable to the non-controlling interests of the Company increased by approximately 55.6% from approximately RMB113.2 million for the six months ended 30 June 2021 to approximately RMB176.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Intangible Assets

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

As at 30 June 2022, the intangible assets of the Group were approximately RMB28,426.7 million, representing an increase of approximately RMB481.9 million compared to approximately RMB27,944.8 million as at 31 December 2021, which was mainly due to several equity acquisitions completed by the Group during the Period, resulting in goodwill of approximately RMB586.2 million, property management contracts and customer relationships of approximately RMB188.7 million, brands of approximately RMB96.9 million and concession intangible assets of RMB106.3 million carried forward from contract assets. On the other hand, the amortization of property management contracts and customer relationships, insurance brokerage license, brands and concession intangible assets arising from the acquisitions during the Period was approximately RMB542.6 million.

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income include equity investments in certain entities.

As at 30 June 2022, the balance of financial assets at fair value through other comprehensive income of the Group was approximately RMB4,078.5 million, representing a decrease of approximately RMB86.0 million compared to approximately RMB4,164.5 million as at 31 December 2021. This was mainly due to the disposal of several investments by the Group during the Period.

Trade and Other Receivables

Trade and other receivables include trade receivables, other receivables, prepayments to suppliers and prepayments for tax.

As at 30 June 2022, the Group recorded net trade receivables of approximately RMB13,035.0 million, representing an increase of approximately RMB2,746.6 million compared to approximately RMB10,288.4 million as at 31 December 2021, mainly due to the significant increase in the total revenue of the Group and the increase in receivables arising from the new business expansion during the Period.

The net other receivables of approximately RMB4,297.6 million as at 30 June 2022, representing an increase of approximately RMB108.7 million compared to approximately RMB4,188.9 million as at 31 December 2021.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include investments in wealth management products, a listed entity and a closed-end fund.

As at 30 June 2022, the balance of financial assets at fair value through profit or loss of the Group amounted to approximately RMB3,802.6 million, representing an increase of approximately RMB146.4 million as compared with approximately RMB3,656.2 million at 31 December 2021. Such increase was mainly due to the Group increased purchase of wealth management products for the increase in the returns on its idle fund. Balance at the end of the Period mainly consisted of wealth management products purchased in second half of 2021 which have not yet expired, and the balance of newly purchased wealth management products in the current Period accounted for a relatively small proportion.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB4,535.7 million as at 31 December 2021 to approximately RMB5,610.2 million as at 30 June 2022, representing an increase of approximately RMB1,074.5 million, mainly due to the increase in the advance payments for property management services as a result of the increase in the revenue-bearing GFA and the increase in advance payments received arising from new business expansion during the Period.

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 2022, trade payables of the Group were approximately RMB5,109.0 million, representing an increase of approximately RMB614.6 million compared to approximately RMB4,494.4 million as at 31 December 2021, 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 property owners (mainly consisting of utilities fees collected from property owners and income generated from common area value-added services that belongs to property owners); (iii) outstanding considerations payable for business combinations; and (iv) accruals and others (mainly in relation to payables to third parties and advance).

Other payables decreased from approximately RMB6,858.7 million as at 31 December 2021 to approximately RMB6,656.0 million as at 30 June 2022, primarily due to the decrease in payables to third parties.

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, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest-bearing debt less cash and cash equivalents.

The convertible bonds issued on 3 June 2021 in connection to Best Path Global Limited, a wholly-owned subsidiary of the Company, in the aggregate principal amount of HKD5,038.0 million, were fully redeemed and canceled during the Period.

As at 30 June 2022, the bank and other borrowings of the Group amounted to approximately RMB1,864.4 million (as at 31 December 2021: approximately RMB1,122.5 million).

As at 31 December 2021 and 30 June 2022, the gearing ratio of the Group was maintained at net cash position.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial and Capital Resources

As at 30 June 2022, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB8,990.7 million, representing a decrease of approximately RMB2,765.2 million as compared with approximately RMB11,755.9 million as at 31 December 2021. Total bank deposits and cash were denominated in the following currencies:

	30 June 2022		31 December 2021	
	(RMB'000)	(%)	(RMB'000)	(%)
RMB	8,881,609	98.8	5,741,171	48.8
HKD	16,704	0.2	5,962,307	50.7
Other currencies	92,359	1.0	52,423	0.5
	8,990,672	100.0	11,755,901	100.0

Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB174.3 million (as at 31 December 2021: approximately RMB137.3 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of the local government authorities and the deposits made as performance security for business contracts of Country Garden Manguo Environmental Technology Group Co., Ltd.* (碧桂園滿國環境科技集團有限公司) (“Manguo”) and Fujian Dongfei Environment Group Co., Ltd.* (福建東飛環境集團有限公司) (“Dongfei”), the subsidiaries of the Group.

As at 30 June 2022, the net current assets of the Group were approximately RMB7,815.2 million (31 December 2021: approximately RMB6,409.9 million). The current ratio (current assets/current liabilities) of the Group was 1.3 times (31 December 2021: 1.3 times).

* For identification purposes only

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 relating to the industries in which the Group operates.

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 a significant number of the Group's property management services contracts could have a material adverse effect on business, financial position and results of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

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. The management will continue to monitor the foreign exchange exposure, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

Employees and Remuneration Policies

As at 30 June 2022, the Group had 230,896 employees (31 December 2021: 223,667 employees). During the Period, the total staff costs were approximately RMB7,755.5 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 in accordance with the policy of the Group on compensation and welfare.

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, 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.

Under the Share Option Scheme of the Company (the "**Share Option Scheme**") adopted by shareholders of the Company on 28 September 2020, on 30 March 2022, the Company has granted a total of 3,240,000 share options to five eligible participants (all participants are employees other than Directors). In addition, the Company has allotted and issued 2,451,000 Shares of the Company upon exercise of the share options under the Pre-Listing Share Option Scheme of the Company (the "**Pre-Listing Share Option Scheme**") adopted by shareholders of the Company on 13 March 2018 by two employees (not being Directors). For further details of Share Option Scheme, please refer to the section headed "Share Option Schemes" in this report.

Employee Training and Development

In 2022, the Company continued to carry out a combination of online and offline training. In order to mitigate the impact of the pandemic on the offline training, the Company attempted to adopt "1+N grid" operation model for its leadership program, key business training program and other programs in the first half of the year, that is, under the implementation framework of field management, operation management, personnel management and resource management, one live-streaming main venue and N offline sub venues are linked together through assistants at sub venues to restore the pure offline training scenes via live-streaming and video interactive learning, thereby addressing the current difficulties of large scale offline training and the restrictions of pure online training effects.

From January to June 2022, the "1+N grid" of the Company cumulatively covered approximately 53,000 key group cadres, with approximately 139,500 training hours. In addition, from January to June, each unit organized 833 offline training sessions, with 60,000 offline training hours.

In the first half of 2022, on the basis of ensuring the competency of the general employees, the Company further strengthened the business and team management capabilities of the management cadres at all levels through the transformation of training organization, providing timely and effective support to achieve the Company's strategic goals.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge on Assets

As at 30 June 2022, as Manguo and Dongfei, both subsidiaries of the Company, carried out borrowing and sale and leaseback financing loan business with banks and financial leasing companies to meet the operational needs of certain of their respective city service projects, which were mainly secured by trade receivables of several city service projects and certain equipments. In addition, CG Life Services, a subsidiary of the Company, made borrowings from banks to finance mergers and acquisitions, with its 20.495% equity interest in Manguo as security.

Contingent Liabilities

Save as disclosed in the “Notes to the Interim Financial Information” of this report, the Group did not have any other contingent liabilities.

INTERIM DIVIDENDS

The final dividend in respect of 2021 of RMB29.95 cents (equivalent to HKD35.21 cents) per share, totaling RMB1,009,078,000, was approved at the annual general meeting held on 27 May 2022 and was paid partly in new shares of the Company and partly in cash on 30 August 2022.

The Board has decided not to declare an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

MAJOR EVENTS DURING THE PERIOD

Acquisition of Entire Equity Interest in Link Joy Holdings

On 28 September 2021 (after trading hours), Country Garden Property Services HK Holdings Company Limited (“**CG Property Services HK**”, an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Colour Life Services Group Co., Limited (“**Colour Life Services**”) to acquire 100% equity interest (“**Target Shares**”) in Link Joy Holdings at a consideration of no more than RMB3.3 billion. Link Joy Holdings holds 100% equity interest in Colour Life Services’ certain core asset companies which are principally engaged in property management businesses in the PRC. Pursuant to the terms of the agreement, the Target Shares were charged in favor of CG Property Services HK as security.

On 30 September 2021, CG Property Services HK separately provided a loan with a principal amount of Hong Kong dollars equivalent to RMB700 million (equivalent to the second instalment of consideration) and due on 4 October 2021 (the “**Loan**”) to Colour Life Services.

On 4 October 2021 (after trading hours), upon receiving the notification of probable default on external debts by Fantasia Holdings Group Co., Limited (“**Fantasia**”), the controlling shareholder of Colour Life Services, and default of the Loan by Colour Life Services, CG Property Services HK enforced the Target Shares charged in favor of CG Property Services HK in accordance with the terms of the equity transfer agreement and has obtained control over the Target Shares in October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

On 28 March 2022 (after trading hours), the parties to the equity transfer agreement entered into a supplemental agreement in relation to, among others, amendments to the conditions and arrangements for the payment of consideration and the repayment of the Loan (the **“Supplemental agreement”**). The entering into of the Supplemental Agreement was due to, among other things, (i) the purpose of protecting the Group’s interests in relation to the Loan and the first instalment of consideration it paid; (ii) it being helpful for CG Property Services HK and Colour Life Services to improve and continue to perform their rights and obligations under the equity transfer agreement; and (iii) the commitments of Colour Life Services and its controlling shareholder, Fantasia, under the Supplemental Agreement, which are conducive to safeguarding the interests of the Shareholders of the Company.

As at the date of this report, CG Property Services HK has paid the first and second instalments of consideration in the amount of RMB2.3 billion and RMB700 million to Colour Life Services. Currently, the post-investment management in respect of the acquisition is progressing smoothly.

Please refer to the announcements of the Company dated 28 September 2021, 4 October 2021 and 28 March 2022 for further details.

Acquisition of Equity Interest in Everjoy Services

On 11 February 2022, CG Property Services HK entered into a binding equity purchase agreement (the **“Original Majority Equity Purchase Agreement”**) with Chuangchen International Co., Ltd. (創辰國際有限公司), Chuangzhuo International Co., Ltd. (創卓國際有限公司), Chuangyuan International Co., Ltd. (創沅國際有限公司), Tycoon Ample Limited (亨盛有限公司) and Mr. Yang Jian (楊劍) (collectively, the **“Majority Vendors”**), and entered into a binding equity purchase agreement (the **“Original Minority Equity Purchase Agreement”**) with Chuangzhi International Co., Ltd. (創志國際有限公司), Chuangtong International Co., Ltd. (創同國際有限公司), Mr. Li Jiacheng (李家城) and Mr. Ma Fei (馬飛) (together with the Majority Vendors, the **“Vendors”**), pursuant to which CG Property Services HK agreed to acquire a total of approximately 93.76% equity interest in Everjoy Services at a consideration of no more than approximately RMB3,129 million in cash (the **“Acquisition”**). The terms of the Agreements were determined after arm’s length negotiations between the parties.

On 29 March 2022, the Company, CG Property Services HK and the relevant Vendors entered into the Majority First Supplemental Agreement and the Minority First Supplemental Agreement, respectively, to amend the arrangements for payment of the consideration under the Original Majority Equity Purchase Agreement and the Original Minority Equity Purchase Agreement (including the change of payment method for part of the consideration to payment through issuing consideration shares), the performance guarantees and the contractual arrangements for relevant matters.

