

碧桂園服務控股有限公司

Country Garden Services Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

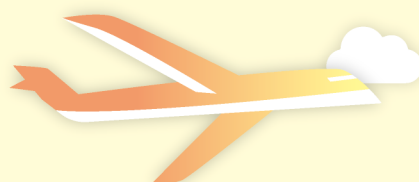
Stock Code: 6098

Serving you a better life

服務成就美好生活

2023
INTERIM
REPORT





Serving you a better life

服務成就美好生活



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Changjiang (*President*)

Mr. Xiao Hua

Mr. Guo Zhanjun

Non-executive Director

Ms. Yang Huiyan (*Chairman*)

Independent Non-executive Directors

Mr. Mei Wenjue

Mr. Rui Meng

Mr. Chen Weiru

AUDIT COMMITTEE

Mr. Rui Meng (*Chairman*)

Mr. Mei Wenjue

Mr. Chen Weiru

REMUNERATION COMMITTEE

Mr. Chen Weiru (*Chairman*)

Ms. Yang Huiyan

Mr. Mei Wenjue

NOMINATION COMMITTEE

Ms. Yang Huiyan (*Chairman*)

Mr. Rui Meng

Mr. Chen Weiru

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Li Changjiang (*Chairman*)

Mr. Xiao Hua

Mr. Guo Zhanjun

JOINT COMPANY SECRETARIES

Mr. Huang Peng

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

AUTHORISED REPRESENTATIVES

Mr. Li Changjiang

Mr. Huang Peng

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4th Floor, Ruttonjee House

Ruttonjee Centre

11 Duddell Street

Central

Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

West Building of Country Garden Office

Beijiao Town

Shunde District, Foshan

Guangdong Province

PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22nd Floor, Prince's Building, Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong laws:

WOO KWAN LEE & LO

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

As to PRC laws:

DeHeng Law Offices (Shenzhen)

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

PRINCIPAL BANKERS

Agricultural Bank of China Limited

Bank of China Limited

China Construction Bank Corporation

China Merchants Bank Co., Ltd.

Industrial and Commercial Bank of China Limited

COMPANY WEBSITE

www.bgyfw.com

STOCK CODE

6098

LISTING DATE

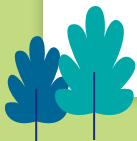
19 June 2018

AWARDS AND HONOURS



AWARDS AND HONOURS

No.	Honours	Awarding entity
1	2023 Property Management Companies with Outstanding Performance	Guandian Index Academy
2	2023 Listed Property Management Companies with Outstanding Financial Performance	Guandian Index Academy
3	2023 Property Management Companies with Outstanding Performance of Digital Intelligence	Guandian Index Academy
4	2023 TOP 100 Property Management Companies in China	Beijing China Index Academy
5	2023 TOP 10 of the TOP 100 Property Management Companies in China in terms of Service Scale	Beijing China Index Academy
6	2023 TOP 10 of the TOP 100 Property Management Companies in China in terms of business performance	Beijing China Index Academy
7	2023 Outstanding Companies for Commercial Property Services in China	Beijing China Index Academy
8	2023 Leading Property Management Companies in China in terms of Technology Empowerment	Beijing China Index Academy
9	2023 Leading Companies for Smart City Service in China	Beijing China Index Academy
10	2023 Leading Specialized Property Management Companies in China – Innovation in Value Added Model	Beijing China Index Academy
11	2023 TOP 20 Listed Property Management Companies in China's Property Management Industry	CPM Think Tank, CPM Research Institute
12	2023 TOP 1 Listed Property Management Companies in China with Leading Scale	CPM Think Tank, CPM Research Institute
13	2023 TOP 20 Listed Property Management Companies in China	CRIC Property Management, Shanghai CRIC Information Technology Co Ltd.
14	2023 TOP 10 Leading Listed Property Management Companies in China in terms of Revenue	CRIC Property Management, Shanghai CRIC Information Technology Co Ltd.
15	2023 TOP 10 Leading Listed Property Management Companies in China in terms of Profit	CRIC Property Management, Shanghai CRIC Information Technology Co Ltd.
16	2023 TOP 10 Leading Listed Property Management Companies in China in terms of Management Scale	CRIC Property Management, Shanghai CRIC Information Technology Co Ltd.
17	2023 TOP 10 Leading Listed Property Management Companies in China in terms of Market Value Recognition	CRIC Property Management, Shanghai CRIC Information Technology Co Ltd.
18	2023 TOP 10 Leading Listed Property Management Companies in China in terms of Development Potential	CRIC Property Management, Shanghai CRIC Information Technology Co Ltd.
19	Best Employer Unit	The Organising Committee of China Customer Service Festival, Customer Observation
20	2023 TOP 10 Property Management Companies in China in terms of Comprehensive Strength	CRIC Property Management, China Property Management Research Institution
21	2023 Leading Companies in China in terms of Smart Property Services	CRIC Property Management, China Property Management Research Institution
22	2023 Leading Companies in China in terms of Hospital Property Service	CRIC Property Management, China Property Management Research Institution
23	2023 Leading Property Management Companies in China in terms of Value-added Service Operation	CRIC Property Management, China Property Management Research Institution
24	2023 Leading Companies in China in terms of Property Service of Industrial Parks	CRIC Property Management, China Property Management Research Institution
25	2023 Leading Property Management Companies in China in terms of City Services	CRIC Property Management, China Property Management Research Institution



