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碧桂园服务
COUNTRY GARDEN SERVICES

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 2021

FINANCIAL HIGHLIGHTS

— The revenue of the Group for the Period increased from approximately RMB6,271.3 million for the same period in 2020 to approximately RMB11,559.8 million, representing an increase of approximately 84.3%.

— The gross profit of the Group for the Period increased from approximately RMB2,332.5 million for the same period in 2020 to approximately RMB3,859.7 million, representing an increase of approximately 65.5%. Gross profit margin decreased by 3.8 percentage points to approximately 33.4% from approximately 37.2% for the same period in 2020. The decrease in gross profit margin was mainly due to the accidental factors such as the consolidation of city services and the cancellation of the preferential policy for exemption and reduction of social security contributions due to COVID-19 outbreak. Excluding the factors of the city services segment and the commercial operational services business segment newly added in the Period, gross profit margin would decrease by 1.1 percentage points to approximately 36.2% from approximately 37.3% for the same period in 2020.

— During the Period, the percentage of general and administrative expenses of the Group increased by 0.3 percentage points to approximately 10.6% compared to approximately 10.3% for the same period in 2020. Excluding share-based payment expenses, the percentage of general and administrative expenses would decrease by 0.6 percentage points to approximately 9.7% compared to approximately 10.3% for the same period in 2020.

— The net profit of the Group for the Period increased from approximately RMB1,335.2 million for the same period in 2020 to approximately RMB2,226.2 million, representing an increase of approximately 66.7%.

— During the Period, the profit attributable to the owners of the Company increased from approximately RMB1,314.8 million for the same period in 2020 to approximately RMB2,113.0 million, representing an increase of approximately 60.7%.

— During the Period, the basic earnings per share increased from approximately RMB48.26 cents for the same period in 2020 to approximately RMB69.87 cents, representing an increase of approximately 44.8%.

— During the Period, the diluted earnings per share increased from approximately RMB48.16 cents for the same period in 2020 to approximately RMB69.81 cents, representing an increase of approximately 45.0%.

— As at 30 June 2021, the total bank deposits and cash of the Group were approximately RMB21,938.0 million (31 December 2020: approximately RMB15,341.5 million).

— As at 30 June 2021, the revenue-bearing gross floor area ("**GFA**") of the property services of the Group was approximately 644.0 million sq.m. and our contracted GFA was approximately 1,205.0 million sq.m.. Among which, (i) the revenue-bearing GFA of the property management business segment (excluding that of Justbon Services, a subsidiary of the Group) increased by approximately 51.8 million sq.m. from approximately 377.3 million sq.m. as at 31 December 2020 to approximately 429.1 million sq.m., and its contracted GFA increased by approximately 80.2 million sq.m. from approximately 820.5 million sq.m. as at 31 December 2020 to approximately 900.7 million sq.m.; (ii) the revenue-bearing GFA and contracted GFA of the property services under the "Three Supplies and Property Management" businesses were both approximately 85.2 million sq.m.; (iii) the Group completed the acquisition of Justbon Services on 30 June 2021 (the date of consolidation). The results of Justbon Services will be consolidated into the Group since the date of consolidation. The revenue-bearing GFA of the property services of Justbon Services was approximately 129.7 million sq.m., with contracted GFA of approximately 219.1 million sq.m..

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 2021 (the "**Period**") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2021**	2020
		RMB'000	*RMB'000*
Revenue	*5*	**11,559,848**	6,271,278
Cost of services	*7*	**(7,603,528)**	(3,873,802)
Cost of sales of goods	*7*	**(96,581)**	(64,929)
Gross profit		**3,859,739**	2,332,547
Selling and marketing expenses	*7*	**(104,494)**	(46,942)
General and administrative expenses	*7*	**(1,224,005)**	(646,436)
Net impairment losses on financial assets	*7*	**(35,611)**	(34,981)
Other income		**90,587**	44,170
Other gains — net	*6*	**424,754**	108,724
Operating profit		**3,010,970**	1,757,082
Finance income	*8*	**53,245**	71,687
Finance costs	*8*	**(69,537)**	(20,686)
Finance (costs)/income — net	*8*	**(16,292)**	51,001
Share of results of investments accounted for using the equity method		**5,849**	5,706
Profit before income tax		**3,000,527**	1,813,789
Income tax expense	*9*	**(774,302)**	(478,543)
Profit for the period		**2,226,225**	1,335,246

	Note	Unaudited Six months ended 30 June 2021 RMB'000	2020 RMB'000
Profit attributable to:			
— Owners of the Company		**2,113,001**	1,314,838
— Non-controlling interests		**113,224**	20,408
		2,226,225	1,335,246
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Currency translation differences		**(80,921)**	(441)
Total other comprehensive income for the period, net of tax		**(80,921)**	(441)
Total comprehensive income for the period		**2,145,304**	1,334,805
Total comprehensive income attributable to:			
— Owners of the Company		**2,032,080**	1,314,397
— Non-controlling interests		**113,224**	20,408
		2,145,304	1,334,805
Earnings per share attributable to the owners of the Company			
(expressed in RMB cents per share)			
— Basic	*10*	**69.87**	48.26
— Diluted	*10*	**69.81**	48.16

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited At 30 June 2021** *RMB'000*	Audited At 31 December 2020 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,050,230**	1,249,074
Right-of-use assets		**180,129**	130,360
Investment properties		**1,008,752**	—
Intangible assets	*12*	**13,130,995**	6,176,273
Investments accounted for using the equity method		**316,350**	312,220
Financial assets at fair value through other comprehensive income		**914,419**	9,950
Contract assets		**344,066**	—
Deferred income tax assets		**129,237**	37,957
		17,074,178	7,915,834
Current assets			
Inventories		**155,487**	136,911
Trade and other receivables	*13*	**9,400,466**	5,243,515
Financial assets at fair value through profit and loss	*14*	**3,023,190**	2,566,122
Restricted bank deposits		**170,170**	126,271
Cash and cash equivalents		**21,767,798**	15,215,224
		34,517,111	23,288,043
Total assets		**51,591,289**	31,203,877
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*15*	**21,029,825**	8,361,602
Other reserves		**770,756**	917,351
Retained earnings		**6,696,719**	5,286,787
		28,497,300	14,565,740
Non-controlling interests		**2,002,838**	1,593,298
Total equity		**30,500,138**	16,159,038

	Note	Unaudited At 30 June 2021 RMB'000	Audited At 31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		**295,669**	247,584
Lease liabilities		**951,083**	54,582
Deferred income tax liabilities		**1,136,192**	509,876
		2,382,944	812,042
Current liabilities			
Contract liabilities		**3,076,856**	2,581,933
Trade and other payables	*16*	**10,375,751**	7,475,622
Current income tax liabilities		**680,813**	553,601
Convertible bonds	*17*	**4,071,957**	3,202,538
Bank and other borrowings		**364,557**	361,815
Lease liabilities		**138,273**	57,288
		18,708,207	14,232,797
Total liabilities		**21,091,151**	15,044,839
Total equity and liabilities		**51,591,289**	31,203,877

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

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

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

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

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

This interim financial information for the six months ended 30 June 2021 ("**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 2020 ("**2020 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 2020 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for reporting period commencing on or after 1 January 2021 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 2021 did not have a material impact to the Group.

(b) Except for Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, 'Interest rate benchmark reform — phase 2', which become effective this period, new and revised standards and amendments to existing standards that have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19 — related rent concessions beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Annual Improvements	Annual improvements to HKFRS Standards 2018-2020 cycle	1 January 2022

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

None of these is expected to have a significant impact on the Group's accounting policies except for HKFRS 17. The Group will assess the impact of HKFRS 17 on the Group's accounting policies.

(c) Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both and are not occupied by the Group. Commercial properties held under leases held for rental yields and are not occupied by the Group are recognised as investment properties.

The Group measured its investment properties at cost, including related transaction costs and where applicable borrowing costs. Depreciation is calculated using the straight-line method to allocate their cost over their useful life or lease term varying from 2 to 20 years.

4. Judgements and estimates

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 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.

In previous years, the Group was principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and 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**") and city services in the PRC. The CODM of the Company regarded that there were three operating segments which were used to make strategic decisions.

During the current period, the Group commenced commercial operational services, providing shopping malls, community merchants, characteristic cultural tourism and quality offices with full-chain services such as business planning consultation, investment promotion, operation and planning services. The operating results of the commercial operational services is included in the reports reviewed by the CODM for performance evaluation and resources allocation purposes.

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

— Three Supplies and Property Management;

— City services business, which include sanitation, cleaning and sewage and waste treatment business; and

— Commercial operational services

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

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, intangible assets, investments accounted for using the equity method, contract assets, inventories, receivables, and operating cash. They exclude deferred income tax assets, financial assets at fair value through other comprehensive income 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, bank and other borrowings and dividend payables.

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

Revenue mainly comprises of proceeds from provision of property management and related services, Three Supplies and Property Management, city services and commercial operational services. An analysis of the Group's revenue by category for the six months ended 30 June 2021 and 2020 was as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue from property management and related services other than Three Supplies and Property Management businesses		
— Property management services	**5,172,302**	3,962,006
— Community value-added services	**1,398,273**	602,616
— Value-added services to non-property owners	**1,058,259**	674,377
— Other services	**112,037**	71,831
	7,740,871	5,310,830
Revenue from Three Supplies and Property Management businesses		
— Property management and other related services	**924,348**	266,177
— Heat supply services	**659,552**	656,927
	1,583,900	923,104
Revenue from city services business	**2,095,043**	37,344
Revenue from commercial operational services	**140,034**	—
	11,559,848	6,271,278

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 2021 and 2020.

