COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED
碧桂園服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6098)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

— The revenue of the Group for the Period increased from approximately RMB3,515.7 million for the same period in 2019 to approximately RMB6,271.3 million, representing an increase of approximately 78.4%.

— The gross profit of the Group for the Period increased from approximately RMB1,377.9 million for the same period in 2019 to approximately RMB2,332.5 million, representing an increase of approximately 69.3%. Gross profit margin decreased by 2.0 percentage points to approximately 37.2% from approximately 39.2% for the same period in 2019. Excluding the "Three Supplies and Property Management" business segment, the gross profit margins of other business segments maintain grew slightly.

— During the Period, the percentage of general and administrative expenses of the Group decreased by 2.9 percentage points to approximately 10.3% compared to approximately 13.2% for the same period in 2019.

— The net profit of the Group for the Period increased from approximately RMB826.2 million for the same period in 2019 to approximately RMB1,335.2 million, representing an increase of approximately 61.6%. Net profit margin decreased 2.2 percentage points from approximately 23.5% for the same period in 2019 to approximately 21.3%. The income tax rate during the Period changed from a preferential tax rate of 15%, received by Country Garden Life Services Group Co., Ltd., a major subsidiary of the Company, when it was qualified as "High and New Technology Enterprise", to 25% following the expiry of such qualification in 2020. In addition, the interest expense on convertible bonds by the Group during the Period was approximately RMB18.8 million. Excluding the above effects of income tax rate, the convertible bonds and the "Three Supplies and Property Management" business segment factor, the net profit margin would maintain steady with a slight growth.

- The profit attributable to the owners of the Company for the Period increased from approximately RMB816.9 million for the same period in 2019 to approximately RMB1,314.8 million, representing an increase of approximately 60.9%.

- During the Period, the basic earnings per share increased from approximately RMB30.87 cents for the same period in 2019 to approximately RMB48.26 cents, representing an increase of approximately 56.3%.

- During the Period, the diluted earnings per share increased from approximately RMB30.34 cents for the same period in 2019 to approximately RMB48.16 cents, representing an increase of approximately 58.7%.

- As at 30 June 2020, the total bank deposits and cash of the Group were approximately RMB9,950.3 million (31 December 2019: approximately RMB6,926.0 million).

- As at 30 June 2020, the revenue-bearing gross floor area ("**GFA**") of the property management services other than "Three Supplies and Property Management" businesses of the Group increased by approximately 43.4 million sq.m. to approximately 319.5 million sq.m. from approximately 276.1 million sq.m. as at 31 December 2019, and the contracted GFA of the property management services other than "Three Supplies and Property Management" businesses increased by approximately 61.1 million sq.m. to approximately 745.8 million sq.m. from approximately 684.7 million sq.m. as at 31 December 2019. In addition, both of the revenue-bearing GFA and the contracted GFA of the property services of "Three Supplies and Property Management" businesses were approximately 85.2 million sq.m. as at 30 June 2020.

The board (the "**Board**") of directors (the "**Director(s)**") of Country Garden Services Holdings Company Limited (the "**Company**" or "**CG Services**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**We**") for the six months ended 30 June 2020 (the "**Period**") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*5*	**6,271,278**	3,515,687
Cost of services	*7*	**(3,873,802)**	(2,137,759)
Cost of sales of goods	*7*	**(64,929)**	—
Gross profit		**2,332,547**	1,377,928
Selling and marketing expenses	*7*	**(46,942)**	(20,127)
General and administrative expenses	*7*	**(646,436)**	(465,408)
Net impairment losses on financial assets	*7*	**(34,981)**	(22,824)
Other income		**44,170**	18,671
Other gains — net	*6*	**108,724**	71,705
Operating profit		**1,757,082**	959,945
Finance income	*8*	**71,687**	36,885
Finance costs	*8*	**(20,686)**	(495)
Finance income — net	*8*	**51,001**	36,390
Share of results of investments accounted for using the equity method		**5,706**	1,356
Profit before income tax		**1,813,789**	997,691
Income tax expense	*9*	**(478,543)**	(171,511)
Profit for the period		**1,335,246**	826,180