CHAIRMAN'S STATEMENT

**To create a better society
with our existence**



Dear Shareholders,

The board (the “**Board**”) of directors (the “**Directors**”) of the Company respectfully and diligently report that for the six months ended 30 June 2023 (the “**Period**”), the Company and its subsidiaries (the “**Group**” or “**we**”) recorded a revenue of approximately RMB20,733.1 million, with a gross profit of approximately RMB5,157.7 million, a net profit of approximately RMB2,488.6 million, and profit attributable to the owners of the Company of approximately RMB2,351.2 million. The basic earnings per share were RMB69.70 cents.

In the first half of 2023, amid the complex and severe external environment, the Chinese economy entered a recovery process featuring “fluctuating development and tortuous progress”. CG Services has always been steadfast in its confidence in the resilience and potential of China’s economic growth, as well as its belief in the long-term fundamentals of the property management service industry. All of our colleagues insisted on strengthening the foundation and continued to consolidate property management service as it is our “fundamental business” while keeping our mission of “serving you a better life” in mind. Our prudent operation, excellent capability to improve services and active fulfillment of social responsibility demonstrated that we are resilient to achieve high-quality development. At the same time, we have maintained our strategic focus and forged ahead in an innovative and enterprising spirit to lay a solid foundation for our future growth.

Property management companies are the nerve endings of social governance and also one of the important forces of grassroots self-governance. We firmly believe that providing value services that meet the development needs of Chinese cities is to seize the development opportunities of property management services. We actively assist grassroots governments in promoting “resolving conflicts and disputes at the doorstep”, and launched the collaborative community governance model “Hongxin Bihai” (紅心碧海), under which we upgraded our property management services under guidance of Party building, and the “volunteer service model” is combined with the “consultation model”. This solved many difficult and complex issues in the community in an orderly and efficient manner, helping to create a new pattern of community governance “of the people, for the people and by the people”. We actively cooperated with the “Fifteen

CHAIRMAN'S STATEMENT

Minute Convenient Living Circle Construction” (十五分鐘便民生活圈建設) and developed diversified value-added community services to help residents achieve a better life with our high-quality and diversified property services. We have established a local lifestyle brand business line brand “Downstairs” (樓下) to connect the community residents and living-related service resources surrounding the communities, in order to offer catalyst for better life for property owners.

We explored the renovation model of old residential communities, and innovatively implemented the overall general contracting plan for the whole process involved in project renovation from design, procurement, and construction to operation, bringing an end to waste of resources and insufficiency of funding that would occur in the traditional community renovation model. At the same time, in order to enrich the cultural life in communities and develop an urban cultural atmosphere in which residents strive for excellence and goodness, and develop stronger virtues, we organised a series of community-wide cultural activities such as parent-child activities, children education services, and the release of Chinese sturgeon back to their natural habitat, so as to improve neighborhood relations.

In response to the call for “carbon peak and carbon neutrality” action, we have always adhered to ESG concepts and practices, and practiced long-term ecological sustainable development. We have implemented energy-saving and carbon-reducing renovations and initiatives in all aspects of our actual operations management, including renovating the garage LED light fixtures for on-demand lighting, which saves about 20 million kWh of electricity annually; enhancing the greening efficiency of our projects by adopting the nursery cuttings technology, which has resulted in the addition of about 6 million new nursery plants; and adopting rainwater recycling technology, which stores an average of more than 300m³ of rainwater per month for each project to further conserve water resources. With the sense of social responsibility, we continuously explored innovative models of community-related public welfare. We have launched the campaign known as “Power of Community” for poverty alleviation through consumption for four consecutive years to boost the sales of distinctive agricultural products from underdeveloped areas, realising the targeted connection between community resources and poverty alleviation industries.