On 29 March 2022, CG Property Services HK entered into the Majority Second Supplemental Agreement and the Minority Second Supplemental Agreement with the relevant Vendors and Shanghai Zhongchengyun City Operation Management Co., Ltd (formerly known as Shanghai Zhongchengyun City Construction Services Co., Ltd., a related party of the Majority Vendors), respectively, to amend the scope of the Projects In Transit and the Injected Projects, the rectification of the projects, the reorganization arrangements of Everjoy Services and its subsidiaries, the handling of related party transactions and accounts and the contractual arrangements for relevant matters under the Original Majority Equity Purchase Agreement, the Original Minority Equity Purchase Agreement, the Majority First Supplemental Agreement and the Minority First Supplemental Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

The total consideration for the acquisition is not more than approximately RMB3,129 million, of which (i) not more than approximately RMB1,396 million shall be paid in cash in stages, and (ii) not more than approximately RMB1,733 million shall be paid in stages through the issue of the consideration shares by the Company. The maximum number of the consideration shares to be issued is 45,983,980 shares, representing approximately 1.37% of the issued share capital of the Company as at 29 March 2022.

Entering into such acquisitions will help improve the Group's whole value chain operation service level, further improve our business scale and scope, and generate great synergies. They will also broaden the Group's source of revenue, generate stable income and cash flows, increase total revenue, and enhance profitability and market influence and competitiveness of the Group, which is in line with the strategic development needs of the Group.

As of the date of this report, according to the Acquisition, CG Property Services HK has paid to the Vendors part of the consideration of approximately RMB792 million, of which (i) approximately RMB710 million (equivalent to approximately HKD861 million) paid in cash in stages; and (ii) approximately RMB82.25 million (based on the average closing price per share as quoted on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 20 trading days prior to the date of signing the Original Majority Equity Purchase Agreement and the Original Minority Equity Purchase Agreement, i.e. the issue price of HKD46.1725 per share) paid through the issue of 2,182,454 consideration shares of the Company under the general mandate, which accounted for approximately 0.06% of the issued shares of the Company as at the date of issuance. Currently, the completion of the equity transfer and post-investment takeover in respect of the acquisition are underway smoothly.

Please refer to the announcements of the Company dated 14 February 2022, 29 March 2022 and 20 May 2022 for further details.

EVENT SUBSEQUENT TO THE REPORTING PERIOD

Continuing Connected Transactions – Amendments to the Existing Property Lease Framework Agreement and the Existing Business Management Service Framework Agreement

On 13 April 2021 (after trading hours), the Company entered into the property lease framework agreement with CG Holdings (the "**Existing Property Lease Framework Agreement**"), which sets out the principal terms for the lease of properties by the CGH Group (including CG Holdings and its subsidiaries and 30%-controlled companies) (as the lessor) to the Group (including the Company and its subsidiaries and 30%-controlled companies) (as the lessee).

To better accommodate the actual business development, avoid unnecessary business interruption, and to ensure long-term and stable business development and the continuity of market recognition, the Company and CG Holdings entered into the Property Lease Supplemental Agreement on 12 July 2022 (after trading hours) to amend the Existing Property Lease Framework Agreement, pursuant to which (i) the scope of the subject matter under individual leasing contracts was expanded, (ii) the lease term of the individual lease contracts was extended to no more than 20 years from the starting date of the corresponding lease, (iii) the rental mechanism was revised, (iv) the rent adjustment mechanism was added, and (v) the annual caps under the Existing Property Lease Framework Agreement for each of the two years ending 31 December 2023 were revised. Save for the amendments as mentioned above, other terms of the Existing Property Lease Framework Agreement remain unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

The amendments to the Existing Property Lease Framework Agreement provide the Group with a long-term steady cooperation with the CGH Group, enabling the Group to (i) expand the scope of subject lease assets and better meet the actual business development needs of actual commercial asset leasing and operation; (ii) extend the maximum duration of the lease term of the individual lease contracts, which can avoid unnecessary business interruption, ensure the continuous operation of the leased assets of the Group without disruptions, and maintain a good level of operation and management. In addition, for the Group's relevant commercial assets subletting business, such extension is in line with industry practice, which can improve the flexibility of the lease terms of individual lease contracts, meet the long-term leasing needs of individual tenants, and ensure long-term cooperation with tenants; (iii) the revision of the rent mechanism can improve the flexibility of the business model and improve adaptability to changes in the market and economic environment; (iv) the rent adjustment mechanism is conducive to the Group's regular review and adjustment of rent levels according to market conditions to ensure their fairness in the market; and (v) generate stable rental income through subletting and stable operating revenue through self-operation, so as to cultivate the Group's commercial operation business, grow and broaden its commercial operation revenue base, which will further strengthen the recognition and track record of the commercial operation of the Group and in turn enhance the market competitiveness of the Group in the field of commercial operation in the future.

On 13 April 2021 (after trading hours), the Company entered into the business management service framework agreement with CG Holdings (the “**Existing Business Management Service Framework Agreement**”), which sets out the principal terms for the provision of business management services by the Group (including the Company and its subsidiaries and 30%-controlled companies) to the CGH Group (including CG Holdings and its subsidiaries and 30%-controlled companies). To ensure long-term and stable business development and the continuity of market recognition, the Company and CG Holdings entered into the Business Management Service Supplemental Agreement on 12 July 2022 (after trading hours) to amend the Existing Business Management Service Framework Agreement, whereby the Individual Contract Service Term was extended to no more than 10 years from the date on which the services under the relevant individual service contracts commence. Save for the amendments as mentioned above, other terms of the Existing Property Lease Framework Agreement remain unchanged.

The amendments to the Individual Contract Service Term under the Existing Business Management Service Framework Agreement can (i) provide stability for the long-term development of the business management activities of the Group and be conducive to the continuity of market recognition; and (ii) extend the period of revenue generation from the business management activities of the Group and help the Group develop long-term strategies relating to such activities.

Please refer to the announcements of the Company dated 13 April 2021 and 12 July 2022 for further details of the above continuing connected transactions.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARES REPURCHASED

During the period from 15 July 2022 to 21 July 2022, the Company repurchased a total of 1,647,000 shares of the Company from open market for a total consideration of HKD36,910,850 (before deducting the relevant expenses). These repurchased shares will be canceled accordingly.

RESIGNATION OF NON-EXECUTIVE DIRECTORS

On 24 August 2022, the Company received resignation letters from Mr. YANG Zhicheng and Ms. WU Bijun, respectively. Mr. YANG Zhicheng and Ms. WU Bijun have resigned as non-executive directors of the Company in order to allocate more time to focus on the affairs of CG Holdings.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Rules Governing the Listing (the “**Listing Rules**”) of Securities on the Stock Exchange, 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 Audit 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. The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the Period, the Company had adopted and complied with all applicable code provisions set out in 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 its code of conduct regarding securities transactions by its Directors and employees (the “**Securities Dealing Code**”). The Company has made specific enquiry to all Directors on whether the Directors have complied with the required standard as set out in the Model Code for the Period and all Directors have 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 during the Period. 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.

CHANGES OF INFORMATION ON 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.

Mr. Chen Weiru. Independent Non-executive Director

In February 2022, Mr. Chen was appointed as an independent non-executive director of Vision Deal HK Acquisition Corp., a company listed on the Main Board of the Stock Exchange (stock code: 7827).

During the six months ended 30 June 2022, save as disclosed above, there is no other information that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

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

During the Period, the Company repurchased a total of 1,493,000 Shares on the Stock Exchange at a total consideration of HKD61,423,300 (before all the relevant expenses). All the Shares repurchased were subsequently cancelled in full during the Period. Details of the Shares repurchased during the Period were as follows:

Month	Number of Shares repurchased	Purchase price per Share		Total consideration (before relevant expenses) HK\$
		Highest HK\$	Lowest HK\$	
January 2022	1,493,000	43.75	39.25	61,423,300
	1,493,000			61,423,300

The purpose of such Share repurchase was to increase the returns for the Shareholders and to reflect the Company’s confidence in its business prospects, and was beneficial to all Shareholders. As at 30 June 2022, the total number of Shares in issue of the Company was 3,369,208,357 Shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EQUITY FUND-RAISING ACTIVITIES AND USES OF PROCEEDS

Placing of New Shares under the General Mandate in November 2021

On 18 November 2021, the Company and the placing agents, being UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Limited (together, the “**November 2021 Placing Agents**”) entered into a placing agreement (the “**November 2021 Placing Agreement**”), pursuant to which the Company conditionally agreed to appoint the November 2021 Placing Agents, and the November 2021 Placing Agents, on a several (not joint nor joint and several) basis, conditionally agreed to act as placing agents for the Company, and to procure, on a fully underwritten basis, placees to subscribe for (or failing which, to purchase themselves as principals) an aggregate of 150,000,000 new Shares (the “**November 2021 Placing Shares**”) at a price of HK\$53.35 per Share (the “**November 2021 Placing**”). In accordance with the November 2021 Placing Agreement, the November 2021 Placing Agents procured the placing of the November 2021 Placing Shares to no less than six placees, who/which are professional, institutional and/or other investors. The gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the November 2021 Placing are approximately HK\$8,002.50 million and approximately HK\$8,002.12 million, respectively. The November 2021 Placing Shares have a total nominal value of US\$15,000 and a market value of approximately HK\$8,842,500,000, based on the closing price of HK\$58.95 per Share on the last full trading day prior to the date of the November 2021 Placing Agreement, as there was no closing price for the Shares on 18 November 2021. The net price per November 2021 Placing Share was approximately HK\$53.35. The conditions precedent to the November 2021 Placing have been satisfied. On 26 November 2021, the Company issued 150,000,000 Shares at a subscription price of HK\$53.35 per Share under the general mandate granted to the Directors at the annual general meeting held on 28 May 2021.

The Company intends to use the net proceeds from the November 2021 Placing for investments in potential future merger and acquisition projects relating to the principal activities of the Group, expansion in respect of new businesses including commercial and office building services, commercial management services, city services and life services, refinancing and working capital purposes.

The Directors consider that the November 2021 Placing represents an opportunity to raise capital for the Company while broadening its Shareholder and capital base, and it will strengthen the financial position and liquidity of the Group and provide funding to the Group for working capital and future development purposes without incurring interest costs.

For details, please refer to the relevant announcements of the Company as referred to in the table below.

As at the date of this report, the Group has fully utilized proceeds from the November 2021 Placing. The actual or proposed uses of the proceeds from the above equity fund-raising activities are in line with the plan disclosed by the Company, and details of the proposed and actual uses of the proceeds are as follows:

Date of announcement	Fund-raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds during the Period
18 November 2021 and 26 November 2021	Placing of New Shares Under the General Mandate in November 2021	Approximately HK\$8,002.12 million	Investments in potential future merger and acquisition projects relating to the principal activities of the Group, expansion in respect of new businesses including commercial and office building services, commercial management services, city services and life services, refinancing and working capital purposes.	As at the date of this report, the Group has fully utilized placing proceeds of approximately HK\$8,002.12 million, of which approximately HK\$1,148.99 million has been utilized for mergers and acquisitions, approximately HK\$112.24 million for expansion in respect of new businesses, approximately HK\$6,733.23 million has been utilized for refinancing and approximately HK\$7.66 million as working capital.

During the Period, the Company had not conducted any other equity fund-raising activity. The proceeds from equity fund-raising activities of the Company since listing have been fully utilized, for details, please refer to the section on equity fund-raising activities in the Company’s previous annual reports.