	Note	Unaudited Six months ended 30 June **2020** ***RMB'000***	 2019 *RMB'000*
Profit attributable to:			
— Owners of the Company		**1,314,838**	816,891
— Non-controlling interests		**20,408**	9,289
		1,335,246	826,180
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Currency translation differences		**(441)**	80
Total other comprehensive income for the period, net of tax		**(441)**	80
Total comprehensive income for the period		**1,334,805**	826,260
Total comprehensive income attributable to:			
— Owners of the Company		**1,314,397**	816,971
— Non-controlling interests		**20,408**	9,289
		1,334,805	826,260
Earnings per share attributable to the owners of the Company			
(expressed in RMB cents per share)			
— Basic	*10*	**48.26**	30.87
— Diluted	*10*	**48.16**	30.34

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**299,093**	311,873
Right-of-use assets		**34,602**	28,790
Intangible assets	*12*	**1,870,356**	1,603,853
Investments accounted for using the equity method		**91,033**	79,514
Financial assets at fair value through other comprehensive income		**9,950**	9,950
Deferred income tax assets		**21,861**	10,938
		2,326,895	2,044,918
Current assets			
Inventories		**30,094**	13,943
Trade and other receivables	*13*	**3,415,015**	2,003,770
Financial assets at fair value through profit and loss	*14*	**2,327,581**	1,280,682
Restricted bank deposits		**22,968**	11,861
Cash and cash equivalents		**9,927,344**	6,914,148
		15,723,002	10,224,404
Total assets		**18,049,897**	12,269,322
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*15*	**1,826,129**	1,756,918
Other reserves		**635,548**	531,581
Retained earnings		**3,982,551**	3,084,657
		6,444,228	5,373,156
Non-controlling interests		**341,325**	306,370
Total equity		**6,785,553**	5,679,526

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**26,378**	19,418
Deferred income tax liabilities		**209,805**	143,079
		236,183	162,497
Current liabilities			
Contract liabilities	*5*	**1,837,278**	1,618,059
Trade and other payables	*16*	**5,462,563**	4,690,033
Current income tax liabilities		**326,117**	108,202
Lease liabilities		**11,335**	11,005
Convertible bonds	*17*	**3,390,868**	—
		11,028,161	6,427,299
Total liabilities		**11,264,344**	6,589,796
Total equity and liabilities		**18,049,897**	12,269,322

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

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

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

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

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

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

2. Basis of preparation

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

3. Significant accounting policies

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

(a) The adoption of the amendments to HKFRSs effective for reporting period commencing on or after 1 January 2020 did not have a material impact to the Group.

(b) New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

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

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

(c) Convertible bonds

The Company issued convertible bonds in May 2020 (Note 17). The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remaining of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity. Any directly attributable transaction costs are allocated to the liability and equity component in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry.

4. Estimates

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

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

5. Revenue and segment information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Makers ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

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

- Property management and related services other than the Three Supplies and Property Management businesses, which include property management services, community value-added services and value-added services to non-property owners

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

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

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

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

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

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

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

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

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

(a) Contract liabilities

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

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

(b) Segment information

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

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

	As at 30 June 2020		
	Property management and related services other than Three Supplies and Property Management *RMB'000*	**Three Supplies and Property Management** *RMB'000*	**Total** *RMB'000*
Segment assets	**13,135,804**	**2,554,701**	**15,690,505**
Investments accounted for using the equity method	**49,003**	**42,030**	**91,033**
Segment liabilities	**5,032,738**	**1,887,872**	**6,920,610**

	Six months ended 30 June 2019		
	Property management and related services other than Three Supplies and Property Management	Three Supplies and Property Management	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Total segment revenue	3,450,427	65,260	3,515,687
Less: inter-segment revenue	—	—	—
Revenue from external customers	3,450,427	65,260	3,515,687
Timing of revenue recognition:			
Recognised over time	3,450,427	65,260	3,515,687
Segment results	924,989	(1,240)	923,749
Share of results of investments accounted for using the equity method	1,356	—	1,356
Depreciation and amortisation charges	36,033	421	36,454
Net impairment losses on financial assets	22,295	529	22,824
Capital expenditure	37,970	6,661	44,631

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

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

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

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

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

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

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

6. Other gains — net

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Realised and unrealised gains from financial assets at fair value through profit or loss (Note 14)	**78,758**	37,552
Net foreign exchange gains	**26,906**	31,429
Gains on disposal of property, plant and equipment	**426**	210
Gains on early termination of lease contracts	**77**	9
Others	**2,557**	2,505
	108,724	71,705

7. Expenses by nature

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

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

8. Finance income — net

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

9. Income tax expense

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

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

10. Earnings per share

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the pre-listing share option scheme and convertible bonds (Note 17). For the pre-listing share option scheme, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. For the convertible bonds, they are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the conversion of convertible bonds. For the six months ended 30 June 2020, the effect of the Company's convertible bonds was anti-dilutive and therefore not included in the calculation of the diluted earnings per share.