Looking ahead, as an important industry concerning people's livelihood, property management services are steadily moving towards the high-quality development direction of “capitalizing on resource advantages of communities to provide owners with value services by prioritizing functions of communities in serving residents, offering convenience to residents and reassuring residence” with the support of China's policies of “stabilizing employment, promoting development, and improving people's livelihoods”. In line with the development trend of the industry, we will continue to enrich our service products, increase our investment in services, enhance the industry-leading reputation and satisfaction of owners, and continue to provide worry-free services throughout the entire process. Meanwhile, we will also optimise business structure, build up professionalism and marketability, and promote the sustainable and healthy development of our business, so as to accumulate strength for stable and enduring growth.

Finally, on behalf of the Board, I would like to express my gratitude to all staff and the management team for their commitment to duty, determination of hard work and selfless dedication. I would also like to thank our shareholders and stakeholders for their trust and support to the Group. We wish to create a better society with our existence, which has been our original aspiration of development. In the future, we will continue to follow the path to high-quality development and remain determined to shape a prosperous future through our conscience and social responsibility awareness. We will also promote service innovation in a “people-centric” manner and actively integrate into the grassroots governance system to contribute to property management services industry in the new era.

Yang Huiyan

Chairman of the Board

Foshan, China, 29 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

The Group is a leading integrated service provider in the PRC covering diversified business forms. Our business covers many business forms, including services to residential properties, commercial properties, office buildings, industrial parks, multi-purpose complexes, government buildings, hospitals, schools and other public facilities, such as airport terminals, highway service stations and cultural scenic areas. We have won industry-leading customer satisfaction and brand reputation with quality services, as well as gained high recognition in a number of sub-segments of the industry. We have ranked first among the “2023 Top 100 Property Management Companies in China” (2023年中國物業服務百強企業) and “Top 10 among Top 100 Property Management Companies in China in 2023 in terms of Service Scale” (2023年中國物業服務百強企業服務規模TOP10) granted by China Index Academy; “2023 TOP1 Property Management Company in China in terms of Comprehensive Strength” (2023中國物業企業綜合實力TOP1), “Model Enterprises in terms of Satisfaction of Property Customers in China in 2023” (2023中國物業客戶滿意度模範企業), “Leading Companies in Property Management Services and Commercial Property Management Services in China in 2023” (2023中國物業服務商業物業服務領先企業), etc. granted by YIHAN (億翰智庫) and YIHAN Property Management Research (億翰物研). We are highly recognized in the international capital market continuously. We were included in the Hang Seng Index as a constituent on 7 June 2021. We implement ESG concepts and practices in our business operations and have obtained industry-leading international ESG ratings. We received a rating of A in the MSCI ESG ratings assessment in November 2019 and have maintained such rating since then. We were honored as the enterprise with the “Highest Regional (Asia Pacific) ESG Rating” in 2023 by Sustainalytics, an ESG rating agency, and were included in FTSE4Good Index Series as a constituent by FTSE Russell from December 2022.

The major business sectors of the Group include (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, (iv) the “Three Supplies and Property Management” businesses, (v) city services, and (vi) commercial operational services, which constitute part of our comprehensive services we provide to customers that cover the full range of the 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, property management services continued to play a cornerstone role, with revenue amounting to approximately RMB12,187.5 million, representing an increase of approximately 10.9% compared to the same period last year, and its percentage of total revenue was approximately 58.8%, representing an increase of 4 percentage points compared to the same period last year.

The scale of the property management business of the Group maintained a steady and quality growth with the revenue-bearing GFA exceeding 1,000 million sq.m.. As at 30 June 2023, apart from the “Three Supplies and Property Management” businesses, our contracted GFA was approximately 1,646.6 million sq.m., and our revenue-bearing GFA was approximately 916.0 million sq.m., representing an increase of approximately 44.7 million sq.m. and 46.9 million sq.m. as compared to the end of last year, respectively. In addition, the contracted GFA and revenue-bearing GFA of the property management services of the “Three Supplies and Property Management” businesses were 92.9 million sq.m. and 88.2 million sq.m., respectively. Our projects cover more than 400 cities in 31 provinces, municipalities, autonomous regions in Mainland China and the Hong Kong Special Administrative Region and overseas, with a focus on five key economically developed city clusters, including the Pearl River Delta, the Yangtze River Delta, the middle reaches of the Yangtze River, the Beijing-Tianjin-Hebei Region and the Chengdu-Chongqing Region in China. The percentage of the revenue-bearing GFA of projects in first- and second-tier cities has reached 43%. We manage a total of 6,986 property projects and provide property management services to approximately 8.853 million domestic and overseas property owners and merchants.