INTERESTS DISCLOSURE

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

As at 30 June 2022, 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 its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, 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 the 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	% of total Shares in issue as at 30 June 2022	Number of debentures held
Ms. Yang Huiyan	Interest of controlled corporations	1,451,120,428 ⁽²⁾	–	1,451,120,428	43.07%	–
Mr. Li Changjiang	Beneficial owner and interest of spouse	5,191,915 ⁽³⁾⁽⁴⁾	5,790,000 ⁽⁸⁾	10,981,915	0.33%	–
Ms. Wu Bijun	Beneficial owner	4,471,390 ⁽³⁾⁽⁵⁾	–	4,471,390	0.13%	–
Mr. Xiao Hua	Beneficial owner	1,435,795 ⁽³⁾⁽⁶⁾	1,520,000 ⁽⁸⁾	2,955,795	0.09%	–
Mr. Guo Zhanjun	Beneficial owner	815,925 ⁽³⁾⁽⁷⁾	1,200,000 ⁽⁸⁾	2,015,925	0.06%	–
Mr. Yang Zhicheng	Beneficial owner	–	2,400,000 ⁽⁸⁾	2,400,000	0.07%	–

Notes:

- As at 30 June 2022, the total number of Shares in issue of the Company was 3,369,208,357 Shares.
- As at 30 June 2022, Concrete Win Limited (“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.
- The relevant interests include the Shares received from the exercise of the unlisted physically settled options granted pursuant to the Company’s Pre-Listing Share Option Scheme, which was adopted by the then shareholders on 13 March 2018. Upon exercise of the share options in accordance with the Pre-Listing Share Option Scheme, the corresponding number of ordinary Shares will be issued at HK\$0.94 per Share. The share options are personal to the respective Directors.
- These Shares represent 1,283,000 Shares held by Ms. Huang Zhihua, spouse of Mr. Li Changjiang, which were purchased in the secondary market, 19,515 Shares received by Mr. Li Changjiang as the distributed final dividend of CG Services for 2020 and 3,889,400 Shares issued to Mr. Li Changjiang upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- These Shares represent 56,190 Shares distributed to Ms. Wu Bijun by virtue of the shares of CGH 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 in the secondary market and 4,238,200 Shares issued to Ms. Wu Bijun upon her exercise of the options granted to her under the Pre-Listing Share Option Scheme.
- 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, 5,558 Shares received by Mr. Xiao Hua as the distributed final dividend of CG Services for 2020 and 1,430,200 Shares issued to Mr. Xiao Hua upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- These Shares represent 4,725 Shares received by Mr. Guo Zhanjun as the distributed final dividend of CG Services for 2020 and 811,200 Shares issued to Mr. Guo Zhanjun upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- The relevant interests are unlisted physically settled options granted pursuant to the Share Option Scheme, which was adopted by the then shareholders of the Company on 28 September 2020. Upon exercise of the share options in accordance with the Share Option Scheme, the corresponding number of ordinary Shares will be issued at HK\$50.07 per Share. The share options are personal to the respective Directors.

INTERESTS DISCLOSURE

Long positions in the shares of an associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate % of total issued shares of the associated corporations as at 30 June 2022 ⁽¹⁾
Ms. Yang Huiyan	Sichuan Justbon Life Services Group Co., Ltd.	Interest of controlled corporation	177,584,598	99.71%

Note:

- (1) The resolution for approving the delisting of H shares of Justbon Services from the Stock Exchange was passed at the general meeting and H share class meeting of Justbon Services held on 17 June 2021, and the delisting acceptance condition was satisfied on 15 July 2021. The listing of H shares of Justbon Services on the Stock Exchange was voluntarily withdrawn at 4:00 p.m. on 19 August 2021. Following the delisting, the shares of Justbon Services, as a PRC issuer, are no longer divided into H shares and domestic shares and are all ordinary shares with the nominal value of RMB1 each. The percentage is calculated based on the total shares of Justbon Services of 178,102,160 shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company (including their spouses and children under the age of 18) had any interest in, or had been granted any right to subscribe for, the Shares and options 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 2022, as set out in 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 interests or short positions in the Shares and underlying shares 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 total Shares in issue
Concrete Win	Beneficial owner	1,326,120,428 (L)	39.36%
Mr. Chen Chong ⁽²⁾	Interest of spouse	1,451,120,428 (L)	43.07%

Notes:

L – long position
S – short position

- (1) As at 30 June 2022, the total number of Shares in issue of the Company was 3,369,208,357 Shares.
- (2) 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 Positions in Shares, Underlying Shares and Debentures of the Company”.

Save as disclosed above, as at 30 June 2022, the Company had 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 provisions 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

SHARE OPTION SCHEMES

(a) Pre-Listing Share Option Scheme

On 13 March 2018, the Pre-Listing Share Option Scheme was adopted by the then Shareholders of the Company. It 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). A summary of the principal terms of the Pre-Listing Share Option Scheme is set out as follows:

(i) *Purpose*

The purpose of the Pre-Listing Share Option Scheme is to enable the Company to grant options to eligible participants as an incentive or reward for their contribution to the Group.

(ii) *Participants*

The following persons are eligible to participate in the Pre-Listing Share Option Scheme:

- any full-time employee, executive and senior staff of the Group;
- any director (including non-executive director and independent non-executive director) of the Group;
- any other eligible individual whom the Board or its authorized person considers at its sole discretion has made or will make a contribution to the Company.

(iii) *Maximum number of Shares available for subscription*

During the Period, a total of 2,451,000 Shares were issued under the Pre-Listing Share Option Scheme; as at the date of this report, 132,948,000 Shares (the maximum number of Shares which may be granted pursuant to the Pre-Listing Share Option Scheme) have been exercised and issued.

(iv) *Maximum entitlement to options of each participant*

The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options under the Pre-Listing Share Option Scheme) in any 12-month period must not exceed 1% of the issued Shares of the Company.

(v) *Exercise period of options*

The period during which the grantees may exercise the options under the Pre-Listing Share Option Scheme shall not exceed 5 years from the date of grant.

(vi) *Payment on acceptance of option offer*

HK\$1.00 is payable by each participant to the Company on acceptance of the option offer as consideration for the grant within 30 days after the option offer is made by the Company.

(vii) *Basis for determining the exercise price*

The exercise price of HK\$0.94 per Share was determined with reference to the fair value of the Shares as at 31 December 2017 based on a valuation report prepared by an independent valuer appointed by the Company.

INTERESTS DISCLOSURE

(viii) Remaining life of the scheme

The Pre-Listing Share Option Scheme was valid and effective for a period of 180 days from 13 March 2018, after which period no further offer of options would be made, but in all other respects, the provisions of the Pre-Listing Share Option Scheme shall remain in full force and effect and the options which have been granted and remain outstanding shall continue to be valid and exercisable during the exercise period.

On 21 May 2018, share options for 132,948,000 Shares with a fair value on the date of grant of approximately HK\$108,375,000 (equivalent to approximately RMB86,667,000) were granted by the Company to a total of 15 eligible participants, including 13 employees of the Company (including four Directors) and two employees of CGH, in accordance with the terms of the Pre-Listing Share Option Scheme.

During the reporting period, the Company allotted and issued 2,451,000 Shares in connection with the exercise of options by 2 employees (both being qualified participants other than Directors), with the weighted average closing price of the Shares on the date immediately preceding the date of exercise of 29 March 2022 of HK\$32.90 per Share.

Save as disclosed, no outstanding options had been granted, exercised, cancelled or lapsed under the Pre-Listing Share Option Scheme during the reporting period.

During the Period, 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 2022	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2022			
2 employees (both being qualified participants other than Directors)	2,451,000	-	2,451,000	-	-	-	0.940	21 May 2018	Vesting date ⁽¹⁾ – 20 May 2023
Total	2,451,000	-	2,451,000	-	-	-			

Notes:

- Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the auditor's report of the Company for the relevant financial year is issued: (a) for the financial year in which the Shares were listed on the Main Board of the Stock Exchange, 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 date of grant 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 the Pre-Listing Share Option Scheme was amortised and charged to profit or loss during 2018 to 2021. Therefore, there was no share-based payment expense charged to profit or loss for the Period (corresponding period in 2021: RMB0.38 million). For details of the relevant accounting policy, please refer to Note 2.24 "Share-based payments" to the consolidated financial statements set out in the 2021 annual report of the Company published on 25 April 2022.

INTERESTS DISCLOSURE

(b) Share Option Scheme

On 28 September 2020, the Share Option Scheme was approved and adopted by the Shareholders, which is for a term of 10 years from the date of its adoption and will expire on 27 September 2030. A summary of the principal terms of the Share Option Scheme is set out as follows:

(i) Purpose

- To motivate the eligible participants to work hard for the future development of the Group by providing them with the opportunities for acquiring the Shares of the Company so as to promote the long-term stable development of the Group;
- To provide incentives and/or rewards to eligible participants for their contribution to the Group; and
- To enhance the Group's ability to attract and retain individuals with outstanding skills and extensive experience.

(ii) Eligible participants

- any current employee, executive or officer of the Group;
- any Director (including non-executive Director and independent non-executive Director); or
- any advisor, consultant or business partner of any member of the Group whom the Board or its authorized person considers at its sole discretion has made or will make contribution to the Group.

(iii) Total number of Shares available for issue

- The maximum number of Shares which may be issued pursuant to the Share Option Scheme will be 82,780,000 Shares.
- The maximum number of Shares which may be issued under the share options that may be granted under the Share Option Scheme, and new and other existing share option schemes of the Company shall not exceed 10% of the total number of issued Shares.
- The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

As at 30 June 2022, a total of 58,939,000 Shares (including options to subscribe for 52,499,000 Shares that have been granted but not yet lapsed or exercised) (representing approximately 1.75% of the issued share capital of the Company as at the date of this report) were available for issue under the Share Option Scheme.

(iv) Maximum entitlement to options of each eligible participant

The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued Shares of the Company.

INTERESTS DISCLOSURE

(v) *Exercise period of options*

The period during which the grantees may exercise the options under the Share Option Scheme shall not exceed 5 years from the date of grant and is subject to the terms of the Share Option Scheme.

(vi) *Payment on acceptance of option offer*

HK\$1.00 is payable by each participant to the Company on acceptance of the option offer as consideration for the grant within 30 days after the option offer is made by the Company.

(vii) *Basis for determining the exercise price*

The exercise price of the share options shall be determined at the sole discretion of the Board, but in any case, at least the highest of the following:

- the closing price of the Shares on the date of grant (which must be a business day) as stated on the daily quotations sheet of the Stock Exchange;
- the average closing price of the Shares for the five business days before the date of grant as stated on the daily quotations sheet of the Stock Exchange; and
- 95% of the average closing price of the Shares for the ten business days before the date of grant as stated on the daily quotations sheet of the Stock Exchange.

(viii) *Remaining life of the scheme*

The Share Option Scheme will be valid for a period of 10 years from the date of adoption, beyond which no further share options shall be granted. However, the provisions of the Share Option Scheme shall remain in full force and effect in all other respects, and the options granted and not yet exercised shall remain valid and exercisable during the exercise period.

On 28 September 2020, 23 March 2021 and 30 March 2022, the Company granted share options to a total of 73 eligible participants, including 65 participants who were employees (other than Directors) at the time of grant, four Directors and four service providers. In addition, two eligible participants on 30 March 2022 were eligible participants on 23 March 2021.

INTERESTS DISCLOSURE

During the Period, details of movements in the share options under the 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 2022	Granted during the Period ⁽⁵⁾⁽⁷⁾	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2022			
Directors									
Mr. Yang Zhicheng	2,400,000	-	-	-	-	2,400,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁹⁾
Mr. Li Changjiang	5,790,000	-	-	-	-	5,790,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁹⁾
Mr. Xiao Hua	1,520,000	-	-	-	-	1,520,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁹⁾
Mr. Guo Zhanjun	1,200,000	-	-	-	-	1,200,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁹⁾
Sub-total of Directors	10,910,000	-	-	-	-	10,910,000			
Employee participants									
	34,089,000	-	-	-	2,360,000	31,729,000	50.07	28 September 2020	Vesting date ⁽²⁾ – 27 September 2025 ⁽⁹⁾
	1,600,000	-	-	1,600,000	-	-	72.40	23 March 2021	Vesting date ⁽²⁾ – 22 March 2026 ⁽⁹⁾
	-	3,240,000	-	-	-	3,240,000	50.07	30 March 2022	Vesting date ⁽³⁾ – 29 March 2027 ⁽⁹⁾
Service providers⁽⁴⁾									
	6,680,000	-	-	-	60,000	6,620,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁹⁾
Sub-total of eligible participants (other than Directors)	42,369,000	3,240,000	-	1,600,000	2,420,000	41,589,000			
Total	53,279,000	3,240,000	-	1,600,000	2,420,000	52,499,000			

Notes:

- (1) Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the auditor's report of the Company for the relevant financial year is issued: (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2020 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2021 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2022 is issued.