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

11. Dividends

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

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

12. Intangible assets

	Software	Property management contracts and customer relationships	Insurance brokerage license	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(i)	*(ii)*	*(iii) & (iv)*	
Six months ended 30 June 2020					
Opening net book amount	**44,952**	**341,566**	**—**	**1,217,335**	**1,603,853**
Acquisition of subsidiaries (Note 19)	**21**	**58,680**	**28,663**	**208,115**	**295,479**
Other additions	**6,986**	**—**	**—**	**—**	**6,986**
Amortisation	**(3,592)**	**(32,164)**	**(206)**	**—**	**(35,962)**
Closing net book amount	**48,367**	**368,082**	**28,457**	**1,425,450**	**1,870,356**
Six months ended 30 June 2019					
Opening net book amount	21,142	159,803	—	505,362	686,307
Acquisition of subsidiaries	105	61,880	—	151,215	213,200
Other additions	5,419	—	—	—	5,419
Amortisation	(1,464)	(15,695)	—	—	(17,159)
Closing net book amount	25,202	205,988	—	656,577	887,767

(i) Property management contracts and customer relationships

During the six months ended 30 June 2020, the Group acquired several property management companies (Note 19). Total identifiable net assets of these companies acquired as at their respective acquisition dates amounted to approximately RMB65,414,000, including identified property management contracts and customer relationships of approximately RMB58,680,000 recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

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

(ii) Insurance brokerage license

During the six months ended 30 June 2020, the Group acquired an insurance brokerage company (Note 19). Total identifiable net assets of the company acquired as at its acquisition date amounted to approximately RMB66,448,000, including identified insurance brokerage license of approximately RMB28,663,000 recognised by the Group. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

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

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

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

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

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

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

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

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

13. Trade and other receivables

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

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

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

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

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

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

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

14. Financial assets at fair value through profit or loss

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

(i) The Group invested in various wealth management products. These products have a term of 8 to 12 months. They have an expected return rate ranging from 8.6% to 10.0%. The fair values of these investments were determined based on the expected return as stipulated in relevant contracts with the counterparties. The significant unobservable input for the fair value measurement is the expected annual return rate. The higher the expected annual return rate, the higher the fair value.

(ii) In June 2020, the Group acquired 3.53% of equity interest in Hopefluent Group Holdings Limited ("**Hopefluent**"), which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The fair value of this investment was determined based on the stock price of the ordinary shares of Hopefluent.

(iii) This represented the Group's investment in a close-ended fund. The fair value of this investment was determined based on the valuation report provided by the fund manager.

15. Share capital and share premium

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

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

16. Trade and other payables

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade payables (a)		
— Related parties	**21,876**	14,240
— Third parties	**1,983,288**	1,465,991
	2,005,164	1,480,231
Other payables		
— Deposits	**705,054**	608,731
— Temporary receipts from properties owners	**1,009,006**	804,851
— Outstanding considerations payable for business combinations	**218,967**	293,177
— Payables for transaction costs related to the issue of convertible bonds (Note 17)	**32,857**	—
— Accruals and others	**243,665**	306,055
	2,209,549	2,012,814
Dividend payables	**416,944**	—
Payroll payables	**658,814**	1,038,683
Other taxes payables	**172,092**	158,305
	5,462,563	4,690,033

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

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

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

17. Convertible bonds

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

The convertible bonds recognised are calculated as follows:

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

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

The convertible bonds were guaranteed by the Company.