MANAGEMENT DISCUSSION AND ANALYSIS



In the face of the ever-changing demands of customers, we have been placing greater emphasis on the nature of services, and have continued to cultivate our internal strengths in order to enhance customer experience and satisfaction through better services. During the Period, we facilitated project quality enhancement and environmental renovation covered 497 projects with 1,557 renovation items, including the renovation and upgrading of recreational and fitness facilities, intelligent systems, and energy-saving lighting systems in underground garages, etc. with renovation amounts amounting to approximately RMB150 million. Meanwhile, through digital operation, we have promoted the digitalization of dedicated service managers and of management, the onlineization of the entire process of housekeeping control, the digitalization of engineering reforms and the mechanization of greening to enhance management efficiency and customer service experience.

Community Value-added Services

We are committed to becoming an “integrated whole-cycle community life services operator”. By focusing on the family growth cycle of property owners, the property value cycle and the mature development cycle of communities, we strive to provide property owners with comprehensive community life services to meet their needs for asset value preservation and appreciation and daily life needs, so as to enable property owners to experience the beauty of property management services. Community value-added services have been developed as a new engine to drive sustainable and stable growth of the Group. By building a professional team, expanding resource integration capability, collaborating with strong partners from various industries and leveraging our natural advantage as a property management service provider of close proximity to community scenarios and our huge traffic, we are promoting the professional and market-oriented development of community value-added services in wider areas across China. During the Period, the Group’s revenue from community value-added services was approximately RMB1,884.2 million, and its percentage of total revenue of the Group was approximately 9.1%.

MANAGEMENT DISCUSSION AND ANALYSIS



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 intermediate services – integrating resources from well-known home decoration brands to provide one-stop home decoration services; (iii) community media services – establishing deep connection between consumers and brands through the community media matrix; (iv) local life services – setting up local consumption scenarios for customers and continuously adapting to the needs of property owners to customize diversified life services; (v) real estate brokerage services – serving the needs of property owners for asset management and further developing second-hand property rental and sale; and (vi) community area services – making full use of community space resources and carrying out business with the aim of providing convenience to the life of property owners and improving their sense of happiness in their living.

During the Period, we continued to focus on “the community’s readiness for serving the residents’ needs” and further implemented the innovative model of “property management services + life services”. We upgraded and iterated our community near-field retail model to further leverage our strengths in premises, sales and supply chain, and continued to incubate marketable businesses. In terms of the laundry business, we launched a key city strategy, focusing on three key cities, including Beijing, Wuhan and Foshan, and launched a franchise model, with the first batch of 13 franchised shops opened. We continued to improve our self-operated capabilities in community media services, and created integrated marketing products in community scenarios to achieve differentiated core competitiveness, and entered into integrated marketing co-operation with a number of enterprises in the consumer industry. During the Period, revenue from home services increased by approximately 22.4% compared to the same period last year to approximately RMB306.7 million; revenue from real estate brokerage services increased by 16.1% compared to the same period last year to approximately RMB227.0 million; revenue from local life services decreased by approximately 8.2% compared to the same period last year to approximately RMB681.1 million; revenue from community media services decreased by approximately 10.6% compared to the same period last year to approximately RMB390.8 million; and revenue from home decoration intermediate services decreased by approximately 54.2% compared to the same period last year to approximately RMB142.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Value-added Services to Non-Property Owners

During the Period, the revenue from value-added services to non-property owners was approximately RMB971.8 million, which further decreased to approximately 4.7% of the total revenue of the Group. The value-added services we provide to non-property owners mainly include (i) management consultancy services to property developers for their pre-sale activities, as well as consultancy services for properties managed by other property management companies, (ii) cleaning services, green landscaping, repair and maintenance services to property developers at the pre-delivery stage, (iii) sales and leasing agency services of unsold parking spaces and properties, and (iv) elevator products installation, supporting services and other services.

“Three Supplies and Property Management” Businesses

The Group established a joint venture in 2018 and began to undergo the separation and transfer of property management and heat supply under “Three Supplies and Property Management” reform. As at 30 June 2023, the revenue-bearing GFA and contracted GFA of the property management services of the “Three Supplies and Property Management” businesses were approximately 88.2 million sq.m. and approximately 92.9 million sq.m., respectively. During the Period, revenues from the property management business and the heat supply business were approximately RMB1,888.7 million and RMB812.2 million, respectively.