INTERESTS DISCLOSURE

- (2) Subject to the satisfaction of certain vesting conditions, the vesting date of the share options granted by the Company on 28 September 2020 and 23 March 2021 to a total of 61 other participants, including 57 employees (other than Directors) and four service providers*, to subscribe for 53,900,000 Shares shall be the date as set out in note (1), and the vesting date of the share options granted to six employees (other than Directors) to subscribe for the remaining 4,000,000 Shares shall be the date on which the auditor's report of the Company for the relevant financial year is issued, (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2021 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2022 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2023 is issued.

* *Service providers (all being consultants of the Company) represent persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interest of the long-term growth of the Group. For the avoidance of doubt, service providers exclude placing agents or financial advisors providing consulting services for fundraising, mergers or acquisitions or professional services provider who provides assurance services, or is required to perform services with impartiality and objectivity.*

- (3) Subject to the satisfaction of certain vesting conditions, as at 30 March 2022, the Company granted share options to five employees (other than Directors) to subscribe for 3,240,000 Shares in total, of which the vesting date of a total of 1,600,000 share options granted to two grantees shall be the date on which the auditor's report of the Company for the relevant financial year is issued, (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2021 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2022 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2023 is issued. The vesting date of a total of 1,640,000 share options granted to the remaining three grantees shall be the date on which the auditor's report of the Company for the relevant financial year is issued, (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2022 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2023 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2024 is issued. The reason for the vesting period of some share options being less than 12 months is that: the exercise price (i.e. exercise price of HKD72.40) of the same number of outstanding share options granted on 23 March 2021 (i.e. share options to subscribe for 1,600,000 Shares) no longer serves the purpose of providing incentives and rewards for promoting the grantees to contribute to the Group, and is not conducive to retaining existing grantees and make lasting contributions to the development of the Group. Accordingly, both the Remuneration Committee and the Board have resolved to cancel the outstanding share options under the Share Option Scheme and grant an equal number of new share options to the existing grantees.
- (4) For such 4 service providers on the date of grant (i.e. 28 September 2020) of the Share Option Scheme, the outstanding share options as at 1 January 2022 were 6,680,000 Shares. During the Period, no share options were exercised. During the Period, 60,000 Shares out of the options granted lapsed for one of the service providers' failure to meet individual performance appraisal target for the year of 2021, and the outstanding share options as at 30 June 2022 were 6,620,000 Shares. No share options were granted or cancelled during the Period. Except for 2021, in which one of the service providers became an employee of the Group, and another one changed his/her job to become an employee of the Group from January to November 2021, and continued to serve as a service provider of the Group after the Period, there is no change in the capacity of grantees during the Period.
- (5) On 30 March 2022, the Company granted share options to eligible participants (all being the Group's employees) to subscribe for 3,240,000 Shares in total in accordance with the terms of the Share Option Scheme. Such share options had a fair value of approximately RMB7,206,735 on the date of grant. On 23 March 2021, the Company granted share options to eligible participants (all being the Group's employees) to subscribe for 1,600,000 Shares. Such share options had a fair value of approximately RMB17,738,737 on the date of grant. On 28 September 2020, the Company granted share options to eligible participants to subscribe for 71,500,000 Shares in total in accordance with the terms of the Share Option Scheme. Such share options had a fair value of approximately RMB530,706,416 on the date of grant.
- (6) All eligible participants who were granted options by the Company during the Period are employees of the Group and none of them is (i) a connected person; (ii) a participant with Shares granted exceeding the personal limit of 1%; and (iii) a related entity participant or service provider with Shares granted in any 12-month period exceeding 0.1% of the issued Shares of the Company.

INTERESTS DISCLOSURE

- (7) On 30 March 2022, the Company granted share options to 5 eligible participants to subscribe for 3,240,000 Shares in total in accordance with the terms of the Share Option Scheme. The closing price of the Shares immediately preceding the date of grant of 30 March 2022 is HK\$31.30.
- (8) The share-based payment expense charged to profit or loss for the Period was approximately RMB10.99 million (corresponding period in 2021: RMB107.74 million). For details of the relevant accounting policy, please refer to Note 2.24 “Share-based payments” to the consolidated financial statements set out in the 2021 annual report of the Company published on 25 April 2022.
- (9) Subject to the satisfaction of the vesting conditions under the terms of the Share Option Scheme and the share options not being lapsed, the share options are exercisable by the grantees before 27 September 2025, 22 March 2026 and 29 March 2027, respectively.

Save as disclosed above, no outstanding options had been granted, exercised, cancelled or lapsed under the Share Option Scheme during the reporting period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	6	20,055,434	11,559,848
Cost of services	9	(14,023,176)	(7,603,528)
Cost of sales of goods	9	(645,307)	(96,581)
Gross profit		5,386,951	3,859,739
Selling and marketing expenses	9	(161,499)	(104,494)
General and administrative expenses	9	(1,939,072)	(1,224,005)
Net impairment losses on financial assets	9	(192,511)	(35,611)
Other income	7	174,770	90,587
Other gains — net	8	357,840	424,754
Operating profit		3,626,479	3,010,970
Finance income	10	60,480	53,245
Finance costs	10	(140,565)	(69,537)
Finance costs — net	10	(80,085)	(16,292)
Share of results of investments accounted for using the equity method	18	24,271	5,849
Profit before income tax		3,570,665	3,000,527
Income tax expense	11	(818,746)	(774,302)
Profit for the period		2,751,919	2,226,225
Profit attributable to:			
— Owners of the Company		2,575,786	2,113,001
— Non-controlling interests		176,133	113,224
		2,751,919	2,226,225
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Currency translation differences		(15,435)	(80,921)
Items that will not be reclassified to profit or loss:			
— Changes in fair value of financial assets at fair value through other comprehensive income	25	130,974	—
Total other comprehensive income for the period, net of tax		115,539	(80,921)
Total comprehensive income for the period		2,867,458	2,145,304
Total comprehensive income attributable to:			
— Owners of the Company		2,694,277	2,032,080
— Non-controlling interests		173,181	113,224
		2,867,458	2,145,304
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
— Basic	12	76.51	69.87
— Diluted	12	76.51	69.81

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited At 30 June 2022 RMB'000	Audited At 31 December 2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,403,057	1,365,576
Right-of-use assets	15	262,833	263,688
Investment properties	16	1,148,128	936,082
Intangible assets	17	28,426,725	27,944,798
Investments accounted for using the equity method	18	419,373	397,750
Financial assets at fair value through other comprehensive income	19	4,078,525	4,164,466
Contract assets	20	414,207	390,725
Deferred income tax assets		194,092	149,177
		36,346,940	35,612,262
Current assets			
Inventories		187,243	210,514
Trade and other receivables	21	18,590,403	15,577,884
Financial assets at fair value through profit and loss	23	3,802,586	3,656,197
Restricted bank deposits	22	174,339	137,282
Cash and cash equivalents	22	8,816,333	11,618,619
		31,570,904	31,200,496
Total assets		67,917,844	66,812,758

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited At 30 June 2022 RMB'000	Audited At 31 December 2021 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	24	27,213,853	27,202,614
Other reserves	25	596,951	468,640
Retained earnings	26	10,083,180	8,515,620
		37,893,984	36,186,874
Non-controlling interests		2,345,619	2,186,619
Total equity		40,239,603	38,373,493
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	29	508,754	442,175
Lease liabilities	15	1,139,059	931,685
Deferred income tax liabilities		2,274,725	2,274,849
		3,922,538	3,648,709
Current liabilities			
Contract liabilities		5,610,172	4,535,710
Trade and other payables	28	15,702,177	14,412,941
Current income tax liabilities		822,495	887,709
Convertible bonds		–	4,064,827
Bank and other borrowings	29	1,355,683	680,363
Lease liabilities	15	265,176	209,006
		23,755,703	24,790,556
Total liabilities		27,678,241	28,439,265
Total equity and liabilities		67,917,844	66,812,758

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

The interim financial information on pages 43 to 88 was approved by the Board of Directors on 24 August 2022 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			Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
Balance at 1 January 2021		8,361,602	917,351	5,286,787	14,565,740	1,593,298	16,159,038
Comprehensive income							
Profit for the period		-	-	2,113,001	2,113,001	113,224	2,226,225
Other comprehensive income		-	(80,921)	-	(80,921)	-	(80,921)
Total comprehensive income for the period ended 30 June 2021		-	(80,921)	2,113,001	2,032,080	113,224	2,145,304
Transactions with owners of the Company							
Issue of shares		8,538,383	-	-	8,538,383	-	8,538,383
Employee share schemes							
– value of employee services		-	107,744	-	107,744	-	107,744
– exercise of options		792,243	(136,178)	-	656,065	-	656,065
Transactions with non-controlling interests		-	(2,681)	-	(2,681)	2,681	-
Non-controlling interests arising from business combinations		-	-	-	-	297,074	297,074
Capital injection from non-controlling interests		-	-	-	-	2,450	2,450
Equity component of convertible bonds		-	99,365	-	99,365	-	99,365
Conversion of convertible bonds		3,337,597	(133,924)	-	3,203,673	-	3,203,673
Dividends		-	-	(703,069)	(703,069)	(5,889)	(708,958)
Total transactions with owners		12,668,223	(65,674)	(703,069)	11,899,480	296,316	12,195,796
Balance at 30 June 2021		21,029,825	770,756	6,696,719	28,497,300	2,002,838	30,500,138

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

		Unaudited					
		Attributable to owners of the Company					
	Note	Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		27,202,614	468,640	8,515,620	36,186,874	2,186,619	38,373,493
Comprehensive income							
Profit for the period		-	-	2,575,786	2,575,786	176,133	2,751,919
Other comprehensive income		-	118,491	-	118,491	(2,952)	115,539
Total comprehensive income for the period ended 30 June 2022		-	118,491	2,575,786	2,694,277	173,181	2,867,458
Transactions with owners of the Company							
Consideration issue	24(c)	58,846	-	-	58,846	-	58,846
Buy-back of shares	24(b)	(50,251)	-	-	(50,251)	-	(50,251)
Employee share schemes							
– value of employee services		-	10,990	-	10,990	-	10,990
– exercise of options	24(a), 25	2,644	(769)	-	1,875	-	1,875
Capital injection from non-controlling interests		-	-	-	-	12,807	12,807
Transactions with non-controlling interests		-	451	-	451	(3,801)	(3,350)
Non-controlling interests arising from business combinations	30	-	-	-	-	17,353	17,353
Disposal of financial assets at fair value through other comprehensive income		-	(852)	852	-	-	-
Dividends	13	-	-	(1,009,078)	(1,009,078)	(40,540)	(1,049,618)
Total transactions with owners		11,239	9,820	(1,008,226)	(987,167)	(14,181)	(1,001,348)
Balance at 30 June 2022		27,213,853	596,951	10,083,180	37,893,984	2,345,619	40,239,603