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

18. Transaction with non-controlling interests

Acquisition of additional interests in a subsidiary

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

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

19. Business combinations

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

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

	Jinchen	Wenjin	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total purchase considerations				
— Fixed cash considerations	**200,768**	**84,113**	**13,823**	**298,704**
Settled up to 30 June 2020	**160,614**	**84,113**	**11,083**	**255,810**
Outstanding as at 30 June 2020	**40,154**	**—**	**2,740**	**42,894**
— Estimated contingent cash consideration	**40,568**	**—**	**—**	**40,568**
	241,336	**84,113**	**13,823**	**339,272**

Total recognised amounts of identifiable assets acquired and liabilities assumed are as follows:

	Jinchen	Wenjin	Others	Total
— Property, plant and equipment	**736**	**16**	**2,162**	**2,914**
— Property management contracts and customer relationships (Note 12)	**56,627**	**—**	**2,053**	**58,680**
— Insurance brokerage license (Note 12)	**—**	**28,663**	**—**	**28,663**
— Other intangible assets (Note 12)	**—**	**21**	**—**	**21**
— Trade and other receivables	**42,572**	**2,478**	**47,453**	**92,503**
— Deferred income tax assets	**266**	**717**	**1,375**	**2,358**
— Inventories	**—**	**—**	**357**	**357**
— Cash and cash equivalents	**48,421**	**38,285**	**13,837**	**100,543**
— Restricted bank deposits	**—**	**5,000**	**—**	**5,000**
— Contract liabilities	**(14,399)**	**—**	**(11,001)**	**(25,400)**
— Trade and other payables	**(54,986)**	**(1,566)**	**(52,614)**	**(109,166)**
— Current income tax liabilities	**(2,793)**	**—**	**(156)**	**(2,949)**
— Deferred income tax liabilities	**(14,157)**	**(7,166)**	**(339)**	**(21,662)**
Total identifiable net assets	**62,287**	**66,448**	**3,127**	**131,862**
Non-controlling interests	**—**	**—**	**(705)**	**(705)**
Goodwill	**179,049**	**17,665**	**11,401**	**208,115**
	241,336	**84,113**	**13,823**	**339,272**
Outflow of cash to acquire business, net of cash acquired:				
— Partial settlement of cash considerations	**160,614**	**84,113**	**11,083**	**255,810**
— Cash and cash equivalents in the subsidiaries acquired	**(48,421)**	**(38,285)**	**(13,837)**	**(100,543)**
Net cash outflow on acquisitions	**112,193**	**45,828**	**(2,754)**	**155,267**

(a) Intangible assets including identified property management contracts and customer relationships of approximately RMB58,680,000 and insurance brokerage license of approximately RMB28,663,000 in relation to the acquisitions have been recognised by the Group respective (Note 12).

(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 acquired businesses contributed total revenues of RMB41,763,000 and net profits of RMB3,115,000 to the Group for the period from their respective acquisition dates to 30 June 2020. Had these companies been consolidated from 1 January 2020, the consolidated statements of comprehensive income would show pro-forma revenue of RMB6,415,905,000 and net profit of RMB1,342,133,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

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

Property Management Services

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

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

Community Value-added Services

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

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

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

Value-added Services for Non-property Owners

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

The "Three Supplies and Property Management" Businesses

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

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

PROSPECTS AND FUTURE PLANS

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

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

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

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

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

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

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

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

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

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

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

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

Material acquisitions

The Group currently has a large area of reserved GFA and is well positioned to have access to acquire GFA. Since the listing, the Company has been closely focusing on the merger and acquisition opportunities in the market and prudently assessing the matching degree of each project with the existing businesses of the Company and their potential profitability. During the Period, we completed several material equity acquisitions (details are set out in note 19 to the Interim Financial Information). The acquisitions will enable CG Services to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

FINANCIAL REVIEW

Revenue

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

(1) Property management services

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

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

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

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

(2) Community value-added services

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

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

(a) During the Period, the revenue from housekeeping services increased by approximately 29.6% to approximately RMB113.9 million from approximately RMB87.9 million for the six months ended 30 June 2019.

(b) During the Period, the revenue from turn-key furnishing and move-in services increased by approximately 213.5% to approximately RMB123.5 million from approximately RMB39.4 million for the six months ended 30 June 2019.

(c) During the Period, the revenue from community media services increased by approximately 98.2% to approximately RMB65.0 million from approximately RMB32.8 million for the six months ended 30 June 2019.

(d) During the Period, the revenue from value-added innovations services increased by approximately 375.5% to approximately RMB172.6 million from approximately RMB36.3 million for the six months ended 30 June 2019.

(e) During the Period, the revenue from real estate brokerage services decreased by approximately 6.5% to approximately RMB64.3 million from approximately RMB68.8 million for the six months ended 30 June 2019.