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.

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

	Six months ended 30 June 2021				
	Property management and related services other than Three Supplies and Property Management	**Three Supplies and Property Management**	**City services business**	**Commercial operational services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers					
Total segment revenue	**7,740,871**	**1,583,900**	**2,130,868**	**140,034**	**11,595,673**
Less: inter-segment revenue	**—**	**—**	**(35,825)**	**—**	**(35,825)**
Revenue from external customers	**7,740,871**	**1,583,900**	**2,095,043**	**140,034**	**11,559,848**
Timing of revenue recognition:					
Recognised over time	**7,579,069**	**1,566,965**	**2,075,812**	**140,034**	**11,361,880**
Recognised at a point time	**161,802**	**16,935**	**19,231**	**—**	**197,968**
	7,740,871	**1,583,900**	**2,095,043**	**140,034**	**11,559,848**
Segment results	**2,423,049**	**6,041**	**324,617**	**52,276**	**2,805,983**
Share of results of investments accounted for using the equity method	**4,369**	**1,288**	**192**	**—**	**5,849**
Depreciation and amortisation charges	**260,156**	**24,554**	**117,630**	**18,352**	**420,692**
Net impairment losses on financial assets	**21,946**	**4,430**	**7,914**	**1,321**	**35,611**
Capital expenditure	**178,295**	**30,373**	**42,659**	**967,264**	**1,218,591**

	As at 30 June 2021				
	Property management and related services other than Three Supplies and Property Management	**Three Supplies and Property Management**	**City services business**	**Commercial operational services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**40,268,965**	**2,475,575**	**3,579,750**	**1,200,153**	**47,524,443**
Investments accounted for using the equity method	**213,283**	**94,148**	**8,919**	**—**	**316,350**
Segment liabilities	**9,689,873**	**1,782,690**	**1,238,773**	**1,127,136**	**13,838,472**

	Six months ended 30 June 2020				
	Property management and related services other than Three Supplies and Property Management	Three Supplies and Property Management	City services business	Commercial operational services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers					
Total segment revenue	5,310,830	923,104	37,344	—	6,271,278
Less: inter-segment revenue	—	—	—	—	—
Revenue from external customers	5,310,830	923,104	37,344	—	6,271,278
Timing of revenue recognition:					
Recognised over time	5,237,703	923,104	37,344	—	6,198,151
Recognised at a point time	73,127	—	—	—	73,127
	5,310,830	923,104	37,344	—	6,271,278
Segment results	1,678,263	2,323	3,444	—	1,684,030
Share of results of investments accounted for using the equity method	5,706	—	—	—	5,706
Depreciation and amortisation charges	90,333	19,647	237	—	110,217
Net impairment losses on financial assets	32,527	2,428	26	—	34,981
Capital expenditure	69,639	4,939	84	—	74,662

	As at 31 December 2020				
	Property management and related services other than Three Supplies and Property Management	Three Supplies and Property Management	City services business	Commercial operational services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	22,633,310	2,756,454	3,200,084	—	28,589,848
Investments accounted for using the equity method	198,728	103,651	9,841	—	312,220
Segment liabilities	6,894,126	2,047,240	1,228,059	—	10,169,425

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Segment results	**2,805,983**	1,684,030
Realised and unrealised gains from financial assets at fair value through profit and loss	**210,836**	78,758
Finance (costs)/income — net	**(16,292)**	51,001
Profit before income tax	**3,000,527**	1,813,789

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

	At 30 June 2021	At 31 December 2020
	RMB'000	*RMB'000*
Segment assets	**47,524,443**	28,589,848
Deferred income tax assets	**129,237**	37,957
Financial assets at fair value through other comprehensive income	**914,419**	9,950
Financial assets at fair value through profit and loss	**3,023,190**	2,566,122
Total assets	**51,591,289**	31,203,877

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

	At 30 June 2021	At 31 December 2020
	RMB'000	*RMB'000*
Segment liabilities	**13,838,472**	10,169,425
Convertible bonds	**4,071,957**	3,202,538
Dividend payables (note 16)	**703,491**	—
Deferred income tax liabilities	**1,136,192**	509,876
Current income tax liabilities	**680,813**	553,601
Bank and other borrowings	**660,226**	609,399
Total liabilities	**21,091,151**	15,044,839

6. Other gains — net

	Six months ended 30 June 2021	2020
	RMB'000	*RMB'000*
Realised and unrealised gains from financial assets at fair value through profit or loss	**210,836**	78,758
Net foreign exchange gains	**206,403**	26,906
Gains on disposal of property, plant and equipment	**9,668**	426
Gains on early termination of lease contracts	**481**	77
Others	**(2,634)**	2,557
	424,754	108,724

7. Expenses by nature

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Employee benefit expenses	**4,164,154**	2,159,971
Cleaning expenses	**1,451,045**	832,291
Heat supply costs	**632,789**	588,740
Depreciation and amortisation charges	**420,692**	110,217
Maintenance expenses	**416,160**	199,991
Utilities	**365,077**	187,376
Greening and gardening expenses	**224,856**	135,551
Security expenses	**343,194**	134,823
Construction costs for contractual service concession arrangements	**304,483**	—
Rental expenses for short-term leases	**103,346**	34,546
Professional service fees	**99,100**	12,722
Cost of sales of goods	**96,581**	64,929
Travelling and entertainment expenses	**78,462**	20,893
Office and communication expenses	**76,403**	47,879
Transportation expenses	**72,277**	30,635
Net impairment losses on financial assets	**35,611**	34,981
Bank charges	**51,111**	19,842
Other taxes and surcharges	**44,149**	30,062
Community activities expenses	**20,115**	12,093
Other expenses	**64,614**	9,548
	9,064,219	4,667,090

8. Finance (costs)/income — net

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Finance income:		
Interest income on bank deposits	**53,245**	71,687
Finance costs:		
Borrowing costs on convertible bonds	**(50,463)**	(18,762)
Interest expense on lease liabilities	**(11,414)**	(1,924)
Interest expense on bank and other borrowings	**(7,660)**	—
	(69,537)	(20,686)
Finance (costs)/income — net	**(16,292)**	51,001

9. Income tax expense

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current income tax — PRC	**763,253**	442,044
Deferred income tax		
Corporate income tax	**(15,699)**	2,785
Withholding income tax on profits to be distributed in future	**26,748**	33,714
	11,049	36,499
	774,302	478,543

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	
	2021	2020
Profit attributable to the owners of the Company (RMB'000)	**2,113,001**	1,314,838
Weighted average number of ordinary shares in issue (thousands shares)	**3,024,207**	2,724,678
Basic earnings per share (RMB cents)	**69.87**	48.26

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the share option schemes and convertible bonds (Note 17). For the share option schemes, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. For the convertible bonds, they are assumed to have been converted into ordinary shares. Borrowing costs savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the conversion of convertible bonds.

	Six months ended 30 June	
	2021	2020
Profit attributable to the owners of the Company (RMB'000)	**2,113,001**	1,314,838
Borrowing costs on convertible bonds (RMB'000)	**9,676**	—
Profit attributable to the owners of the Company used to determine diluted earnings per share (RMB'000)	**2,122,677**	1,314,838
Weighted average number of ordinary shares in issue (thousands shares)	**3,024,207**	2,724,678
Adjustments — share options and convertible bonds (thousands shares)	**16,269**	5,664
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	**3,040,476**	2,730,342
Diluted earnings per share (RMB cents)	**69.81**	48.16

11. Dividends

The final dividend in respect of 2020 of RMB21.87 cents (equivalent to HKD26.58 cents) per share, totalling RMB703,069,000 approved at the Annual General Meeting on 28 May 2021 and has been partly settled in new shares of the Company and partly paid in cash in August 2021. The number of ordinary shares settled and issued as scrip dividends was 394,682 and the total amount of dividend paid as scrip dividends was RMB25,778,000 while cash dividend amounted to RMB677,291,000.

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

12. Intangible assets

	Software	Contracts and customer relationships	Insurance brokerage license	Brand	Concession intangible assets	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(a)		*(a)*		*(b) & (c)*	
Six months ended 30 June 2021							
Opening net book amount	**71,105**	**1,436,256**	**27,220**	**185,664**	**94,115**	**4,361,913**	**6,176,273**
Acquisition of subsidiaries (Note 18)	**76,581**	**688,209**	**—**	**1,319,904**	**—**	**5,009,685**	**7,094,379**
Other additions	**16,280**	**—**	**—**	**—**	**1,854**	**—**	**18,134**
Amortisation	**(6,255)**	**(127,768)**	**(1,237)**	**(15,472)**	**(7,059)**	**—**	**(157,791)**
Closing net book amount	**157,711**	**1,996,697**	**25,983**	**1,490,096**	**88,910**	**9,371,598**	**13,130,995**
Six months ended 30 June 2020							
Opening net book amount	44,952	341,566	—	—	—	1,217,335	1,603,853
Acquisition of subsidiaries	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

(a) Contracts and customer relationships and brand

During the six months ended 30 June 2021, the Group acquired several property management companies (Note 18). Total identifiable net assets of these companies acquired as at their respective acquisition dates amounted to approximately RMB2,650,138,000, including identified property management contracts and customer relationships of approximately RMB688,209,000 and brand of approximately RMB1,319,904,000 recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

Gross profit margin	25.54%
Earnings before interest, taxes, depreciation and amortisation margin ("**EBITDA margin**")	11.40%
Post-tax discount rate	13.50%
Expected useful lives	6 years

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

Gross profit margin	27.37%
EBITDA margin	13.28%
Post-tax discount rate	13.00%
Expected useful lives	12 years

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

As there were no indicators for impairment of the cash-generating units ("**CGUs**") of the subsidiaries acquired in prior years as at 30 June 2021, management has not updated any impairment calculations.