We insisted on a “Two-wheel-driven” development model with our partners. On the one hand, we actively undertook reform projects for the production logistics business of petroleum and petrochemical enterprises, and carried out in-depth cooperation in areas including industrial properties, catering, hospitals and schools. At the same time, we strengthened our own market-oriented operation and expansion capabilities to provide support and foundation for market-oriented operation. During the Period, the number of our newly contracted projects reached 252, with a total contracted amount of RMB709 million, achieving breakthroughs in Shanghai, Chongqing, Fujian, Hunan and Anhui, and further expanding our service areas and enriching the types of services. We also actively promoted the development of community value-added services, especially in the areas of community housekeeping, group purchasing, group dining, travelling and community elderly care, etc., to provide property owners with high-quality and convenient products and services, and to create a safer, healthier and more comfortable living experience for them.

City Services

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

During the Period, our city services recorded revenue of approximately RMB2,394.3 million. For market expansion, we have proactively adjusted development strategy to focus on core cities and core properties. During the Period, the Group successfully won the tender for a number of greater cities property management projects in Beijiao Town, Shunde District, Foshan City and Rongjiang New District, Ganzhou City; industrial park operation projects including C&T Cloud Intelligence in Foshan (佛山市科創雲智匯) and Xingchuang Electronics Industrial Park in Huizhou (惠州市興創電子產業園); urban space operation projects including Shenyang Airport and Sanya Phoenix Airport; school services including Guangzhou Judicial Vocational School (廣州司法職業學校) and Guanlan District of Hainan University (海南大學觀瀾校區); and medical logistics projects including The Third People’s Hospital of Hefei and Affiliated Hospital of Zunyi Medical University.

MANAGEMENT DISCUSSION AND ANALYSIS

Commercial Operational Services

The Group provides shopping malls, neighborhood commercial centers, office buildings and other projects with full-chain services such as business planning consulting, tenant sourcing, operation and planning services, mainly including (i) conducting commercial operation and management of the properties owned by leasing developers or property owners; (ii) providing property market research and positioning services to property developers at the investment stage; (iii) providing market research and positioning, business planning consulting, tenant solicitation and opening preparation services to property developers or owners at the preparation stage before the opening of the properties; and (iv) providing tenant solicitation, operation and management services to property owners or tenants at the stage of property operation. During the Period, the Group's commercial operational services segment recorded a total revenue of approximately RMB534.3 million.

Our commercial operational services have established a diversified product line, including city-grade full-service shopping mall “Bele City” (碧樂城), regional shopping mall “Bele One” (碧樂匯) and community neighbourhood commercial center “Bele Time” (碧樂時光). We have established presence in more than 60 cities, with over 130 projects under management. During the Period, we steadily carried out light assets expansion process, laying out product lines targeting city tiers to meet different levels of consumer demand, matching different business models and commercial volume, and further upgrading the commercial capabilities of the local cities. We have successfully signed contracts to develop projects such as Bele One in Dalian Development Zone (大連市開發區碧樂匯), Bele One in Lingzhu, Qingdao (青島市靈珠碧樂匯), and C&T Bele One in Changzhou 510 (常州市510科創碧樂匯). We believe that with the opening of new projects successively, we will continue to inject commercial vitality into cities and bring better commercial life to consumers.

PROSPECTS AND FUTURE PLANS

Introducing “Hongxin Bihai (紅心碧海)” to implement collaborative community governance and facilitate renovation of old urban residential communities

As a part of our active efforts to solve persisted community governance problems and eliminate experience pain points of residents such as obsolete facilities and equipment, we introduced a new red property service brand known as “Hongxin Bihai (紅心碧海)” in 2022, under which community residents are encouraged to establish their volunteer teams and collect comments and opinions from residents through regular visit and surveys. Based on our extensive experience and excellent services and products, we applied the EPCO model in our renovation of old urban residential communities in order to further improve the living environment of residents and meet the people's desire for a better life. The EPCO is a model under which design, construction, operation and management are integrated with an aim to solving problems that occur in the course of renovation of old communities such as gap between renovation and management, waste of resources and insufficiency of funding, thus achieving area-based management of the renovation. By doing so, we successfully established a long-term mechanism for management of old residential communities, making us a new benchmark in terms of smart communities.

Since July 2023, our “Hongxin Bihai (紅心碧海)” serving model has been adopted by nearly 70 residential communities covering 14 provinces and municipalities such as Guangdong, Fujian, Hubei, Henan, Chongqing, Zhejiang, Tianjin and etc. In the future, CG Services will continue its “collaborative community governance under Hongxin Bihai” to pursue its brand mission of “serving you a better life” with the leadership of the Communist Party of China as the core. To do this, more residents will be invited to participate in the consultative conferences and more topics will be discussed in the conferences to identify and solve pressing problems and difficulties for residents. This will inspire residents to participate in community governance, and enable us to act as a bridge between the community and residents to build a harmonious community.