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

	Note	Unaudited	
		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		3,374,417	1,235,735
Income tax paid		(1,028,074)	(732,678)
Net cash generated from operating activities		2,346,343	503,057
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	30	(505,678)	(4,890,390)
Settlement of outstanding considerations payable for business combinations in prior years		(142,519)	(426,120)
Dividends received from investments accounted for using the equity method	18	864	5,154
Dividends received from financial assets at fair value through other comprehensive income		63,565	–
Payments for investments accounted for using the equity method	18	(38,128)	(1,487)
Purchases of property, plant and equipment	14	(371,062)	(62,271)
Purchases of intangible assets	17	(84,285)	(18,134)
Purchases of investment properties	16	(3,943)	–
Payments for financial assets at fair value through profit and loss		(3,292,310)	(2,260,000)
Proceeds from disposal of interests for using the equity method		52,023	–
Payments for financial assets at fair value through other comprehensive income		–	(904,469)
Proceeds from disposal of property, plant and equipment		164,253	36,201
Proceeds from disposal of financial assets at fair value through profit or loss		3,303,804	2,013,768
Proceeds from disposal of financial assets at fair value through other comprehensive income		33,341	–
Proceeds from disposal of other intangible assets		872	–
Loans to third parties	21	(510,849)	(732,982)
Interest received	10	60,480	53,245
Net cash used in investing activities		(1,269,572)	(7,187,485)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Unaudited	
		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Cash flows from financing activities			
Net proceeds from issuance of convertible bonds		–	4,114,311
Redemption of convertible bonds		(4,279,781)	–
Proceeds from bank and other borrowings		953,349	179,365
Issuance of shares pursuant to share option scheme		1,875	656,065
Issuance of shares		–	8,538,383
Capital injection from non-controlling interests		12,807	2,450
Transactions with non-controlling interests		(3,350)	–
Principal elements of lease payments		(72,735)	(81,465)
Repayments of bank and other borrowings		(211,450)	(128,538)
Interest paid on leases	10	(36,810)	(11,414)
Interest paid on bank and other borrowings	10	(49,349)	(7,660)
Buy-back of shares	24(b)	(50,251)	–
Dividends paid to non-controlling interests		(12,312)	(5,889)
Net cash (used in)/generated from financing activities		(3,748,007)	13,255,608
Net (decrease)/increase in cash and cash equivalents		(2,671,236)	6,571,180
Cash and cash equivalents at beginning of the period		11,618,619	15,215,224
Effects of exchange rate changes on cash and cash equivalents		(131,050)	(18,606)
Cash and cash equivalents at end of the period		8,816,333	21,767,798

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, heat supply services, city services and commercial operational 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 2022 (“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 2021 (“2021 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 2021 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for reporting period commencing on or after 1 January 2022 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 2022 did not have a material impact to the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3. Significant accounting policies *(Continued)*

- (b) Except for Amendments to Accounting Guideline 5, HKAS 16, HKAS 37, HKFRS 3 and Annual Improvements, which become effective this period, new and revised standards and amendments to existing standards that have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to have a significant impact on the Group's accounting policies.

4. Judgements and 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 2021 Financial Statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 2021 Financial Statements.

There have been no significant changes in the risk management policies since the year ended 31 December 2021.

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.

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 2022					
Trade and other payables (excluding payroll payables and other taxes payables)	12,802,345	–	–	–	12,802,345
Lease liabilities	206,724	237,719	595,171	643,308	1,682,922
Bank and other borrowings	1,380,066	165,665	102,817	404,528	2,053,076
Total	14,389,135	403,384	697,988	1,047,836	16,538,343
At 31 December 2021					
Trade and other payables (excluding payroll payables and other taxes payables)	11,353,120	–	–	–	11,353,120
Convertible bonds	4,119,069	–	–	–	4,119,069
Lease liabilities	219,360	202,337	413,972	567,888	1,403,557
Bank and other borrowings	753,812	36,565	40,443	567,595	1,398,415
Total	16,445,361	238,902	454,415	1,135,483	18,274,161

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management *(Continued)*

5.3 Fair value measurement of financial instruments

Fair value estimation

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).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2022				
Financial assets				
Financial assets at fair value through profit or loss	28,476	–	3,774,110	3,802,586
Financial assets at fair value through other comprehensive income	86,909	–	3,991,616	4,078,525
Total financial assets	115,385	–	7,765,726	7,881,111
At 31 December 2021				
Financial assets				
Financial assets at fair value through profit or loss	26,252	–	3,629,945	3,656,197
Financial assets at fair value through other comprehensive income	130,759	–	4,033,707	4,164,466
Total financial assets	157,011	–	7,663,652	7,820,663

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management *(Continued)*

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

Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the six months ended 30 June 2022:

	Financial assets at fair value through profit or loss (note 23) RMB'000	Financial assets at fair value through other comprehensive income (note 19) RMB'000	Total RMB'000
Opening balance 31 December 2021	3,629,945	4,033,707	7,663,652
Additions	3,292,310	–	3,292,310
Disposals	(3,303,804)	(202,292)	(3,506,096)
Fair value changes	155,659	160,201	315,860
Closing balance 30 June 2022	3,774,110	3,991,616	7,765,726

- (a) There is no material unrealised gain or loss recognised in profit or loss in the current period (2021: no material unrealised gain or loss) attributable to balances held at the end of the reporting period.
- (b) There were no transfers between the levels of the fair value hierarchy during the six months ended 30 June 2022 (2021: no transfers).

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners, 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”), city services and commercial operational services in the PRC.

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

- Property management and related services other than Three Supplies and Property Management businesses, which include property management services, community value-added services and value-added services to non-property owners;
- Three Supplies and Property Management businesses;
- City services business, which include sanitation, cleaning and sewage and waste treatment business; and
- Commercial operational services 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.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, intangible assets, investments accounted for using the equity method, contract assets, inventories, receivables, and operating cash. They exclude deferred income tax assets, financial assets at fair value through other comprehensive income (“FVOCI”) and financial assets at fair value through profit or loss (“FVPL”). Segment liabilities consist primarily of operating liabilities. They exclude current and deferred income tax liabilities, convertible bonds, bank and other borrowings 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(Continued)*

Revenue mainly comprises of proceeds from provision of property management services, community value-added services, value-added services to non-property owners, heat supply services, city services and commercial operational services. An analysis of the Group's revenue by category for the six months ended 30 June 2022 and 2021 is as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Revenue from property management and related services other than Three Supplies and Property Management businesses		
— Property management services	10,986,321	5,172,302
— Community value-added services	2,112,282	1,398,273
— Value-added services to non-property owners	1,424,001	1,058,259
— Other services	77,762	112,037
	14,600,366	7,740,871
Revenue from Three Supplies and Property Management businesses		
— Property management and other related services	1,508,450	924,348
— Heat supply services	722,537	659,552
	2,230,987	1,583,900
Revenue from city services business	2,635,235	2,095,043
Revenue from commercial operational services business	588,846	140,034
	20,055,434	11,559,848

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 2022 and 2021.

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)

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

	Six months ended 30 June 2021				
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	City services business RMB'000	Commercial operational services RMB'000	Total RMB'000
Revenue from contracts with customers	7,740,871	1,583,900	2,130,868	140,034	11,595,673
Recognised over time	7,579,069	1,566,965	2,111,637	140,034	11,397,705
Recognised at a point time	161,802	16,935	19,231	–	197,968
Revenue from other source	–	–	–	–	–
Rental income	–	–	–	–	–
Total segment revenue	7,740,871	1,583,900	2,130,868	140,034	11,595,673
Less: inter-segment revenue	–	–	(35,825)	–	(35,825)
Revenue from external customers	7,740,871	1,583,900	2,095,043	140,034	11,559,848
Segment results	2,423,049	6,041	324,617	52,276	2,805,983
Share of results of investments accounted for using the equity method	4,369	1,288	192	–	5,849
Depreciation and amortisation charges	260,156	24,554	117,630	18,352	420,692
Net impairment losses on financial assets	21,946	4,430	7,914	1,321	35,611
Capital expenditure	178,295	30,373	42,659	967,264	1,218,591
	At 31 December 2021				
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	City services business RMB'000	Commercial operational services RMB'000	Total RMB'000
Segment assets	50,423,411	2,720,253	4,158,159	1,541,095	58,842,918
Investments accounted for using the equity method	273,927	114,904	8,919	–	397,750
Segment liabilities	15,186,014	2,058,589	1,453,133	1,391,606	20,089,342

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(Continued)*

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Segment results	3,492,866	2,805,983
Realised and unrealised gains from financial assets at FVPL	157,884	210,836
Finance costs – net	(80,085)	(16,292)
Profit before income tax	3,570,665	3,000,527

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

	At 30 June	At 31 December
	2022	2021
	RMB'000	RMB'000
Segment assets	59,842,641	58,842,918
Deferred income tax assets	194,092	149,177
Financial assets at fair value through other comprehensive income	4,078,525	4,164,466
Financial assets at fair value through profit and loss	3,802,586	3,656,197
Total assets	67,917,844	66,812,758

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

	At 30 June	At 31 December
	2022	2021
	RMB'000	RMB'000
Segment liabilities	21,679,278	20,089,342
Convertible bonds	–	4,064,827
Dividend payables (note 28)	1,037,306	–
Deferred income tax liabilities	2,274,725	2,274,849
Current income tax liabilities	822,495	887,709
Bank and other borrowings	1,864,437	1,122,538
Total liabilities	27,678,241	28,439,265

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. Other income

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Government subsidies	145,771	73,848
Late payment charges	28,999	16,739
	174,770	90,587

8. Other gains – net

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Realised and unrealised gains from financial assets at FVPL	157,884	210,836
Net foreign exchange gains	112,881	206,403
Dividends received	63,565	–
Gains on disposals of property, plant and equipment	16,414	9,668
Gains on early termination of lease contracts	1,869	481
Others	5,227	(2,634)
	357,840	424,754

NOTES TO THE INTERIM FINANCIAL INFORMATION

9. Expenses by nature

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Employee benefit expenses	7,755,493	4,164,154
Cleaning expenses	2,748,836	1,451,045
Maintenance expenses	928,049	416,160
Depreciation and amortisation charges	906,741	420,692
Security expenses	824,951	343,194
Utilities	736,939	365,077
Cost of sales of goods	645,307	96,581
Heat supply costs	607,426	632,789
Greening and gardening expenses	362,807	224,856
Rental expenses for short-term leases	205,242	103,346
Net impairment losses on financial assets	192,511	35,611
Office and communication expenses	123,442	76,403
Professional service fees	117,271	82,794
Construction costs for contractual service concession arrangements	109,911	304,483
Travelling and entertainment expenses	103,175	78,462
Other taxes and surcharges	94,439	44,149
Transportation expenses	72,896	72,277
Sales service expenses	72,584	16,306
Cost of information technology hardwares and softwares	65,839	27,832
Advertising and promotion costs	56,572	16,255
Bank charges	45,440	51,111
Community activities expenses	43,725	20,115
Other expenses	141,969	20,527
	16,961,565	9,064,219

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. Finance costs – net

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Finance income:		
Interest income on bank deposits	60,480	53,245
Finance costs:		
Borrowing costs on convertible bonds	(54,406)	(50,463)
Interest expense on lease liabilities	(36,810)	(11,414)
Interest expense on bank and other borrowings	(49,349)	(7,660)
	(140,565)	(69,537)
Finance costs – net	(80,085)	(16,292)

11. Income tax expense

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current income tax – PRC	959,736	763,253
Deferred income tax		
– Corporate income tax	(173,594)	(15,699)
– Withholding income tax on profits to be distributed in future	32,604	26,748
	(140,990)	11,049
	818,746	774,302

NOTES TO 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	
	2022	2021
Profit attributable to the owners of the Company (RMB'000)	2,575,786	2,113,001
Weighted average number of ordinary shares in issue (thousands shares)	3,366,485	3,024,207
Basic earnings per share (RMB cents)	76.51	69.87

(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 share option schemes (note 27). For the share option schemes, 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. Borrowing costs 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 period ended 30 June 2022, the effect of the share options and convertible bonds were anti-dilutive and therefore not included in the calculation of the diluted earnings per share.

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. Earnings per share *(Continued)*

(b) Diluted *(Continued)*

	Six months ended 30 June	
	2022	2021
Profit attributable to the owners of the Company (RMB'000)	2,575,786	2,113,001
Borrowing costs on convertible bonds (RMB'000)	–	9,676
Profit attributable to the owners of the Company used to determine diluted earnings per share (RMB'000)	2,575,786	2,122,677
Weighted average number of ordinary shares in issue (thousands shares)	3,366,485	3,024,207
Adjustments — share options and convertible bonds (thousands shares)	–	16,269
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	3,366,485	3,040,476
Diluted earnings per share (RMB cents)	76.51	69.81

13. Dividends

The final dividend in respect of 2021 of RMB29.95 cents (equivalent to HKD35.21 cents) per share, totalling approximately RMB1,009,078,000 was approved at the Annual General Meeting on 27 May 2022 and will be partly settled in new shares of the Company and partly paid in cash on 30 August 2022.