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

Goodwill of RMB5,009,685,000 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 rate during the projection period	9.00%
Gross profit margin during the projection period	27.54%
EBITDA margin during the projection period	13.28%
Terminal growth rate	3.00%
Pre-tax discount rate	15.66%

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 2021.

13. Trade and other receivables

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Trade receivables (a)		
— Related parties	**140,469**	179,157
— Third parties	**6,641,151**	4,204,856
	6,781,620	4,384,013
Less: allowance for impairment of trade receivables	**(170,409)**	(147,600)
	6,611,211	4,236,413
Other receivables		
— Payments on behalf of property owners	**160,151**	184,216
— Deposits	**287,910**	208,380
— Loans to third parties pledged by equities	**732,982**	—
— Others	**677,729**	235,652
	1,858,772	628,248
Less: allowance for impairment of other receivables	**(26,771)**	(13,969)
	1,832,001	614,279
Prepayments to suppliers	**804,917**	308,913
Prepayments for tax	**152,337**	83,910
	9,400,466	5,243,515

As at 30 June 2021 and 31 December 2020, trade and other receivables were mainly denominated in RMB, and the fair value of trade and other receivables approximated their carrying amounts.

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

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

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

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
0 to 180 days	**5,988,148**	3,875,283
181 to 365 days	**495,882**	251,578
1 to 2 years	**183,238**	155,347
2 to 3 years	**63,982**	58,940
Over 3 years	**50,370**	42,865
	6,781,620	4,384,013

14. Financial assets at fair value through profit or loss

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Wealth management products (a)	**2,432,138**	2,069,730
Investment in a close-ended fund (b)	**527,128**	463,365
Others	**63,924**	33,027
	3,023,190	2,566,122

(a) The Group invested in various wealth management products. These products have a term of 12 months. They have an expected return rate ranging from 6.0% to 10.6%. The fair values of these investments were determined based on the expected return as stipulated in relevant contracts with the counterparties.

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

15. Share capital and share premium

	Note	Number of shares	Nominal value of shares	Equivalent nominal value of shares	Share premium	Total
				RMB'000	*RMB'000*	*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, 1 January 2021 and 30 June 2021		10,000,000,000	1,000,000			
At 1 January 2020		2,710,893,800	271,089	1,728	1,755,190	1,756,918
Employee share scheme — exercise of option		42,646,000	4,265	30	69,181	69,211
At 30 June 2020		2,753,539,800	275,354	1,758	1,824,371	1,826,129
At 1 January 2021		**2,932,373,600**	**293,237**	**1,875**	**8,359,727**	**8,361,602**
Employee share scheme — exercise of option	(a)	**54,955,400**	**5,496**	**35**	**792,208**	**792,243**
Placing of shares	(b)	**139,380,000**	**13,938**	**89**	**8,538,294**	**8,538,383**
Conversion of convertible bonds	17	**97,656,221**	**9,766**	**63**	**3,337,534**	**3,337,597**
At 30 June 2021		**3,224,365,221**	**322,437**	**2,062**	**21,027,763**	**21,029,825**

(a) During the six months ended 30 June 2021, the Company issued 34,050,600 and 5,833,800 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 HKD37,491,000 (equivalent to approximately RMB31,378,000) in total; in addition, the related share-based payments reserve of RMB12,404,000 was transferred to the share premium account as a result of the above exercise of the options.

During the six months ended 30 June 2021, the Company issued 15,071,000 shares as a result of the exercise of share options by certain directors and other eligible participants, respectively, which were granted under the share option scheme adopted by the Company in 2020, and raised net proceeds of approximately HKD754,605,000 (equivalent to approximately RMB624,687,000) in total; in addition, the related share-based payments reserve of RMB123,774,000 was transferred to the share premium account as a result of the above exercise of the options.

(b) On 24 May 2021, the Company issued 139,380,000 shares at a subscription price of HKD75.25 per share and raised net proceeds of approximately HKD10,424,100,000 (equivalent to approximately RMB8,538,383,000) under a private placement.

16. Trade and other payables

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Trade payables (a)		
— Related parties	**45,212**	20,740
— Third parties	**2,620,366**	2,152,410
	2,665,578	2,173,150
Other payables		
— Deposits	**1,101,958**	881,459
— Temporary receipts from properties owners	**2,026,577**	1,001,916
— Outstanding considerations payable for business combinations	**1,536,321**	1,079,367
— Payables for transaction costs related to the issue of convertible bonds	**28,817**	—
— Accruals and others	**661,006**	586,533
	5,354,679	3,549,275
Dividend payables	**703,491**	—
Payroll payables	**1,341,632**	1,464,830
Other taxes payables	**310,371**	288,367
	10,375,751	7,475,622

As at 30 June 2021 and 31 December 2020, the carrying amounts of trade and other payables approximated their fair values.

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

	At 30 June 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Up to 1 year	**2,608,535**	2,117,199
1 to 2 years	**41,583**	44,902
2 to 3 years	**9,596**	7,082
Over 3 years	**5,864**	3,967
	2,665,578	2,173,150

17. Convertible bonds

(a) During the six months ended 30 June 2021, all of the convertible bonds issued in 2020 were converted into the Company's shares at the conversion price of HKD39.68 per share and cancelled upon the exercise of the conversion rights by the bondholders. As a result, a total number of 97,656,221 shares of the Company were issued and credited as fully paid.

(b) On 24 May 2021, a wholly owned subsidiary of the Company, Best Path Global Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and Morgan Stanley & Co. International plc as the managers entered into a subscription agreement for HKD-settled zero coupon convertible bonds in an aggregate principal amount of HKD5,038,000,000 (equivalent to approximately RMB4,143,251,000) due 1 June 2022, with an initial conversion price of HKD97.83 per share. On 3 June 2021 (the "Issue Date"), the convertible bonds were issued. The net proceeds from the issue of the convertible bonds were approximately RMB4,114,311,000, after the deduction of transaction costs approximately RMB28,940,000. The initial value of the liability component of approximately RMB4,014,946,000 (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:

	At 30 June 2021 *RMB'000*
Face value of the convertible bonds on the Issue Date	**4,143,251**
Less: transaction costs	**(28,940)**
Net proceeds	**4,114,311**
Less: equity component	**(99,365)**
Liability component on initial recognition	**4,014,946**
Currency translation differences	**47,335**
Borrowing costs accrued	**9,676**
Liability component at 30 June 2021	**4,071,957**

Borrowing costs on the liability component of the convertible bonds were calculated using the effective interest method, applying the effective interest rate of 3.10% per annum.

The convertible bonds were guaranteed by the Company.

Up to 30 June 2021, there has been no conversion or redemption of the convertible bonds.

18. Business combinations

As at 30 June 2021, the Group has acquired 94.62% equity interest in Sichuan Languang Justbon Services Group Company Limited ("四川藍光嘉寶服務集團股份有限公司") ("Justbon Services") from third parties at a fixed cash consideration of RMB7,224,843,000. The Group also acquired several other property management companies from third parties during the period at an aggregate fixed cash considerations of RMB137,906,000. 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:

	Justbon Services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Total purchase considerations			
— Cash considerations	**7,224,843**	**137,906**	**7,362,749**
Settled up to 30 June 2021	**6,709,558**	**—**	**6,709,558**
Outstanding as at 30 June 2021	**515,285**	**137,906**	**653,191**
	7,224,843	**137,906**	**7,362,749**

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

	Justbon Services *RMB'000*	Others *RMB'000*	Total *RMB'000*
— Property, plant and equipment	**58,901**	**5,438**	**64,339**
— Right-of-use assets	**12,155**	**796**	**12,951**
— Investment properties	**33,068**	**—**	**33,068**
— Intangible assets (Note 12)	**2,084,694**	**—**	**2,084,694**
— Investments accounted for using the equity method	**1,948**	**—**	**1,948**
— Deferred income tax assets	**25,587**	**—**	**25,587**
— Inventories	**18,009**	**333**	**18,342**
— Trade and other receivables	**1,408,859**	**87,913**	**1,496,772**
— Restricted bank deposits	**11,897**	**—**	**11,897**
— Cash and cash equivalents	**1,783,536**	**35,632**	**1,819,168**
— Lease liabilities	**(12,155)**	**(796)**	**(12,951)**
— Deferred income tax liabilities	**(583,398)**	**—**	**(583,398)**
— Contract liabilities	**(598,401)**	**(4,661)**	**(603,062)**
— Trade and other payables	**(1,530,569)**	**(92,011)**	**(1,622,580)**
— Current income tax liabilities	**(96,292)**	**(345)**	**(96,637)**
Total identifiable net assets acquired	**2,617,839**	**32,299**	**2,650,138**
Non-controlling interests	**(293,571)**	**(3,503)**	**(297,074)**
Goodwill (Note 12)	**4,900,575**	**109,110**	**5,009,685**
	7,224,843	**137,906**	**7,362,749**
Outflow of cash to acquire business, net of cash acquired:			
Partial settlement of cash considerations	**6,709,558**	**—**	**6,709,558**
Less: Cash and cash equivalents in the subsidiaries acquired	**(1,783,536)**	**(35,632)**	**(1,819,168)**
Net cash outflow on acquisitions	**4,926,022**	**(35,632)**	**4,890,390**

(a) Intangible assets including identified property management contracts and customer relationships of approximately RMB688,209,000 and brand of approximately RMB1,319,904,000 in relation to the acquisitions have been recognised by the Group respective (Note 12). The fair value of the acquired intangible assets is provisional pending receipt of the final valuations for those assets.