(f) During the Period, the revenue from community area services increased by approximately 50.7% to approximately RMB63.3 million from approximately RMB42.0 million for the six months ended 30 June 2019.

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

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

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

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

(4) Three Supplies and Property Management Businesses

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

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

Costs

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

Gross Profit and Gross Profit Margin

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

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

(i) Property management services

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

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

(ii) Community value-added services

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

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

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

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

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

(iv) Three Supplies and Property Management Business

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

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

Selling and Marketing Expenses

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

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

General and Administrative Expenses

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

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

Other Income

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

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

Other Gains — Net

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

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

Finance Income — Net

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

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

Income Tax Expense

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

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

Profit for the Period

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

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

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

Property, Plant and Equipment

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

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

Intangible Assets

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

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

Trade and Other Receivables

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

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

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

Financial Assets at Fair Value through Profit or Loss

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

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

Contract Liabilities

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

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

Trade and Other Payables

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

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

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

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

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

Capital management

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

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

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

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

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

Liquidity, Financial and Capital Resources

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

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

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

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

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

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

Key Risk Factors and Uncertainties

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

Industry Risk

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

Business Risk

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

Foreign Exchange Risk

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

Employees and Remuneration Policies

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

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

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

Employee Training and Development

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

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

Charge on Assets

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

Contingent Liabilities

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

INTERIM DIVIDENDS

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

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

MAJOR EVENTS DURING THE PERIOD

Elevators installation and other services framework agreement

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

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

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

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

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

Acquisition of approximately 3.53% equity interest in Hopefluent

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

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

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

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

Issue of convertible bonds under general mandate

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

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

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

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

The gross proceeds from the issue of the Bonds is HK$3,875 million. The net price per Conversion Share is estimated to be approximately HK$39.28. The Company intends to use the net proceeds for potential future mergers and acquisitions, strategic investments, working capital and general corporate purposes. The Listing Committee of the Stock Exchange has approved the listing and dealing of Conversion Shares and the Bonds have listed and quoted on the Singapore Exchange ("**SGX**"), and its offering circular is available on the website of the SGX. Please refer to the announcements of the Company dated 27 April 2020, 28 April 2020 and 1 June 2020 for further details.

EVENTS AFTER THE PERIOD

The acquisition of 100% equity interest in City-Media

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

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

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

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

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

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

PRE-LISTING SHARE OPTION SCHEME

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

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

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

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

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

Notes:

(1) Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the auditors' report of the Company for the relevant financial year was issued. (a) For the purpose of the financial year in which the Shares were listed on the Main Board of the Stock Exchange on the Listing Date, 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees; (b) for the financial year immediately following the Listing Date, 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees; and (c) for the second financial year following the Listing Date, 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees.

(2) The closing price of the Shares immediately preceding the grant date of 21 May 2018 is not applicable as the Shares were listed on the Main Board of the Stock Exchange on 19 June 2018.

(3) The expense of share options charged to profit or loss during the six months ended 30 June 2020 was approximately RMB3.4 million (2019: RMB7.2 million). The relevant accounting policy is depicted in Note 2.20 'Share-based payments' of the notes to the consolidated financial statements of the 2019 annual report of the Company published on 21 April 2020.

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgyfw.com). The Company's 2020 interim report will be despatched to the shareholders based on the means of receipt and election of language selected by the shareholders of the Company and published on the websites of the Stock Exchange and the Company on or before 30 September 2020.

ACKNOWLEDGMENTS

The Company would like to express our deepest gratitude to the Board, the management of the Group and all employees for their hard work, loyal service and contribution. We also thank our shareholders, property owners and customers, governments, suppliers, business partners and professional consultants for their continuous support to the Group.

By Order of the Board
Country Garden Services Holdings Company Limited
LI Changjiang
Executive Director

Hong Kong, 26 August 2020

As of the date of this announcement, the Executive Directors are Mr. LI Changjiang, Mr. XIAO Hua and Mr. GUO Zhanjun. The Non-executive Directors are Ms. YANG Huiyan (Chairman), Mr. YANG Zhicheng and Ms. WU Bijun. The Independent non-executive Directors are Mr. MEI Wenjue, Mr. RUI Meng and Mr. CHEN Weiru.

** For identification purpose only*