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. Property, plant and equipment

	RMB'000
Six months ended 30 June 2022	
Opening net book amount	1,365,576
Acquisition of subsidiaries (note 30)	10,092
Other additions	371,062
Disposals	(147,839)
Depreciation and amortisation	(195,834)
Net book amount	1,403,057
Six months ended 30 June 2021	
Opening net book amount	1,249,074
Acquisition of subsidiaries (note 30)	64,339
Other additions	62,271
Disposals	(96,533)
Depreciation and amortisation	(199,203)
Transfer to investment properties	(29,718)
Net book amount	1,050,230

As at 30 June 2022, transportation equipment with net book amount of RMB41,556,000 (2021: RMB56,432,000) were pledged as collateral for the Group's bank and other borrowings (note 29).

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Buildings RMB'000	Transportation equipment RMB'000	Machinery RMB'000	Land use right RMB'000	Total RMB'000
Six months ended 30 June 2022					
Opening net book amount	198,094	5,894	26	59,674	263,688
Acquisition of subsidiaries (note 30)	8,093	–	–	–	8,093
Other additions	62,564	–	3,926	–	66,490
Early termination of lease contracts	(14,081)	–	–	–	(14,081)
Depreciation	(59,262)	(384)	(769)	(942)	(61,357)
Closing net book amount	195,408	5,510	3,183	58,732	262,833
At 30 June 2022					
Cost	341,219	9,224	12,929	66,101	429,473
Accumulated depreciation	(145,811)	(3,714)	(9,746)	(7,369)	(166,640)
Net book amount	195,408	5,510	3,183	58,732	262,833
Six months ended 30 June 2021					
Opening net book amount	107,263	222	706	22,169	130,360
Acquisition of subsidiaries	12,951	–	–	–	12,951
Other additions	46,448	1,665	8,142	26,697	82,952
Early termination of lease contracts	(1,986)	–	–	–	(1,986)
Depreciation	(38,060)	(1,240)	(4,282)	(566)	(44,148)
Closing net book amount	126,616	647	4,566	48,300	180,129
At 30 June 2021					
Cost	205,700	2,211	9,052	50,715	267,678
Accumulated depreciation	(79,084)	(1,564)	(4,486)	(2,415)	(87,549)
Net book amount	126,616	647	4,566	48,300	180,129

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Leases (Continued)

(a) Amounts recognised in the consolidated balance sheet (Continued)

Lease liabilities

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current	265,176	209,006
Non-current	1,139,059	931,685
	1,404,235	1,140,691

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
Buildings	59,262	38,060
Transportation equipment	384	1,240
Machinery	769	4,282
Land use right	942	566
	61,357	44,148
Interest expense (included in 'Finance costs')	36,810	11,414
Expense relating to short-term leases (included in 'Cost of sales' and 'General and administrative expenses')	158,036	79,576
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in 'General and administrative expenses')	47,206	23,770

For the six months ended 30 June 2022, the cash outflows for leases were RMB314,787,000 (2021: RMB112,341,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various buildings, transportation equipment and machinery. Rental contracts are typically made for fixed periods of 1 to 20 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. Investment properties

	Land and buildings RMB'000	Right-of-use assets RMB'000	Total RMB'000
Six months ended 30 June 2022			
Opening net book amount	64,543	871,539	936,082
Additions	3,943	277,646	281,589
Amortisation	(2,445)	(67,098)	(69,543)
Net book amount	66,041	1,082,087	1,148,128
Six months ended 30 June 2021			
Opening net book amount	–	–	–
Acquisition of subsidiaries	33,068	–	33,068
Other additions	–	965,516	965,516
Transfer from property, plant and equipment	29,718	–	29,718
Amortisation	(1,265)	(18,285)	(19,550)
Net book amount	61,521	947,231	1,008,752

As at 30 June 2022, investment properties with net book amount of RMB41,841,000 (2021: RMB18,635,000) were pledged as collateral for the Group's bank and other borrowings (note 29).

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. Intangible assets

	Software RMB'000	Contracts and customer relationships RMB'000 (a)	Insurance brokerage license RMB'000	Brand RMB'000 (a)	Concession intangible assets RMB'000	Total other intangible assets RMB'000	Goodwill RMB'000 (b) & (c)	Total RMB'000
Six months ended 30 June 2022								
Opening net book amount	286,370	6,216,821	24,745	1,961,611	166,231	8,655,778	19,289,020	27,944,798
Acquisition of subsidiaries (note 30)	401	188,684	-	96,887	-	285,972	586,226	872,198
Other additions	84,285	-	-	-	106,323	190,608	-	190,608
Amortisation	(37,378)	(405,042)	(1,237)	(122,424)	(13,926)	(580,007)	-	(580,007)
Disposal	(872)	-	-	-	-	(872)	-	(872)
Closing net book amount	332,806	6,000,463	23,508	1,936,074	258,628	8,551,479	19,875,246	28,426,725
At 30 June 2022								
Cost	409,833	6,959,569	28,663	2,166,442	283,745	9,848,252	19,877,816	29,726,068
Accumulated amortisation	(77,027)	(956,245)	(5,155)	(230,368)	(25,117)	(1,293,912)	-	(1,293,912)
Accumulated impairment	-	(2,861)	-	-	-	(2,861)	(2,570)	(5,431)
Net book amount	332,806	6,000,463	23,508	1,936,074	258,628	8,551,479	19,875,246	28,426,725
Six months ended 30 June 2021								
Opening net book amount	71,105	1,436,256	27,220	185,664	94,115	1,814,360	4,361,913	6,176,273
Acquisition of subsidiaries	76,581	688,209	-	1,319,904	-	2,084,694	5,009,685	7,094,379
Other additions	16,280	-	-	-	1,854	18,134	-	18,134
Amortisation	(6,255)	(127,768)	(1,237)	(15,472)	(7,059)	(157,791)	-	(157,791)
Closing net book amount	157,711	1,996,697	25,983	1,490,096	88,910	3,759,397	9,371,598	13,130,995
At 30 June 2021								
Cost	181,602	2,269,539	28,663	1,513,304	96,438	4,089,546	9,374,168	13,463,714
Accumulated amortisation	(23,891)	(269,981)	(2,680)	(23,208)	(7,528)	(327,288)	-	(327,288)
Accumulated impairment	-	(2,861)	-	-	-	(2,861)	(2,570)	(5,431)
Net book amount	157,711	1,996,697	25,983	1,490,096	88,910	3,759,397	9,371,598	13,130,995

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. Intangible assets *(Continued)*

(a) Contracts and customer relationships and brand

During the six months ended 30 June 2022, the Group acquired several property management companies (note 30). Total identifiable net assets of these companies acquired as at their respective acquisition dates amounted to approximately RMB482,095,000, including identified property management contracts and customer relationships of approximately RMB188,684,000 and brand of approximately RMB96,887,000 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 margin	20.66%
Earnings before interest, taxes, depreciation and amortisation margin ("EBITDA margin")	17.07%
Post-tax discount rate	14.90%
Expected useful lives	6 years

A valuation was performed by an independent valuer to determine the fair value of the identified brand. The valuation method used is the relief-from-royalty method. The key assumptions in determining the fair value of the brand are disclosed as follows:

Revenue growth rate	3.00%
Royalty rate	2.50%
Post-tax discount rate	14.90%
Expected useful lives	10 years

(b) 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 2022, management has not updated any impairment calculations.

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

Goodwill of RMB586,226,000 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 with cash flow forecast period of 5 years.

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

Revenue growth rate during the projection period	3.00%
Gross profit margin during the projection period	26.15%-45.30%
EBITDA margin during the projection period	18.55%-35.76%
Terminal growth rate	3.00%
Pre-tax discount rate	17.71%

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 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. Investments accounted for using the equity method

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
At 1 January	397,750	312,220
Share of results	24,271	5,849
Additions	38,128	1,487
Disposal	(41,517)	–
Dividends received	(864)	(5,154)
Acquisition of subsidiaries (note 30)	1,605	1,948
At 30 June	419,373	316,350

As at 30 June 2022, there were no significant contingent liabilities and commitments relating to the Group's interests in the investments accounted for using the equity method.

19. Financial assets at fair value through other comprehensive income

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
	Listed equity securities	86,909
Unlisted equity investments	3,991,616	4,033,707
	4,078,525	4,164,466

The investments mainly represent equity investments in several property management companies. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price or recent transaction prices of similar deals.

20. Contract assets

The Group has recognised the following assets related to contracts with customers:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
	Contract assets	414,207

Pursuant to the contractual concession service agreements with local government authorities for its participation in sewage and waste treatment, the Group receives no payment from the grantors during the construction period and receives service fees when relevant services are rendered during the operating periods. Upon the completion of construction, the balance of contract assets will transfer to concession intangible assets.

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Trade and other receivables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables (a)		
— Related parties (note 31(e))	556,163	882,225
— Third parties	12,909,995	9,686,278
	13,466,158	10,568,503
Less: allowance for impairment of trade receivables (b)	(431,145)	(280,150)
	13,035,013	10,288,353
Other receivables		
— Payments on behalf of property owners	504,002	555,326
— Deposits	511,447	513,765
— Loans to third parties pledged by equities (d)	2,850,305	2,328,928
— Others (e)	542,239	859,763
	4,407,993	4,257,782
Less: allowance for impairment of other receivables (c)	(110,401)	(68,885)
	4,297,592	4,188,897
Prepayments to suppliers		
— Related parties	3,194	5,309
— Third parties	1,089,610	973,604
	1,092,804	978,913
Prepayments for tax	164,994	121,721
	18,590,403	15,577,884

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Trade and other receivables *(Continued)*

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

For value-added services to non-property owners and city services, customers are generally given a credit term of up to 90 days.

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
0 to 180 days	9,895,876	7,746,716
181 to 365 days	1,801,881	1,577,206
1 to 2 years	1,496,322	1,069,344
2 to 3 years	163,098	104,944
Over 3 years	108,981	70,293
	13,466,158	10,568,503

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

	Six months ended 30 June 2022 RMB'000	2021 RMB'000
At 1 January	280,150	147,600
Provision for loss allowance recognised in profit or loss	150,995	22,809
At 30 June	431,145	170,409

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Trade and other receivables *(Continued)*

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At 1 January	68,885	13,969
Provision for loss allowance recognised in profit or loss	41,516	12,802
At 30 June	110,401	26,771

(d) The Group provided short-term loans to third parties pledged by equity interests held by the corresponding parties. The loans to third parties bear interest rate at 6% to 10% per annum.

(e) These receivables mainly included current accounts due from third parties, which are mainly interest-free, unsecured and repayable according to contract terms.

22. Cash and cash equivalents and restricted bank deposits

	At 30 June	At 31 December
	2022	2021
	RMB'000	RMB'000
Cash at banks (a)	8,990,672	11,755,901
Less: Restricted bank deposits (b)	(174,339)	(137,282)
Cash and cash equivalents	8,816,333	11,618,619

NOTES TO THE INTERIM FINANCIAL INFORMATION

22. Cash and cash equivalents and restricted bank deposits *(Continued)*

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
RMB	8,881,609	5,741,171
HKD	16,704	5,962,307
Other currencies	92,359	52,423
	8,990,672	11,755,901

- (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 and the deposits made as performance security for certain contracts relating to the city services business.