(b) The goodwill arose from the acquisitions was mainly attributable to the expected synergies from combining the operations of the Group and the acquired entities.

(c) The Group recognises the non-controlling interests in each acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

MANAGEMENT DISCUSSION AND ANALYSIS — BUSINESS REVIEW

The Group is a leading integrated service provider in the PRC covering diversified business forms. Our business covers many business forms including residential properties, commercial properties, office buildings, industrial parks, multi-purpose complexes, government buildings, hospitals, schools and other public facilities, such as airport terminals, highway service stations and cultural scenic areas. We have won industry-leading customer satisfaction and brand reputation with quality services, as well as gained high recognition in the industry. We have won authoritative awards including "No. 1", "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 "Top 100 Property Management Companies in China in 2021" (2021年中國物業服務百強企業) granted by China Index Academy; "Top 1 among Listed Service Companies in China in 2021" (2021年中國上市服務企業TOP1) granted by YIHAN (億翰智庫) and Jiahe Jiaye (嘉和家業); and "Leading Company in City Services" (城市服務領先企業) and "Leading Company in Smart Property Services" (智慧物業服務領先企業) in 2020 granted by China Property Management Research Institution. We are highly recognized in the international capital market. We were included in the Hang Seng China Enterprises Index as a constituent on 15 March 2021, in the Hang Seng Index as a constituent on 7 June 2021, and will be formally included in the Hang Seng ESG 50 Index as a constituent on 6 September 2021.

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

Property Management Services

We provide property owners, residents and property developers with a series of property management services, including security, cleaning, green landscaping, gardening, repair and maintenance, and other services. During the Period, the revenue from property management services was approximately RMB5,172.3 million, representing an increase of approximately 30.5% compared to the same period of last year, and its percentage of total revenue decreased to approximately 44.7%. Gross profit margin was 33.6% (As at 30 June 2021, Justbon Services had been included in the scope of consolidation but had not generated consolidated revenue. This business segment excludes the contracted GFA, revenue-bearing GFA and other operating data of its property management services.).

The scale and nationwide geographical coverage of the property management business of the Group continued to expand. As at 30 June 2021, apart from the property management services of the "Three Supplies and Property Management" businesses, our contracted GFA was approximately 900.7 million sq.m., and our revenue-bearing GFA was approximately 429.1 million sq.m.. In addition, both of the revenue-bearing and contracted GFA of the property management services of the "Three Supplies and Property Management" businesses were 85.2 million sq.m.. Our projects cover more than 370 cities in 31 provinces, municipalities, autonomous regions in Mainland China and Hong Kong Special Administrative Region and overseas, with a focus on five key economically developed city clusters, including the Pearl River Delta, the Yangtze River Delta, the middle reaches of the Yangtze River, the Beijing-Tianjin-Hebei Region and the Chengdu-Chongqing Region in China. We manage a total of 3,656 properties and provide property management services to approximately 4.65 million domestic and overseas property owners and merchants.

Property management services are the fundamental business of the Group, and the Group always adheres to high-quality scale expansion. With our extensive management experience, professional service capability and brand strengths, we continued to strengthen market channel expansion and network construction, and focused on key areas and market segments. Our market-oriented ability has been rapidly improved and a number of breakthroughs have been made. For non-residential properties, we successfully won a number of landmark projects, including the headquarters project of The Export-Import Bank of China, being a high-end commercial office building project, and projects for colleges including the Economics and Management School of Wuhan University, Jiamusi University and Shanghai Open University, etc. We continued to expand business in the field of high-speed rail transit hub properties and undertook projects including Lhasa International Airport Terminal 3, Zhengzhou East Station and Xinjiang Express to provide integrated services. We also facilitated the companies acquired or merged to achieve organic growth with brand expansion, and the cluster effect of multi-brand coordinated development of the Group has become evident. During the Period, the Group recorded an incremental contracted GFA of approximately 80.2 million sq.m., of which approximately 55.7% was from third-party expansion. Brand expansion has become an important source of our scale growth. As at 30 June 2021, the Group's contracted GFA was approximately 900.7 million sq.m., of which the contracted GFA from third parties was approximately 293.9 million sq.m., accounting for approximately 32.6% of total contracted GFA, approximately 5.0 percentage points higher than that of the same period in last year.

Community Value-added Services

We are committed to becoming an "integrated whole-cycle community life services operator". By focusing on the family growth cycle of property owners, the property value cycle and the mature development cycle of communities, we strive to provide property owners with comprehensive community life services to meet their needs for asset preservation and appreciation and daily life needs, so as to enable property owners to experience the beauty of property management services. Community value-added services have developed into a new engine driving the continuous healthy growth of the Group. By building a professional team, expanding resource integration capability, collaborating with strong partners from various industries and leveraging our natural advantage as a property management service provider of close proximity to community scenarios and huge traffic, we are promoting the professional and market-oriented development of community value-added services in wider areas across China. During the Period, the Group's revenue from community value-added services was approximately RMB1,398.3 million, representing an increase of approximately 132.0% compared to the same period of last year. Its percentage of total revenue of the Group increased by 2.5 percentage points to approximately 12.1% compared to the same period of last year, and its percentage of gross profit of the Group increased by 7.0 percentage points to approximately 24.0% compared to the same period of last year. Its gross profit margin increased by 0.3 percentage points to approximately 66.2%.

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

The revenue from community media services increased by approximately 551.7% to approximately RMB423.6 million compared to the same period of last year. We strengthened the integration of resources and teams with City-Media and developed integrated community marketing plans. We also provided standardized marketing services for local small- and medium-sized merchants to promote the business scale growth. The revenue from local life services increased by approximately 120.8% to approximately RMB381.1 million compared to the same period of last year. We built a one-quarter convenience life circle. With "Louxia", a convenience service experience center, as community front warehouse to quickly respond to property owners' demand for high-frequency household necessities, we strive to improve the satisfaction of property owners and strengthen their loyalty in consumption. We optimized product mix and tapped into holiday consumption scenes by providing high-quality festive goods favored by customers at New Year Festival, Dragon Boat Festival and Mid-Autumn Festival. The revenue from real estate brokerage services increased by 84.3% to approximately RMB118.5 million compared to the same period of last year. Following a comprehensive brand upgrading, "Youwa" currently operates over 100 shops, with business covering more than 80 cities. Under an innovative management model of "directly-operated shops + partnership shops", it empowers the operation and management of brokerage business and provides quality assurance services for customers' second-hand property trading. The revenue from home decoration services increased by approximately 71.8% to approximately RMB212.2 million compared to the same period of last year. We vigorously developed existing and new markets and strived to create a full closed-loop service chain to meet home decoration needs in terms of new property decoration, second-time decoration of second-hand properties, and renovation for lease and sales. We also worked with outstanding partners in the home decoration industry to build a symbiotic and shared service ecosystem. The revenue from home services increased by approximately 45.9% to approximately RMB166.2 million compared to the same period of last year. We adopted a strategy of mainly self-operation, supplemented by platform, in operation. Through 26 established housekeeping training bases, we continued to improve the skills of housekeeping service personnel to provide property owners with high-quality and professional services.

Value-added Services to Non-Property Owners

During the period, the revenue from value-added services to non-property owners was approximately RMB1,058.3 million, representing an increase of approximately 56.9% compared to the same period of last year and accounting for approximately 9.2% of total revenue of the Group. The value-added services we provide to non-property owners mainly include (i) management consultancy services to property developers for their pre-sale activities, as well as consultancy services for properties managed by other property management companies, (ii) cleaning services, green landscaping, repair and maintenance services to property developers at the pre-delivery stage, (iii) sales and leasing agency services of unsold parking spaces and properties, and (iv) elevator products installation and supporting services and other services.

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. As at 30 June 2021, the revenue-bearing GFA and contracted GFA of the property management services of the "Three Supplies and Property Management" businesses were both approximately 85.2 million sq.m., and the revenue-bearing GFA of the heat supply business was approximately 42.3 million sq.m.. During the Period, the revenue from property management business was approximately RMB924.3 million, and the revenue from heat supply business was approximately RMB659.6 million.

Focusing on the work objective of "1st year stable, 2nd year smooth and 3rd year solid", we continued to promote in-depth integration with our partners and had achieved initial results in terms of operation management, market expansion, quality management, intelligent construction and community value-added services. We jointly promoted the gradual expansion of our business scope to the integrated services provided to office properties, and the plants, industrial parks, oil and gas plants and stations of petroleum and petrochemical enterprises, and the integrated logistics services provided to state-owned enterprises including staff canteens. We supported our partners with Tianshi Cloud digital solutions, covering all aspects of operation, IoT and services. We have established a comprehensive management and control system and security service barrier, realized centralized management, cost reduction and efficiency enhancement, promoted the intelligent upgrading of communities and improved service quality and customer satisfaction. We strengthened cooperation with our partners, focused on key community value-added services including housekeeping services, community retail, advertising media, elderly care and childcare and community tourism, and established a professional service team to provide property owners with convenient, high-quality one-stop life services.