MANAGEMENT DISCUSSION AND ANALYSIS

Exploring “property management services + life services” to bring more beautiful scenes to community life

As an important livelihood-related industry, the property management industry has been continuously driven by its mission of satisfying the people’s growing needs for a better life with high-quality and diversified services. In this regard, the industry needs to vigorously improve property services to satisfy aspirations of the people to live a better life. In recent years, CG Services has been actively exploring the model of “property management services + life services” by improving community service quality, improving the level of intelligence in community services, and promoting the integration and innovation of housekeeping, elderly care, childcare, property services and other businesses. Our customer satisfaction was thus enhanced significantly.

Focusing on “the community’s readiness for serving the residents’ needs”, we have been deeply exploring the innovative model of “property management services + life services” to diversify our high-quality property services to expand the service boundary, thus enhancing the happiness of property owners. In the future, we will focus on developing communities in an environment-friendly, age-friendly, women-friendly, children-friendly and pet-friendly manner. Centring on the living needs of property owners throughout their life cycle, we will capitalize on resource advantages of communities to provide owners with value-added services by prioritizing functions of communities in serving residents, offering convenience to residents and reassuring residents. On these bases, we will add more beautiful scenes to the community life.

Continuously improving and upgrading offerings through digital insights on customer needs

As technologies such as big data, AI, cloud computing, Internet of Things and 5G are increasingly mature, the property industry has stepped into a digital era. CG Services actively embraced the digital transformation of property management and continued to drive the improvement and upgrading of our offerings. We are committed to promoting efficient operation of customer service, optimising and upgrading customer experience, and solving the contradiction between service standards and customer differentiation and personalised needs in a customer-oriented manner. We continue to focus on improving core capabilities in three aspects in digital transformation: customer experience improvement; overall operational efficiency enhancement; and model innovation. To improve these capabilities, we have to shape existing businesses, processes and business models in a lean manner. Through digitalisation, the direction of our future development becomes clearer.

When it comes to customer experience, we are processing regular business in batches through intelligent means and focusing on solving differentiated needs. To be specific, the problems and demands of customers, which are captured by intelligent means, are automatically processed in the work order system. This effectively assists managers in addressing oversights in some complex cases and responding to the needs of owners. Moreover, we widely leverage well-developed technologies inside and outside the property management industry to improve the overall operational efficiency in front-end business, back-end service support business, and operation support business through various channels such as 400 customer service hotline, butler patrol and WeCom.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 2023, the total revenue increased by approximately 3.4% to approximately RMB20,733.1 million from approximately RMB20,055.4 million for the six months ended 30 June 2022.

(i) Property management services

During the Period, the revenue from property management services increased by approximately 10.9% to approximately RMB12,187.5 million from approximately RMB10,986.3 million for the six months ended 30 June 2022, accounting for approximately 58.8% of the total revenue (for the same period in 2022: approximately 54.8%).

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

	For the six months ended/ as at 30 June 2023				For the six months ended/ as at 30 June 2022			
	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)	5,334,604	43.8	449,915	49.1	4,555,843	41.5	379,156	45.0
Properties developed by independent third-party property developers	6,852,877	56.2	466,080	50.9	6,430,478	58.5	464,001	55.0
Total	12,187,481	100.0	915,995	100.0	10,986,321	100.0	843,157	100.0

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

The revenue-bearing GFA of the Group increased by approximately 72.8 million sq.m. from approximately 843.2 million sq.m. for the same period in 2022 to approximately 916.0 million sq.m., mainly due to the conversion of the reserved GFA of the Group into revenue-bearing GFA during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) *Community value-added services*

During the Period, the revenue from community value-added services decreased by approximately 10.8% to approximately RMB1,884.2 million from approximately RMB2,112.3 million for the six months ended 30 June 2022, accounting for approximately 9.1% of the total revenue (for the same period in 2022: approximately 10.5%).

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

- (a) During the Period, the revenue from home services increased by approximately 22.4% to approximately RMB306.7 million from approximately RMB250.6 million for the six months ended 30 June 2022.
- (b) During the Period, the revenue from home decoration intermediate services decreased by approximately 54.2% to approximately RMB142.3 million from approximately RMB310.7 million for the six months ended 30 June 2022.
- (c) During the Period, the revenue from community media services decreased by approximately 10.6% to approximately RMB390.8 million from approximately RMB437.1 million for the six months ended 30 June 2022.
- (d) During the Period, the revenue from local life services decreased by approximately 8.2% to approximately RMB681.1 million from approximately RMB741.7 million for the six months ended 30 June 2022.
- (e) During the Period, the revenue from real estate brokerage services increased by approximately 16.1% to approximately RMB227.0 million from approximately RMB195.6 million for the six months ended 30 June 2022.
- (f) During the Period, the revenue from community area services decreased by approximately 22.8% to approximately RMB136.3 million from approximately RMB176.6 million for the six months ended 30 June 2022.