23. Financial assets at fair value through profit or loss

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Wealth management products (a)	3,228,261	3,100,853
Investment in a close-ended fund (b)	545,849	529,092
Others	28,476	26,252
	3,802,586	3,656,197

- (a) The Group invested in various wealth management products. Most of these products have a term of 12 months. They have an expected return rate ranging from 6.0% to 8.0%. The fair values of these investments were determined based on the expected return as stipulated in relevant contracts with the counterparties.
- (b) 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

24. 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						
Authorised share capital of USD0.0001 each		10,000,000,000	1,000,000			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022						
		10,000,000,000	1,000,000			
At 1 January 2021						
Employee share scheme – exercise of option		2,932,373,600	293,237	1,875	8,359,727	8,361,602
Placing of shares		54,955,400	5,496	35	792,208	792,243
Conversion of convertible bonds		139,380,000	13,938	89	8,538,294	8,538,383
		97,656,221	9,766	63	3,337,534	3,337,597
At 30 June 2021						
		3,224,365,221	322,437	2,062	21,027,763	21,029,825
At 1 January 2022						
Employee share scheme – exercise of option	(a), 27	3,366,067,903	336,606	2,151	27,200,463	27,202,614
Cancellation of shares	(b)	2,451,000	245	2	2,642	2,644
Consideration issue	(c)	(1,493,000)	(149)	(1)	(50,250)	(50,251)
		2,182,454	218	2	58,844	58,846
At 30 June 2022						
		3,369,208,357	336,920	2,154	27,211,699	27,213,853

- (a) During the six months ended 30 June 2022, the Company issued 2,451,000 shares as a result of the exercise of share options by certain directors (note 27(a)), which were granted under the pre-listing share option scheme adopted by the Company in 2018, and raised net proceeds of approximately HKD2,304,000 (equivalent to approximately RMB1,875,000) in total; in addition, the related share-based payments reserve of RMB769,000 was transferred to the share premium account as a result of the above exercise of the options.
- (b) During the six months ended 30 June 2022, the Company bought back and cancelled a total of 1,493,000 shares. The buy-back and cancellation were approved by shareholders at the annual general meeting on 27 May 2022. The total consideration paid to buy back these shares was RMB50,251,000, which has been deducted from equity attributable to the owners of the Company. The shares were acquired at a weighted average price of HKD41.22 per share, with prices ranging from HKD39.25 to HKD43.75.
- (c) On 20 May 2022, the Company issued 2,182,454 consideration shares to the third parties for the acquisition of Everjoy Services Company Limited (“Everjoy Services”) (note 30).

NOTES TO THE INTERIM FINANCIAL INFORMATION

25. Other reserves

	Statutory reserve RMB'000	FVOCI reserve RMB'000	Currency translation reserve RMB'000	Share- based payment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	283,722	–	(12,743)	239,402	406,970	917,351
Other comprehensive income	–	–	(80,921)	–	–	(80,921)
Transaction with non-controlling interests	–	–	–	–	(2,681)	(2,681)
Employee share schemes						
– value of employee services	–	–	–	107,744	–	107,744
– exercise of options	–	–	–	(136,178)	–	(136,178)
Equity component of convertible bonds	–	–	–	–	99,365	99,365
Conversion of convertible bonds	–	–	–	–	(133,924)	(133,924)
At 30 June 2021	283,722	–	(93,664)	210,968	369,730	770,756
At 1 January 2022	385,215	(64,462)	(16,251)	291,089	(126,951)	468,640
Other comprehensive income	–	130,974	(12,483)	–	–	118,491
Transactions with non-controlling interests	–	–	–	–	451	451
Employee share schemes						
– value of employee services	–	–	–	10,990	–	10,990
– exercise of options (note 27)	–	–	–	(769)	–	(769)
Disposal of financial assets at FVOCI	–	–	–	–	(852)	(852)
At 30 June 2022	385,215	66,512	(28,734)	301,310	(127,352)	596,951

26. Retained earnings

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
At 1 January	8,515,620	5,286,787
Profit for the period	2,575,786	2,113,001
Disposal of financial assets at FVOCI	852	–
Dividends (note 13)	(1,009,078)	(703,069)
At 30 June	10,083,180	6,696,719

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Share-based payments

- (a) 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:

	Six months ended 30 June			
	2022		2021	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	0.94	2,451,000	0.94	42,335,400
Exercised*	0.94	(2,451,000)	0.94	(39,884,400)
As at 30 June	0.94	–	0.94	2,451,000
Vested and exercisable at 30 June	0.94	–	0.94	–

- * The weighted average share price at the date of exercise of options exercised during the six months ended 30 June 2022 was HKD30.30 (six months ended 30 June 2021: HKD70.60).

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Share-based payments *(Continued)*

- (b) In September 2020, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 71,500,000 shares of the Company. Pursuant to the terms of the 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 in which the share options are granted (the “Grant Year”); (ii) 30% of the total number of the share options will be vested in the financial year immediately following the Grant Year; and (iii) 30% of the total number of the share options will be vested in the second financial year after the Grant 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 share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD50.07 per share.

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

	Six months ended 30 June			
	2022		2021	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	50.07	51,679,000	50.07	71,500,000
Exercised	50.07	–	50.07	(15,071,000)
Forfeited	50.07	(2,420,000)	50.07	–
As at 30 June	50.07	49,259,000	50.07	56,429,000
Vested and exercisable at 30 June	50.07	28,409,000	50.07	12,569,000

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

The Group has to estimate 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 2022, the Expected Retention Rate was assessed to be 93.6% (as at 31 December 2021: 97.5%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Share-based payments *(Continued)*

- (c) In March 2021, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 1,600,000 shares of the Company. Pursuant to the terms of the 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 in the Grant Year; (ii) 30% of the total number of the share options will be vested in the financial year immediately following the Grant Year; and (iii) 30% of the total number of the share options will be vested in the second financial year after the Grant 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 share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD72.40 per share.

In March 2022, the share options were cancelled and a total of 1,600,000 share options were granted to the eligible participants, served as replacement share options with the same vesting conditions. All the options regranted under the share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date in 2021 at the exercise price of HKD50.07 per share.

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

	Six months ended 30 June			
	2022		2021	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	72.40	1,600,000	–	–
Granted	50.07	1,600,000	72.40	1,600,000
Cancelled	72.40	(1,600,000)	–	–
As at 30 June	50.07	1,600,000	72.40	1,600,000
Vested and exercisable at 30 June	50.07	640,000	72.40	–

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

The Group has to estimate 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 2022, the Expected Retention Rate was assessed to be 100% (as at 31 December 2021: 100%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Share-based payments *(Continued)*

- (d) In March 2022, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 1,640,000 shares of the Company. Pursuant to the terms of the 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 in the Grant Year; (ii) 30% of the total number of the share options will be vested in the financial year immediately following the Grant Year; and (iii) 30% of the total number of the share options will be vested in the second financial year after the Grant 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 share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD50.07 per share.

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

	Six months ended 30 June			
	2022		2021	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	–	–	–	–
Granted	50.07	1,640,000	–	–
As at 30 June	50.07	1,640,000	–	–
Vested and exercisable at 30 June	50.07	–	–	–

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

The Group has to estimate 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 2022, the Expected Retention Rate was assessed to be 100%.

NOTES TO THE INTERIM FINANCIAL INFORMATION

28. Trade and other payables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade payables (a)		
— Related parties (note 31(e))	25,415	43,342
— Third parties	5,083,632	4,451,055
	5,109,047	4,494,397
Other payables		
— Deposits	1,981,202	1,785,935
— Temporary receipts from properties owners	3,004,894	2,992,989
— Outstanding considerations payable for business combinations	872,144	840,394
— Accruals and others	797,752	1,239,405
	6,655,992	6,858,723
Dividend payables	1,037,306	—
Payroll payables	2,215,854	2,551,125
Other taxes payables	683,978	508,696
	15,702,177	14,412,941

As at 30 June 2022 and 31 December 2021, 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:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Up to 1 year	4,614,431	4,375,113
1 to 2 years	391,155	96,322
2 to 3 years	87,746	16,735
Over 3 years	15,715	6,227
	5,109,047	4,494,397

NOTES TO THE INTERIM FINANCIAL INFORMATION

29. Bank and other borrowings

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current liabilities:		
— secured	386,776	442,175
— unsecured	121,978	–
	508,754	442,175
Included in current liabilities:		
— secured	826,562	680,363
— unsecured	529,121	–
	1,355,683	680,363
Total bank and other borrowings	1,864,437	1,122,538

The Group's borrowings as at 30 June 2022 of RMB1,213,338,000 (2021: RMB1,122,538,000) were mainly secured by certain buildings and transportation equipment of the Group with total net book amount of RMB83,397,000 (2021: RMB97,055,000) and pledged by trade receivables of several city services projects with total net book amount of RMB1,342,988,000 (2021: RMB393,447,980) and certain equity interests.

At 30 June 2022, the Group's bank and other borrowings were repayable as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	1,355,683	680,363
Over 1 year and within 2 years	148,322	49,325
Over 2 years and within 5 years	53,882	29,800
Over 5 years	306,550	363,050
	1,864,437	1,122,538

NOTES TO THE INTERIM FINANCIAL INFORMATION

29. Bank and other borrowings *(Continued)*

The weighted average effective interest rate for the period ended 30 June 2022 was 4.65% (2021: 5.58%) per annum.

The carrying amounts of the bank and other borrowings are denominated in RMB.

The carrying amount of the current borrowings approximate their fair value, as the impact of discounting using a current borrowing rate is not significant.

30. Business combinations

In March 2022, the Group has acquired 100% equity interest in Everjoy Services from third parties at a fixed cash consideration of RMB912,411,000, a contingent cash consideration not exceeding RMB35,422,000 and 2,182,454 consideration shares. Besides, the Group conditionally agreed to pay up to RMB720,000,000 and RMB1,571,440,000 for the projects in transit and injected projects in future, respectively, which are subject to further negotiation.

The Group also acquired several other property management and media companies from third parties during the period at an aggregate fixed cash considerations of RMB41,254,000 and a contingent cash consideration not exceeding RMB3,035,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

NOTES TO THE INTERIM FINANCIAL INFORMATION

30. Business combinations *(Continued)*

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

	Everjoy Services RMB'000	Others RMB'000	Total RMB'000
Total purchase considerations			
– Fixed cash considerations:	912,411	41,254	953,665
Settled up to 30 June 2022	789,797	28,056	817,853
Outstanding as at 30 June 2022	122,614	13,198	135,812
– Consideration shares	58,846	–	58,846
– Estimated contingent considerations	35,422	3,035	38,457
Outstanding as at 30 June 2022	35,422	3,035	38,457
	1,006,679	44,289	1,050,968
Total recognised amounts of identifiable assets acquired and liabilities assumed are as follows:			
– Property, plant and equipment (note 14)	9,151	941	10,092
– Right-of-use assets (note 15)	6,004	2,089	8,093
– Other intangible assets (note 17)	285,731	241	285,972
Identified contracts and customer relationships and brand	285,571	–	285,571
Software	160	241	401
– Investments accounted for using the equity method (note 18)	–	1,605	1,605
– Inventories	1,060	248	1,308
– Trade and other receivables	1,058,068	17,869	1,075,937
– Cash and cash equivalents	67,175	42,708	109,883
– Lease liabilities	(6,004)	(2,089)	(8,093)
– Deferred income tax liabilities	(71,393)	–	(71,393)
– Contract liabilities	(330,781)	(5,401)	(336,182)
– Trade and other payables	(536,455)	(21,699)	(558,154)
– Current income tax liabilities	(35,466)	(1,507)	(36,973)
Total identifiable net assets acquired	447,090	35,005	482,095
Non-controlling interests	(973)	(16,380)	(17,353)
Goodwill (note 17)	560,562	25,664	586,226
	1,006,679	44,289	1,050,968
Outflow of cash to acquire business, net of cash acquired:			
Partial settlement of cash considerations	789,797	28,056	817,853
Less: Cash and cash equivalents in the subsidiaries acquired	(67,175)	(42,708)	(109,883)
Payments in the previous year	(202,292)	–	(202,292)
Net cash outflow on acquisitions	520,330	(14,652)	505,678

NOTES TO THE INTERIM FINANCIAL INFORMATION

30. Business combinations *(Continued)*

- (a) Other intangible assets including identified contracts and customer relationships and brand amounting to RMB285,571,000 in relation to the acquisitions have been recognised by the Group (note 17).
- (b) The goodwill arose from the acquisitions was mainly attributable to the expected synergies from combining the operations of the Group and the acquired entities.
- (c) The Group recognises the non-controlling interests in each acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.
- (d) The acquired businesses contributed total revenues of RMB350,068,000 and net profits of RMB54,636,000 to the Group for the period from their respective acquisition dates to 30 June 2022. Had these companies been consolidated from 1 January 2022, the consolidated statements of comprehensive income would show pro-forma revenue of RMB20,279,374,000 and net profit of RMB2,769,344,000.