City Services

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

By integrating Country Garden Manguo Environmental Technology Group Co., Ltd. ("**Manguo**") and Fujian Dongfei Environment Group Co., Ltd. ("**Dongfei**"), being companies acquired in 2020, resource sharing, business collaboration and capital integration, we further promoted the large-scale development of city services. As at 30 June 2021, our city services business covered over 150 cities. During the Period, city services recorded revenue of approximately RMB2,095.0 million. The Group's city services business maintained steady growth, and its business types and cooperation methods have gradually become enriched and diversified. We continued to expand municipal sanitation business, and successfully undertook the integrated environmental sanitation project in Lingao County, Hainan Province and sanitation management and protection service projects in Lusigang Town, Qidong, Jiangsu Province, Gonghe Town, Jiangmen, Guangdong Province, Jinrui Town, Yichun, Jiangxi Province, Xi'an Town, Qingyuan, Guangdong Province. We joined hands with Tianjin Binhai New Area and Jinshi, Changde to explore a new model for the transformation and long-term operation of old communities. In addition, we reached strategic cooperation with local governments in more than 10 places, including Ningling County, Henan Province, Yuhui District, Bengbu City, Anhui Province, Suyu District, Suqian City, Jiangsu Province, Shihudang Town, Songjiang District, Shanghai, and Haojiang District, Shantou, to explore ways to boost the high-quality development of cities.

Commercial Operational Services

The Group provides shopping malls, community commerce, office buildings and other projects with full-chain services such as business planning consulting, investment promotion, operation and planning services, mainly including (i) conducting commercial operation and management of the properties owned by leasing developers or property owners; (ii) providing property market research and positioning services at the investment stage of property developers; (iii) providing market research and positioning, business planning consulting, tenant solicitation and opening preparation services to property developers or owners at the preparation stage before the opening of the properties; and (iv) providing tenant solicitation, operation and management services to property owners or tenants at the stage of property operation. During the Period, the Group's commercial operational services segment recorded total revenue of approximately RMB140.0 million.

Since the publication of the Group's annual report for the year ended 31 December 2020, save for the commencement of commercial operational services business, there has been no significant change in the possible future business development of the Group and the Group's outlook for the fiscal year 2021.

PROSPECTS AND FUTURE PLANS

Restructure the city service ecosystem, and strive to become an explorer in new types of city governance services

Based on people's continuous pursuit of a better life, the scope of services of property management companies is no longer limited to the communities, but is extended to other scenarios in the cities. In 2015, CG Services tested the water for city services for the first time in the industry and entered Hancheng City, Shaanxi Province. In 2018, we launched the "City Co-existence Programme". In 2019, we entered Kaiyuan and ensured the stable operation of city sanitation functions under extreme typhoon disaster by providing disaster relief and rescue. In 2020, we entered Xinshi Town, Junliangcheng, Tianjin and introduced the operation model of smart red city big property services. We improved the quality of the park area through the application of technologies, made up for the lack of supporting facilities through innovative services, and promoted the high-quality development of Xinshi Town with the demonstration and driving role of integrated public municipal and property services.

As an initiator and pioneer of city service concept in the PRC, CG Services is reconstructing a new city service system and promoting the development of a new city service ecosystem through strategic initiatives such as "City Governance Think Tank Alliance", "City Service Ecology Alliance" and "City Service Partner Programme". In the future, CG Services will work with ecological partners to empower China's new city governance process and jointly conduct market development and diversified channel development in the field of city services. We will continue to seize the opportunities for city development, enter cities with strategic location advantages, and strengthen our presence in city services. By adhering to the philosophy of "Making cities better with our services", we will shift from serving cities to operating cities, improve city service level, and work together to create a better future.

Strengthen presence in strategic sectors to meet customer needs, build and share a new service ecosystem

In the new property era, community value-added services are the second growth curve of property management companies. CG Services will develop the "new economy" by focusing on community life services, and build a new service ecosystem by meeting customers' potential and real needs. In the future, we will continue to strengthen our presence in strategic service sectors covering the whole cycle of community life and provide real estate brokerage, asset operation, community insurance and home decoration services to meet the needs for asset preservation and appreciation, and provide community media, local life, home services and community elderly care services to meet the daily life needs of property owners. In addition, we will continue to optimize our service solutions, design innovative services, and create additional upgraded value-added services and value services with good reputation and customer recognition, so as to provide property owners with a good style of life.

CG Services will unite with outstanding partners in various industries to build a "customer-oriented" service ecosystem and form a cooperation model of symbiosis, sharing and co-creation, while empowering the industry strategic alliance. The building of a new ecosystem will give us stronger resource integration ability and enable us to create a diversified model of life and business cooperation as well as a situation of symbiosis, sharing and co-creation through cross-industry integration by improving efficiency and gathering resources to better meet the diversified life needs of property owners.

Fully promote the "digital property service" transformation to create higher value for customers with technology

Digitization is a necessary prerequisite for the transformation of the property management industry, especially for large property management companies. With management scale expansion, only by building an overall digital platform and focusing on improving openness, application ability, AI ability, big data and IoT ability can they effectively improve personnel efficiency and service experience and maintain leading position in the industry. CG Services is committed to applying new property technologies to continuously provide better services to property owners and create higher service value for the community with digital abilities. All aspects of life have been comprehensively improved, including personnel and vehicle access scenarios, equipment maintenance, quality management, personnel dispatching, public area security, fee payment, calling property housekeeper and data analysis.

In the new sector of property management service digitization, we will carry out digital development starting with three areas, being "intelligent space service operation", "customer service operation platform" and "digital support service management". We use a large number of AI algorithms to further extend our original digital capabilities based on space operations and combine them with intelligence to maximize man-machine efficiency. In the future, we plan to launch various robots in the field of property management. Through external empowerment with management digitization and service digitization, digitalization will become a new engine for our future growth and management improvement.

Focus on "big property management" and "big community services", build a vertical professional service value chain

With the development from the 1.0 property management era to the 4.0 property value era, CG Services is paying more attention to vertical business areas and entering more professional and technical service fields. We have established strong presence in professional vertical areas including public city services, community media, real estate brokerage services, commercial operational services, community insurance, professional pest control and elimination, and elevator maintenance. We will build a vertical professional service value chain, continue to strengthen our core competitiveness in the industry, consolidate and build more complete professional capabilities, deeply integrate and coordinate resources, and strive to promote professional services in a wider market.

CG Services will continue to focus on the business portfolio strategy of "big property management" and "big community services" to explore new services, develop new technologies, build a new ecosystem and create new value, and strengthen four core capabilities including service capability, technical capability, channel capability and investing capability. We will create larger room for development through cooperation, mergers and acquisitions and self-growth, build brands trusted by property owners and customers, and continue to promote the realization of the corporate vision of the Group of becoming a "leading international new property service group".

As at the date of this announcement, the variants of COVID-19 continue to spread around the world, and all countries are actively taking various countermeasures to restore economy to normal. During the Period, the Group recorded a strong performance and had taken a series of epidemic prevention measures to ensure the health and safety of our employees, customers, communities and other stakeholders. However, in view of the risks posed by the volatile COVID-19 pandemic, changes in economic policies in the PRC, geopolitical situations and other uncertainties, the Group will continue to operate prudently and adjust our business strategy in time to better cope with risks and promote the sustainable development of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, (iv) "Three Supplies and Property Management" businesses, (v) city services, and (vi) commercial operational services. For the six months ended 30 June 2021, the total revenue increased by approximately 84.3% to approximately RMB11,559.8 million from approximately RMB6,271.3 million for the six months ended 30 June 2020.

(1) Property management services

During the Period, the revenue from property management services increased by approximately 30.5% to approximately RMB5,172.3 million from approximately RMB3,962.0 million for the six months ended 30 June 2020, accounting for approximately 44.7% of the total revenue (for the same period in 2020: approximately 63.2%).

The table below sets out the breakdown of (i) our revenue-bearing GFA (excluding the revenue-bearing GFA of Sichuan Languang Justbon Services Group Co., Ltd. ("**Justbon Services**") which had been consolidated but had not generated consolidated revenue as at 30 June 2021), and (ii) our revenue generated from the management of properties as at the dates or for the periods indicated:

	For the six months ended/At 30 June 2021				For the six months ended/At 30 June 2020			
	Revenue *(RMB'000)*	*(%)*	**Revenue-bearing GFA** *('000 sq.m.)*	*(%)*	Revenue *(RMB'000)*	*(%)*	Revenue-bearing GFA *('000 sq.m.)*	*(%)*
Properties developed by the CGH Group *(Note 1)*	**3,615,443**	**69.9**	**303,401**	**70.7**	2,883,220	72.8	233,535	73.1
Properties developed by independent third-party property developers	**1,556,859**	**30.1**	**125,710**	**29.3**	1,078,786	27.2	85,915	26.9
Total	**5,172,302**	**100.0**	**429,111**	**100.0**	3,962,006	100.0	319,450	100.0

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

The revenue-bearing GFA increased by approximately 109.6 million sq.m. from approximately 319.5 million sq.m. for the same period in 2020 to approximately 429.1 million sq.m.; among which, the revenue-bearing GFA from management of properties developed by independent third-party property developers increased by approximately 46.3%, and its percentage of the total revenue-bearing GFA increased by 2.4 percentage points from approximately 26.9% for the same period in 2020 to approximately 29.3%, mainly because the Group has established a sound intelligent technology service system to improve the quality of our first-line services and help property owners improve their satisfaction. We also have continued to actively carry out market and business expansion and upgrade brand effect, and increased the percentage of the properties developed by independent third-party property developers to our reserved GFA growth, in order to lay a foundation for the future vertical and diversified development of our property management services businesses.