The decrease was mainly due to the fact that the pandemic was not completely eliminated at the beginning of 2023 and the consumer market became more rational, which led to a wait-and-see market sentiment of customers. While the business start-up fell short of expectations, resulting in the restriction in business promotion of the community value-added services of the Group.

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

During the Period, the revenue from value-added services to non-property owners decreased by approximately 31.8% to approximately RMB971.8 million from approximately RMB1,424.0 million for the six months ended 30 June 2022, accounting for approximately 4.7% of the total revenue (for the same period in 2022: approximately 7.1%).

The decrease in revenue from value-added services to non-property owners was mainly due to the phased adjustment of some real estate enterprises, which resulted in a decline in value-added services to non-property owners as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) *Three Supplies and Property Management Businesses*

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

Among which, the revenue from property management and other related services increased by approximately 25.2% to approximately RMB1,888.7 million from approximately RMB1,508.5 million for the six months ended 30 June 2022, accounting for approximately 9.1% of the total revenue (for the same period in 2022: approximately 7.5%).

The revenue from heat supply services increased by approximately 12.4% to approximately RMB812.2 million from approximately RMB722.5 million for the six months ended 30 June 2022, accounting for approximately 3.9% of the total revenue (for the same period in 2022: approximately 3.6%).

The increase in the revenue from the “Three Supplies and Property Management” business was mainly due to the successful incubation of the successive launch of the elderly care, elevator installation, hotel and catering, childcare, security and merchandising businesses.

(V) *City Services*

During the Period, the revenue from city services decreased from approximately RMB2,635.2 million for the six months ended 30 June 2022 to approximately RMB2,394.3 million, representing a decrease of approximately 9.1% and accounting for approximately 11.5% of total revenue (for the same period in 2022: approximately 13.1%).

The decrease in the revenue from city services was mainly due to the Group’s initiative to reduce certain businesses with low gross profit margin during the Period.

(VI) *Commercial Operational Services*

During the Period, the revenue from commercial operational services decreased from approximately RMB588.8 million for the six months ended 30 June 2022 to approximately RMB534.3 million, representing a decrease of approximately 9.3%, accounting for approximately 2.6% of the total revenue (for the same period in 2022: approximately 2.9%).

The decrease in the revenue from commercial operational services was mainly attributable to the decrease in the number of the commercial entrusted management projects.

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 sales of goods, (ix) transportation cost, (x) office and communication cost, (xi) taxes and surcharges, (xii) employee uniform expenses, (xiii) depreciation and amortisation charges, (xiv) community activities cost, (xv) travelling and entertainment cost, (xvi) construction costs for infrastructure under service concession arrangements, and (xvii) others. During the Period, the costs were approximately RMB15,575.5 million, representing an increase of approximately 6.2% as compared to approximately RMB14,668.5 million for the six months ended 30 June 2022. 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 in various costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

During the Period, the overall gross profit decreased by approximately RMB229.3 million to approximately RMB5,157.7 million from approximately RMB5,387.0 million for the six months ended 30 June 2022, representing a decrease of approximately 4.3%.

During the Period, the overall gross profit margin decreased by 2.0 percentage points to approximately 24.9% from approximately 26.9% for the six months ended 30 June 2022, and the overall gross profit margin decreased mainly due to the decrease in gross profit margin of community value-added services and value-added services to non-property owners.

During the Period, adjusted overall gross profit was approximately 27.4% (for the same period in 2022: approximately 29.5%) excluding amortisation charges of intangible assets – contracts and customer relationships and brands – arising from mergers and acquisitions.

(i) *Property management services*

During the Period, the gross profit margin of property management services increased by 0.1 percentage points to approximately 26.0% from approximately 25.9% for the six months ended 30 June 2022.

The gross profit margin of property management services remained stable.

(ii) *Community value-added services*

During the Period, the gross profit margin of community value-added services decreased by 11.0 percentage points to approximately 48.7% from approximately 59.7% for the six months ended 30 June 2022.

The decrease in gross profit margins of community value-added services was mainly due to the continuation of fixed costs while business fell short of expectations during the Period.

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

During the Period, the gross profit margin of value-added services to non-property owners decreased by 14.0 percentage points to approximately 13.2% from approximately 27.2% for the six months ended 30 June 2022.

The decrease in the gross profit margin of value-added services to non-property owners was mainly due to the contraction of the overall business resulting from the phased adjustment of some real estate enterprises.