31. Related party transactions

(a) Ultimate controlling shareholder

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

(b) Transactions with related parties

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Provision of services		
— Entities controlled by the Ultimate Controlling Shareholder	1,089,629	1,006,000
— Entities jointly controlled by the Ultimate Controlling Shareholder	129,079	81,154
— Entities over which the Ultimate Controlling Shareholder has significant influence	23,121	30,724
	1,241,829	1,117,878
Purchase of goods and services		
— Entities controlled by the Ultimate Controlling Shareholder	28,281	16,483
— Entities controlled by close relatives of the Ultimate Controlling Shareholder	1,904	14,484
	30,185	30,967
Addition of investment properties		
— Entities controlled by the Ultimate Controlling Shareholder	103,976	327,255
— Entities jointly controlled by the Ultimate Controlling Shareholder	189,434	591,305
	293,410	918,560

NOTES TO THE INTERIM FINANCIAL INFORMATION

31. Related party transactions *(Continued)*

(b) Transactions with related parties *(Continued)*

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest expenses on lease liabilities		
– Entities controlled by the Ultimate Controlling Shareholder	14,091	2,673
– Entities jointly controlled by the Ultimate Controlling Shareholder	11,794	4,829
	25,885	7,502
Repayment of lease liabilities		
– Entities controlled by the Ultimate Controlling Shareholder	31,733	4,762
– Entities jointly controlled by the Ultimate Controlling Shareholder	79,297	10,652
	111,030	15,414

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Free trademark license agreement

A trademark licencing agreement was entered into between the Company and a subsidiary of Country Garden Holdings Company Limited (“CGH”), Foshan Shunde Country Garden Property Development Company Limited (“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	
	2022 RMB'000	2021 RMB'000
Salaries, bonus, share-based compensation expenses and other employee benefits	27,904	55,982

NOTES TO THE INTERIM FINANCIAL INFORMATION

31. Related party transactions *(Continued)*

(e) Balances with related parties

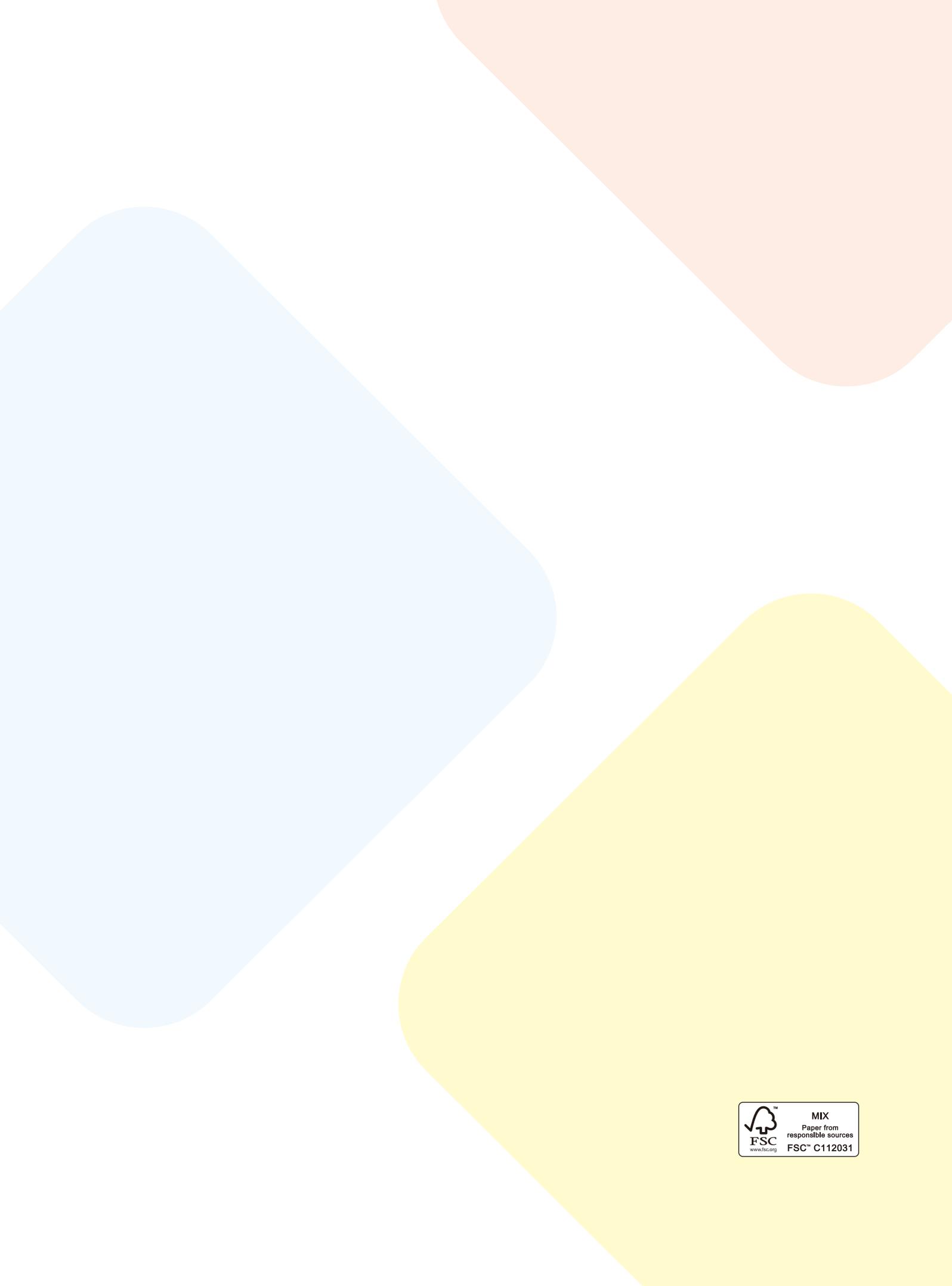
	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Receivables from related parties		
Trade receivables		
– Entities controlled by the Ultimate Controlling Shareholder	329,958	642,628
– Entities over which the Ultimate Controlling Shareholder has significant influence	58,984	42,702
– Entities jointly controlled by the Ultimate Controlling Shareholder	166,043	192,327
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	1,178	4,568
	556,163	882,225
Payables to related parties		
Trade payables		
– Entities controlled by the Ultimate Controlling Shareholder	23,459	22,124
– Entities jointly controlled by the Ultimate Controlling Shareholder	453	15,042
– Entities over which the Ultimate Controlling Shareholder has significant influence	383	233
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	1,120	5,943
	25,415	43,342

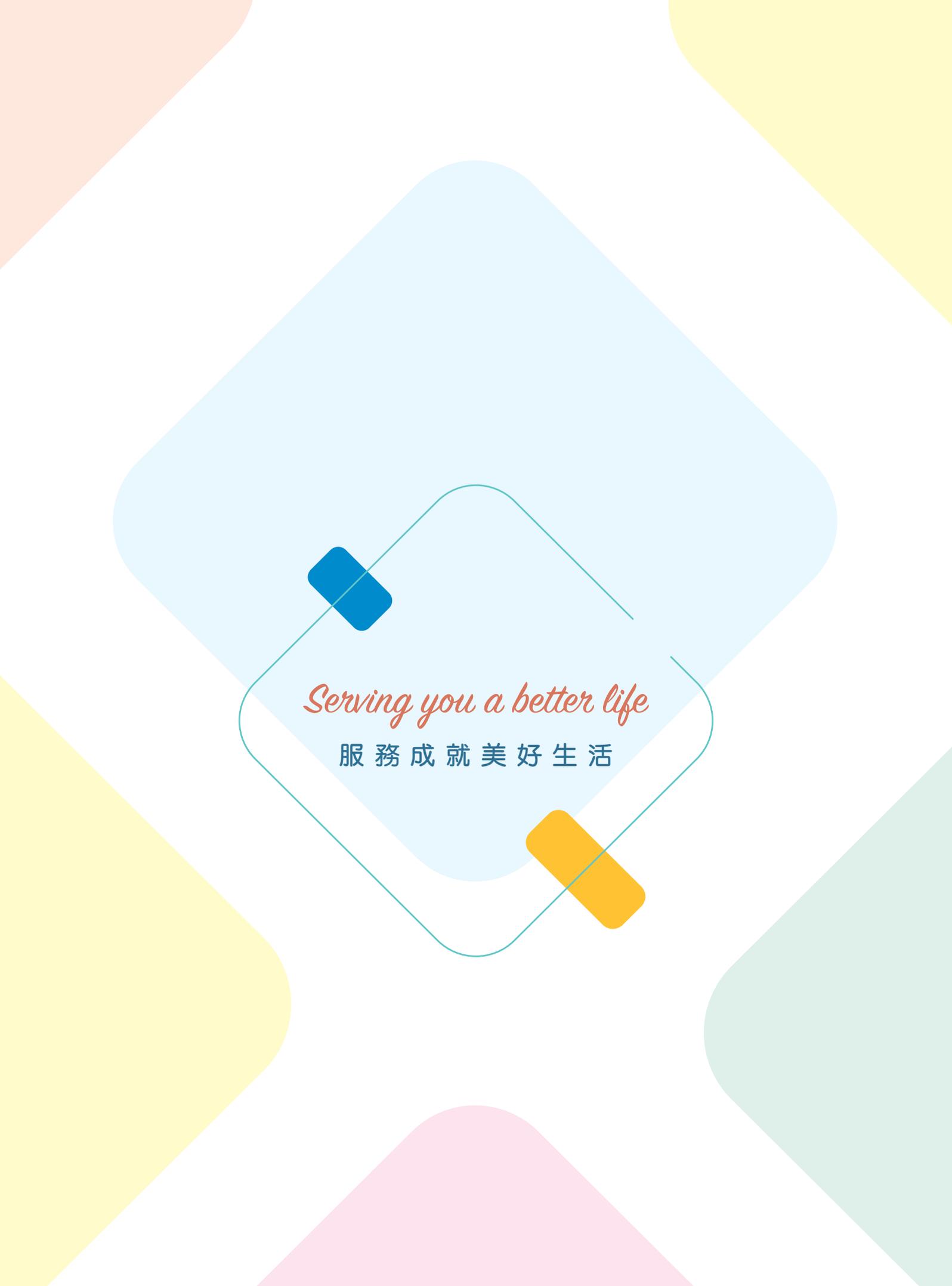
32. Contingent Liabilities

Casin Smart Life Services Group Co., Ltd. (財信智慧生活服務集團有限公司) (“Casin Services”), a subsidiary of the Company, was acquired by the Group from its original shareholder, Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司) (“Casin Group”), on the acquisition date (i.e. 30 September 2021). In late August 2022, certain bank accounts of Casin Services were frozen judicially. According to information provided by Casin Group and as verified subsequently by us, Casin Services provided joint and several guarantee obligations to a trust financing arrangement of Casin Group prior to the acquisition date. In addition to the pledge of the equity interest of a subsidiary held by Casin Group, the debts were secured by another eight guarantors, including: (1) one guarantor provided guarantees by way of asset mortgage; (2) the other seven entities (including Casin Services) provided joint and several guarantee obligations. The Company disagrees on the validity of the guarantee agreement signed by Casin Services and the legality of the contracting process, and finds it controversial to bind Casin Services after the acquisition date. In addition, the Casin Group confirms that, apart from this, Casin Services provided no other external guarantees prior to the acquisition date. As of 30 June 2022, the amount of guarantees involved in the relevant debts was approximately RMB700 million. Since the engagement with and acquisition of Casin Services by the Group, Casin Group has made disclosures and undertakings in the course of due diligence and the transaction agreement that were absence of guarantee, which, at present, is in violation of the relevant covenants and undertakings under the acquisition agreement, the Company will therefore take a series of measures, including legal proceedings, to protect the Company’s legitimate rights and interests.

33. Event occurred after the reporting period

During the period from 15 July 2022 to 21 July 2022, the Company repurchased a total of 1,647,000 shares from the market for a total consideration of HKD36,910,850 (before deducting the highest and lowest price and relevant expenses). These repurchased shares have not been cancelled.





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