(2) Community value-added services

During the Period, the revenue from community value-added services increased by approximately 132.0% to approximately RMB1,398.3 million from approximately RMB602.6 million for the six months ended 30 June 2020, accounting for approximately 12.1% of the total revenue (for the same period in 2020: approximately 9.6%).

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

(a) During the Period, the revenue from home services increased by approximately 45.9% to approximately RMB166.2 million from approximately RMB113.9 million for the six months ended 30 June 2020.

(b) During the Period, the revenue from home decoration services increased by approximately 71.8% to approximately RMB212.2 million from approximately RMB123.5 million for the six months ended 30 June 2020.

(c) During the Period, the revenue from community media services increased by approximately 551.7% to approximately RMB423.6 million from approximately RMB65.0 million for the six months ended 30 June 2020.

(d) During the Period, the revenue from local life services increased by approximately 120.8% to approximately RMB381.1 million from approximately RMB172.6 million for the six months ended 30 June 2020.

(e) During the Period, the revenue from real estate brokerage services increased by approximately 84.3% to approximately RMB118.5 million from approximately RMB64.3 million for the six months ended 30 June 2020.

(f) During the Period, the revenue from community area services increased by approximately 52.8% to approximately RMB96.7 million from approximately RMB63.3 million for the six months ended 30 June 2020.

The Group has always closely focused on the needs of property owners and communities and constantly takes "Serve your better life" as our brand mission. We deeply explored the individual needs of customers to provide accurate professional services in order to meet the growing needs of property owners for a better life. We also expanded the application scenarios of our services and gradually realized a diversified upgrade from home-based services to community-based services in order to continue to create new value for property owners. In addition, City-Media, a subsidiary acquired in the second half of 2020 and engaged in building elevator media business, expanded the community information experience and channels for property owners and built multi-media modern communities, leading to the significant increase in our revenue from community media 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 56.9% to approximately RMB1,058.3 million from approximately RMB674.4 million for the six months ended 30 June 2020, accounting for approximately 9.2% of the total revenue (for the same period in 2020: approximately 10.8%).

The increase in the revenue from value-added services to non-property owners was mainly due to the increase in the revenue from the agency sales for parking space and unsold properties, and that we promoted full-cycle property services of the house and expanded our pre-delivery services offering.

(4) Three Supplies and Property Management Businesses

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

Among which, the revenue from property management and other related services increased from approximately RMB266.2 million for the six months ended 30 June 2020 to approximately RMB924.3 million, and the revenue-bearing GFA of the property management services was approximately 85.2 million sq.m. as at 30 June 2021.

The revenue from heat supply services increased from approximately RMB656.9 million for the six months ended 30 June 2020 to approximately RMB659.6 million, and the revenue-bearing GFA of the heat supply services was approximately 42.3 million sq.m. as at 30 June 2021.

The increase in the revenue from the "Three Supplies and Property Management" businesses was mainly because we continued to promote services to property owners and optimized infrastructure construction and have established a sound management service mechanism. We also focused on providing diversified community value-added services, which made the "Three Supplies and Property Management" businesses more comprehensive, agreeable and energetic and improved the sense of gain of property owners.

(5) City Services

During the Period, the revenue from city services increased from approximately RMB37.3 million for the six months ended 30 June 2020 to approximately RMB2,095.0 million, representing an increase of approximately 5,516.6% and accounting for approximately 18.1% of total revenue (for the same period in 2020: approximately 0.6%).

The increase in the revenue from city services was mainly due to the significant business growth arising from the acquisition of Manguo and Dongfei in the second half of 2020. The Group adheres to the development concept of "From serving the city to operating the city" and is reconstructing a new city service system. Through strategic initiatives such as "City Governance Think Tank Alliance", "City Service Ecology Alliance" and "City Service Partner Programme", we strive to promote the development of a new city service ecosystem and facilitate the expansion of our city services.

(6) Commercial Operational Services

During the Period, commercial operational services recorded revenue of approximately RMB140.0 million.

The Company entered into property lease and commercial management services framework agreements with CG Holdings to lease commercial properties from and provide commercial management services to CG Holdings and its subsidiaries and their 30%-controlled companies, (the "**CGH Group**") respectively. They have improved the Group's whole value chain operation service level, generated great synergies, broadened the source of revenue, and thereby generated stable income, increased total revenue and enhanced profitability of the Group.

Costs

The Group's costs include (i) staff cost, (ii) cleaning cost, (iii) heat supply cost, (iv) maintenance cost, (v) utilities, (vi) greening and gardening cost, (vii) security expenses, (viii) cost of goods sold, (ix) transportation cost, (x) office and communication cost, (xi) taxes and surcharges, (xii) employee uniform expenses, (xiii) depreciation and amortisation charges, (xiv) community activities cost, (xv) travelling and entertainment cost, (xvi) construction costs for contractual service concession arrangements, and (xvii) others. During the Period, the costs were approximately RMB7,700.1 million, representing an increase of approximately 95.5% as compared to approximately RMB3,938.7 million for the six months ended 30 June 2020. The increase in costs was mainly due to the continuous expansion of the revenue-bearing GFA of the Group and business diversification, resulting in an increase of various costs, as well as the increase in construction costs for contractual service concession arrangements.

Gross Profit and Gross Profit Margin

During the Period, the overall gross profit increased by approximately RMB1,527.2 million to approximately RMB3,859.7 million from approximately RMB2,332.5 million for the six months ended 30 June 2020, representing an increase of approximately 65.5%.

During the Period, the overall gross profit margin decreased by 3.8 percentage points to approximately 33.4% from approximately 37.2% for the six months ended 30 June 2020, and the overall gross profit margin decreased mainly due to the decrease in the gross profit margin of property management services and the increase in the percentage contribution of city services which has a relatively low gross profit margin.

(i) Property management services

During the Period, the gross profit margin of property management services decreased by 4.6 percentage points to approximately 33.6% from approximately 38.2% for the six months ended 30 June 2020.

The decrease in the gross profit margin of property management services was mainly because (i) the State Council and the Ministry of Human Resources and Social Security reduced or exempted social security contributions by enterprises last year due to the COVID-19 outbreak, while such policy on exemption and reduction was cancelled by the government during the Period; and (ii) we continued to upgrade infrastructure, increased investment in intelligent upgrading of facilities, and promoted the development of facilities and equipment in a more advanced, complete, diversified, comprehensive and systematic direction, so as to upgrade the security and continuity for property owners to live in peace and help improve property owners' sense of high-quality services.

(ii) Community value-added services

During the Period, the gross profit margin of community value-added services increased by 0.3 percentage points to approximately 66.2% from approximately 65.9% for the six months ended 30 June 2020. The gross profit margin of community value-added services remained stable. The Group deeply explored community consumption scenes, strengthened the construction of community culture, and optimized diversified life service experience. We carried out activities including "Themed Activity", "Goods Market", "Convenience Services" and "Life Service Communication", which improved the loyalty of property owners and enhanced their awareness of and consumption habits for community services.

(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 4.1 percentage points to approximately 50.4% from approximately 46.3% for the six months ended 30 June 2020.

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

(iv) Three Supplies and Property Management Businesses

During the Period, for the "Three Supplies and Property Management" businesses, the gross profit margin of property management and other related services increased from approximately 6.1% for the six months ended 30 June 2020 to approximately 9.4%, representing an increase of 3.3 percentage points. The increase in the property management other related services under the "Three Supplies and Property Management" businesses was mainly due to the optimization of business structure, consolidation and saving of resources and selective introduction of community value-added services, which had the positive effect of lowering cost and improving efficiency.

During the Period, for the "Three Supplies and Property Management" businesses, the gross profit margin of heat supply services increased from approximately 5.4% for the six months ended 30 June 2020 to approximately 5.9%, representing an increase of 0.5 percentage points. The gross profit margin of heat supply services remained stable.

(v) City Services

During the Period, the gross profit margin of the city services decreased from approximately 23.1% for the six months ended 30 June 2020 to approximately 19.3%, representing a decrease of 3.8 percentage points.

The decrease in the gross profit margin of city services was mainly due to the acquisition of Manguo and Dongfei, which had relatively low gross profit margins, in October 2020, and that the government policy for the reduction and exemption of social security contributions of enterprises was cancelled during the Period.

(vi) Commercial Operational Services

During the Period, the gross profit margin of the commercial operational services was approximately 56.1%. On the basis of our professional property management services and the economies of scale of our existing projects, the Group gathered scattered operating units and various business forms, adopted an unified intelligent technology information platform to integrate resources and connect the links of sales, investment promotion, operation and management, in order to build a multi-party business value chain and create service offering with long-term development potential. Such business has generated strong management synergies with the existing businesses of the Group.

Selling and Marketing Expenses

During the Period, selling and marketing expenses were approximately RMB104.5 million, representing an increase of approximately 122.8% as compared with approximately RMB46.9 million for the six months ended 30 June 2020.

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

General and Administrative Expenses

During the Period, general and administrative expenses were approximately RMB1,224.0 million, representing an increase of approximately 89.4% as compared with approximately RMB646.4 million for the six months ended 30 June 2020.

The increase in general and administrative expenses was mainly due to the expansion of the Group's business scale with the increase in its total revenue-bearing GFA, and share-based payment expenses arising from the share option scheme newly adopted in September 2020. Share-based payment expenses increased to approximately RMB107.7 million compared to approximately RMB3.4 million for the same period in 2020. The percentage of general and administrative expenses increased by 0.3 percentage points from 10.3% for the same period in 2020 to approximately 10.6%. Excluding the aforesaid share-based payment expense factor, the percentage of general and administrative expenses would decrease by 0.6 percentage points to approximately 9.7% compared to approximately 10.3% for the same period in 2020, maintained at a relatively stable level.

Other Income

During the Period, other income was approximately RMB90.6 million, representing an increase of approximately 105.0% as compared with approximately RMB44.2 million for the six months ended 30 June 2020.

The increase in other income was mainly due to an increase in employment, tax refund and other relevant government subsidies received compared to the same period of last year as the Group expanded its business scale.

Other Gains — Net

During the Period, other gains — net were approximately RMB424.8 million, representing an increase of approximately RMB316.1 million as compared with approximately RMB108.7 million for the six months ended 30 June 2020.

The increase in other gains — net was mainly because the realised and unrealised gains on financial assets at fair value through profit or loss and net foreign exchange gains increased by approximately RMB319.1 million as compared with the same period last year.

Finance (Costs)/Income — Net

During the Period, finance (costs)/income — net was approximately RMB(16.3) million, representing a decrease of RMB67.3 million compared with approximately RMB51.0 million for the six months ended 30 June 2020.

The decrease in finance (costs)/income — net was mainly due to the borrowing costs on the convertible bonds issued during the Period.

Income Tax Expense

During the Period, income tax expense was approximately RMB774.3 million, representing an increase of approximately 61.8% compared to approximately RMB478.5 million for the six months ended 30 June 2020.

The increase in income tax expense was mainly due to the increase in total profit before tax of the Group for the six months ended 30 June 2021.

Profit for the Period

During the Period, the net profit of the Group was approximately RMB2,226.2 million, representing an increase of approximately 66.7% compared to approximately RMB1,335.2 million for the six months ended 30 June 2020.

During the Period, the profit attributable to the owners of the Company increased from approximately RMB1,314.8 million for the six months ended 30 June 2020 to approximately RMB2,113.0 million, representing an increase of approximately 60.7%.

During the Period, the profit attributable to the non-controlling interests of the Company increased by approximately 454.9% from approximately RMB20.4 million for the six months ended 30 June 2020 to approximately RMB113.2 million.

Intangible Assets

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

As at 30 June 2021, the intangible assets of the Group were approximately RMB13,131.0 million, representing an increase of approximately RMB6,954.7 million compared to approximately RMB6,176.3 million as at 31 December 2020, which was mainly due to several equity acquisitions completed by the Group during the Period, resulting in goodwill of approximately RMB5,009.7 million, property management contracts and customer relationships of approximately RMB688.2 million, brands of approximately RMB1,319.9 million. Besides, the amortization of property management contracts and customer relationships, insurance brokerage license, brands and concession intangible assets arising from the acquisitions during the Period was approximately RMB151.5 million.

Financial Assets at Fair Value through Other Comprehensive Income

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

As at 30 June 2021, the balance of financial assets at fair value through other comprehensive income of the Group was approximately RMB914.4 million, representing an increase of approximately RMB904.4 million compared to approximately RMB10.0 million as at 31 December 2020. It was mainly due to the strategic investments made by the Group in certain entities including Changcheng Property Group Co., LTD. (長城物業集團股份有限公司) and UNQ Holdings Limited during the Period, in order to improve the return rate of future capital use, as well as to enable the Group to achieve coordinated business development in terms of revenue, scale and corporate brand or conduct further capital cooperation with the relevant entities.

Trade and Other Receivables

Trade and other receivables include trade receivables, other receivables, prepayments to suppliers and prepaid taxation.

As at 30 June 2021, the Group recorded net trade receivables of approximately RMB6,611.2 million, representing an increase of approximately RMB2,374.8 million compared to approximately RMB4,236.4 million as at 31 December 2020, mainly due to the significant increase in the total revenue of the Group and the increase in receivables arising from newly acquired companies.

The net other receivables increased by approximately 198.2% from approximately RMB614.3 million as at 31 December 2020 to approximately RMB1,832.0 million as at 30 June 2021, mainly due to the fact the Group commenced the provision of equity-secured loans to third parties during the Period, as well as the increase in other receivables arising from the newly acquired companies.

Financial Assets at Fair Value through Profit or Loss

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

As at 30 June 2021, the balance of financial assets at fair value through profit or loss of the Group amounted to approximately RMB3,023.2 million, representing an increase of approximately RMB457.1 million as compared with approximately RMB2,566.1 million at 31 December 2020. Such increase was mainly due to the Group's purchase of new wealth management products to increase the returns on its idle fund, as well as the increase in the fair value of investments in closed-end fund.

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 RMB2,581.9 million as at 31 December 2020 to approximately RMB3,076.9 million as at 30 June 2021, representing an increase of approximately RMB495.0 million, mainly due to the increase in the advance payments for property management services as a result of the increase in the revenue-bearing GFA.

Trade and Other Payables

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

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 30 June 2021, trade payables of the Group were approximately RMB2,665.6 million, representing an increase of approximately RMB492.5 million compared to approximately RMB2,173.1 million as at 31 December 2020, primarily due to the Group's business expansion resulting in an increase in material procurement costs, labor outsourcing costs and utility fees.

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

Other payables increased from approximately RMB3,549.3 million as at 31 December 2020 to approximately RMB5,354.7 million as at 30 June 2021, primarily due to (i) the increase in deposits from property owners for interior decorations and the income generated from community area services that belong to property owners; and (ii) the increase in the outstanding consideration payable for business combinations 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 net debt divided by total equity. Net debt is calculated as total interest bearing debt less cash and cash equivalents.

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, all of which were converted into shares during the Period. In addition, convertible bonds in the aggregate principal amount of HKD5,038.0 million were issued by Best Path Global Limited on 3 June 2021.

As at 30 June 2021, the bank and other borrowings of the Group amounted to approximately RMB660.2 million (as at 31 December 2020: approximately RMB609.4 million), and the balance of its convertible bonds was approximately RMB4,072.0 million.

As at 30 June 2020 and 2021, the gearing ratio of the Group was maintained at net cash position.

Liquidity, Financial and Capital Resources

As at 30 June 2021, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB21,938.0 million, representing an increase of approximately RMB6,596.5 million as compared with approximately RMB15,341.5 million as at 31 December 2020. Total bank deposits and cash were denominated in the following currencies:

	30 June 2021		31 December 2020	
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
RMB	6,813,748	31.0	6,492,134	42.3
HKD	15,061,914	68.7	8,799,390	57.4
Other currencies	62,306	0.3	49,971	0.3
	21,937,968	100.0	15,341,495	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 and the placing of new shares during the Period, with net proceeds of approximately HKD5,002.8 million and HKD10,424.1 million, respectively.

Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB170.2 million (as at 31 December 2020: approximately RMB126.3 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of the local government authorities and the deposits made as performance security for business contracts of subsidiaries Manguo and Dongfei.

As at 30 June 2021, the net current assets of the Group were approximately RMB15,808.9 million (31 December 2020: approximately RMB9,055.2 million). The current ratio (current assets/current liabilities) of the Group was 1.8 times (31 December 2020: 1.4 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 relating to the industries in which the Group operates.

Business Risk

The Group's ability to maintain or improve the Group's current level of profitability depends on the Group's ability to control operating costs (particularly labour costs) and the Group's profit margins and results of operations may be materially and adversely affected by the increase in labour or other operating costs; The Group may not procure new property management service contracts as planned or at desirable pace or price; The Group may not be able to collect property management fees from customers and as a result, may incur impairment losses on receivables; Termination or non-renewal of 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. The management will continue to monitor the foreign exchange exposure, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 179,291 employees (31 December 2020: 153,585 employees). During the Period, the total staff costs were approximately RMB4,164.2 million.

The remuneration package of the employees includes salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions in accordance with the policy of the Group on compensation and welfare.

The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of its employees, 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 adopted two share options schemes, being the Share Option Scheme adopted in 2020 and the Pre-Listing Share Option Scheme. Under the Share Option Scheme adopted in 2020, the Group granted a total of 1,600,000 share options, subject to multiple terms, to selected grantees, and 27,640,000 shares were vested during the Period. Under the Pre-Listing Share Option Scheme 39,884,400 shares were vested during the Period.

Employee Training and Development

The training was carried out by combining online and offline training to meet the needs of employees in different learning scenarios. For online training, through a training map, we offered courses covering posts ranging from general employees to senior management, and met the learning needs for different time and space via mobile learning platform, video conference and other tools. For offline training, we quickly trained various talents meeting needs of the business development of the Company through the post experience map.

In the first half of 2021, the Company organized online and offline training on various subjects, with approximately 500,000 participants and tens of thousands of training hours in total. Such measures ensured the general employees' ability to perform 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 2021, as Manguo and Dongfei, both subsidiaries of the Group, carried out borrowing and sale and leaseback financing loan business with banks and financial leasing companies to meet the operational needs of certain city service projects, they had mainly secured by several city service projects, certain equipment and trade receivables.

Contingent Liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities.

INTERIM DIVIDENDS

The final dividend in respect of 2020 of RMB21.87 cents (equivalent to HKD26.58 cents) per share, totalling RMB703,069,000, was approved at the Annual General Meeting on 28 May 2021 and paid partly in new shares of the Company and partly in cash in August 2021. The number of ordinary shares settled and issued as scrip dividends was 394,682 and the total amount of dividend paid as scrip dividends was RMB25,778,000 while cash dividend amounted to RMB677,291,000.

The Board has decided not to declare an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

MAJOR EVENTS DURING THE PERIOD

Acquisition of Justbon Services

On 22 March 2021 (after trading hours), Country Garden Property Services HK Holdings Company Limited (the "**Offeror**", an indirect wholly-owned subsidiary of the Company), Sichuan Languang Hejun Industries Co., Ltd.,*（四川藍光和駿實業有限公司） Ningbo Jiaqian Corporate Management Partnership (Limited Partnership) *（寧波嘉乾企業管理合夥企業（有限合夥）） and Chengdu Jiayu Enterprise Management Center (Limited Partnership)*（成都嘉裕企業管理中心（有限合夥）） entered into certain agreements in relation to the acquisition of a total of 750,000 domestic shares and 126,011,860 H shares in Justbon Services (the "**Target Shares**") at an aggregate cash consideration of RMB5,432,323,192.00 (equivalent to HK$6,472,059,560.39). Under the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, the Offeror shall make unconditional mandatory cash offers for all the issued shares of Justbon Services (other than those then already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). In addition, the Offeror intends to delist Justbon Services from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the Period, the Offeror made unconditional mandatory cash offers for all the issued H shares and domestic shares of Justbon Services (other than those then already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time when the offers were made) (the "**Offers**"). As at 30 June 2021, the Group held an aggregate of 750,000 domestic shares and 167,773,420 H shares of Justbon Services, representing approximately 94.62% of the then issued shares of Justbon Services.

Immediately after the close of the Offers on 12 August 2021, the Offeror and parties acting in concert with it were interested in 176,467,798 H shares of Justbon Services, representing approximately 99.71% and 99.08% of the then issued H shares and issued shares of Justbon Services, respectively. The Offeror and parties acting in concert with it were interested in 1,116,800 domestic shares of Justbon Services, representing approximately 99.75% and 0.63% of the then issued domestic shares and issued shares of Justbon Services, respectively.

The resolution for approving the delisting of H shares of Justbon Services from the Stock Exchange was approved in the general meeting and the H share class meeting of Justbon Services held on 17 June 2021, and the Delisting Acceptance Condition was satisfied on 15 July 2021. Listing of the H shares of Justbon Services on the Stock Exchange was voluntarily withdrawn at 4:00 p.m. on 19 August 2021.

Please refer to (i) the announcements of the Company dated 25 February 2021, 11 March 2021, 22 March 2021, 12 April 2021, 13 April 2021, 15 April 2021, 16 April 2021, 19 April 2021, 30 April 2021, 3 May 2021, 18 May 2021, 17 June 2021, 2 July 2021, 15 July 2021 and 12 August 2021; and (ii) the composite document dated 3 May 2021 for further details.

Continuing Connected Transactions — Property Lease and Business Management Services; and Connected Transactions — Equity Acquisitions

On 13 April 2021 (after trading hours), the Company and CGH entered into: (1) the Property Lease Framework Agreement, which sets out the principal terms for the lease of properties by the CGH Group (as lessor) to the Group (as lessee), for a term from 13 April 2021 until 31 December 2023; the total amount of the right-of-use assets under the Property Lease Framework Agreement for each of the three years ending 31 December 2023 shall not exceed RMB1.5 billion, RMB1.4 billion and RMB700 million, respectively; (2) the Business Management Service Framework Agreement, which sets out the principal terms for the provision of business management services by the Group to the CGH Group, for a term from 13 April 2021 until 31 December 2023; the proposed annual caps under the Business Management Service Framework Agreement for each of the three years ending 31 December 2023 are RMB420 million, RMB450 million and RMB480 million, respectively.

On 13 April 2021 (after trading hours), subsidiaries of the Company entered into certain equity transfer agreements with subsidiaries of CG Holdings in relation to the acquisitions of four commercial management business companies at a total consideration of RMB20 million.

The entering into of the aforesaid agreements and such acquisitions will help improve the Group's whole value chain operation service level, further improve our business scale and scope, and generate great synergies. They will also broaden the Group's source of revenue, generate stable income and cash flows, increase total revenue, and enhance profitability and market influence and competitiveness of the Group, which is in line with the strategic development needs of the Group. For details, please refer to the announcement of the Company dated 13 April 2021.

Placing of New Shares Under the General Mandate

On 24 May 2021, the Company and UBS AG Hong Kong Branch ("**UBS**"), China International Capital Corporation Hong Kong Securities Limited ("**CICC**") and Morgan Stanley & Co. International plc ("**Morgan Stanley**") (together, the "**Placing Agents**") entered into a placing agreement (the "**2021 Placing Agreement**"), pursuant to which the Company conditionally agreed to appoint the Placing Agents, and the Placing Agents, on a several (not joint nor joint and several) basis, conditionally agreed to act as placing agents for the Company, and to procure, on a fully underwritten basis, placees to subscribe for (or failing which, to purchase themselves as principals) an aggregate of 139,380,000 shares (the "**Placing Shares**") at a price of HK$75.25 per Share (the "**Placing**"). In accordance with the 2021 Placing Agreement, the Placing Agents will procure the placing of the Placing Shares to no less than six placees, who/which would be professional, institutional and/or other investors. The gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing were approximately HK$10,488.3 million and approximately HK$10,424.1 million, respectively. The net price per Placing Share was estimated to be approximately HK$74.79. The conditions precedent to the Placing have been satisfied. On 1 June 2021, the Company issued 139,380,000 Shares at a subscription price of HK$75.25 per share under the general mandate granted to the Directors at the annual general meeting of the Company held on 16 June 2020.

The Company intends to use the net proceeds from the Placing for investments in potential future merger and acquisition projects relating to the principal activities of the Group, expansion in respect of new businesses including commercial management services, asset management services and life services, working capital and general corporate purposes. The Directors consider that the Placing represents an opportunity to raise capital for the Company while broadening its shareholder and capital base, and that the Placing will strengthen the financial position and liquidity of the Group and provide funding to the Group for working capital and future development purposes without incurring interest costs. For details, please refer to the announcements of the Company dated 24 May 2021 and 25 May 2021.

Issue of Convertible Bonds under the General Mandate

On 24 May 2021, the Company, Best Path Global Limited (the "**Issuer**", a wholly-owned subsidiary of the Company), UBS, CICC and Morgan Stanley as the Managers (the "**Managers**") entered into an agreement in relation to the issue of bonds (the "**Agreement**"), pursuant to which the Managers, severally and not jointly, agreed to subscribe for, or to procure subscribers to subscribe for, the convertible bonds to be issued by the Issuer (the "**Bonds**") in the aggregate principal amount of HK$5,038 million. The Bonds are interest-free, unsecured and unconditionally and irrevocably guaranteed by the Company.

Based on an initial conversion price of HK$97.83 per share of the Company (the "**Share(s)**") and assuming full conversion of the Bonds at the initial conversion price, the Bonds will be convertible into 51,497,495 Shares, representing approximately 1.68% of the then issued share capital of the Company and approximately 1.65% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds. Shares which may fall to be allotted and issued upon the conversion of the Bonds (the "**Conversion Shares**") will be issued under the general mandate granted to the Directors to issue up to 550,707,960 Shares at the annual general meeting held on 16 June 2020.

The conditions precedent set out in the Agreement have been satisfied. The gross proceeds from the issue of the Bonds are HK$5,038 million, and the net proceeds (after deducting the relevant expenses and professional fees) are approximately HK$5,002.8 million. The net price per Conversion Share is approximately HK$97.15. The Company intends to use the net proceeds for investments in potential future merger and acquisition projects relating to the principal activities of the Group, expansion in respect of new businesses including commercial management services, asset management services and life services, working capital and general corporate purposes. The Listing Committee of the Stock Exchange has approved the listing of and dealing in the Conversion Shares and the Bonds have been listed and quoted on the Singapore Exchange Limited ("**SGX**"), and its offering circular is available on the website of the SGX. Please refer to the announcements of the Company dated 24 May 2021, 25 May 2021 and 9 June 2021 for further details.

EVENT SUBSEQUENT TO THE REPORTING PERIOD

Connected Transaction — Equity Acquisition

On 5 August 2021 (after trading hours), Zhuhai Shunhui Commercial Management Co., Ltd.* (珠海順暉商業管理有限公司) (the "**Purchaser**") (an indirect non-wholly-owned subsidiary of the Company) and Shanghai Xinbi Real Estate Development Co., Ltd.* (上海新碧房地產開發有限公司) (the "**Vendor**") (an indirect wholly-owned subsidiary of CG Holdings) entered into an equity transfer agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 100% equity interest in Shanghai Xin Biyuan Commercial Management Co., Ltd.* (上海新碧園商業管理有限公司) (the "**Target Company**") at a consideration of RMB16.8 million. Upon completion of the acquisition, the Target Company will become a non-wholly-owned subsidiary of the Group, and its results, assets and liabilities will be consolidated into the accounts of the Group. For details, please refer to the announcement of the Company dated 5 August 2021.

* *For identification purposes only*

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange ("**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 and the significant accounting policies and standards adopted by the Group and reviewed the risk control and internal audit report submitted by the management. 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 2021, 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 enquiry of all Directors on whether the Directors have complied with the required standard as set out in the Model Code for the six months ended 30 June 2021 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 identified by the Company for the six months ended 30 June 2021. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.bgyfw.com). The Company's 2021 interim report will be despatched to its shareholders based on the means of receipt and election of language selected by the shareholders of the Company and published on websites of the Stock Exchange and the Company on or before 30 September 2021.

ACKNOWLEDGMENT

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

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

Foshan, China, 25 August 2021

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

* *For identification purposes only*