(iv) *Three Supplies and Property Management Businesses*

During the Period, for the “Three Supplies and Property Management” businesses, the gross profit margin of property management and other related services decreased from approximately 8.7% for the six months ended 30 June 2022 to approximately 7.2%, representing a decrease of 1.5 percentage points.

The decrease in the gross profit margin of the property management and other related services under the “Three Supplies and Property Management” businesses was mainly due to the increase in the costs of property management quality improvement on one hand and the increase in commodity sales business with low gross profit margins on the other hand.

During the Period, for the “Three Supplies and Property Management” businesses, the gross profit margin of heat supply services increased from approximately 7.7% for the six months ended 30 June 2022 to approximately 8.3%, representing an increase of 0.6 percentage points.

The gross profit margin of heat supply services under the “Three Supplies and Property Management” businesses remained stable.

MANAGEMENT DISCUSSION AND ANALYSIS

(v) *City Services*

During the Period, the gross profit margin of city services increased from approximately 18.1% for the six months ended 30 June 2022 to approximately 21.1%, representing an increase of 3.0 percentage points.

The increase in the gross profit margin of city services was mainly due to the measures taken by the Group for city service projects to reduce costs and improve efficiency and the Group's initiative to reduce the business with low gross profit margin during the Period.

(vi) *Commercial Operational Services*

During the Period, the gross profit margin of commercial operational services increased from approximately 36.4% for the six months ended 30 June 2022 to approximately 38.4%, representing an increase of 2.0 percentage points.

The increase in the gross profit margin of commercial operational services was mainly due to the adjustment on business structure, and the exit of businesses with low gross profit margins during the Period.

Selling and Marketing Expenses

During the Period, selling and marketing expenses were approximately RMB155.9 million, representing a decrease of approximately 3.5% as compared with approximately RMB161.5 million for the six months ended 30 June 2022.

The decrease in selling and marketing expenses was mainly due to the tightened policy on expense management of the Group.

General and Administrative Expenses

During the Period, general and administrative expenses were approximately RMB1,815.6 million, representing a decrease of approximately 6.4% as compared with approximately RMB1,939.1 million for the six months ended 30 June 2022. The percentage of general and administrative expenses decreased by 0.9 percentage points from approximately 9.7% for the same period in 2022 to approximately 8.8%.

The decrease in general and administrative expenses was mainly because the lapse of share options during the Period offset the expense of share options provided in the previous period.

In addition, the adjusted percentage of general and administrative expenses decreased by 0.4 percentage points from approximately 9.6% for the same period in 2022 to approximately 9.2% excluding the expense of share options.

Other Income

During the Period, other income was approximately RMB281.9 million, representing an increase of approximately 18.3% as compared with approximately RMB238.3 million for the six months ended 30 June 2022.

The increase in other income was mainly due to increase in the dividends received from the financial assets at fair value through other comprehensive income during the Period as compared to the same period last year.

Other Gains — Net

During the Period, other gains — net were approximately RMB94.8 million, representing a decrease of approximately RMB199.5 million as compared with approximately RMB294.3 million for the six months ended 30 June 2022.

The decrease in other gains — net was mainly due to the decrease in realised and unrealised gains on the financial assets at fair value through profit or loss and in foreign exchange gains as a result of fluctuations in market conditions as compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Income/(Costs) – Net

During the Period, finance income/(costs) – net were approximately RMB2.4 million, representing an increase of approximately RMB82.5 million compared with approximately RMB(80.1) million for the six months ended 30 June 2022.

The increase in finance income/(costs) – net was mainly due to the decrease in interest expenses as compared with the same period last year as a result of the due redemption and cancellation of the convertible bonds issued in 2021 on 1 June 2022, and the increase in interest income on deposits during the Period as compared with that of the last period.

Income Tax Expense

During the Period, income tax expense was approximately RMB779.7 million, representing a decrease of approximately 4.8% compared to approximately RMB818.7 million for the six months ended 30 June 2022.

The decrease in income tax expense was mainly due to the decrease in total profit before tax of the Group for the six months ended 30 June 2023.

Profit for the Period

During the Period, the net profit of the Group was approximately RMB2,488.6 million, representing a decrease of approximately 9.6% compared to approximately RMB2,751.9 million for the six months ended 30 June 2022.

During the Period, the profit attributable to the shareholders of the Company (the “Shareholders”) was approximately RMB2,351.2 million, representing a decrease of approximately 8.7% compared to approximately RMB2,575.8 million for the six months ended 30 June 2022.

During the Period, the profit attributable to the non-controlling interests of the Company was approximately RMB137.4 million, representing a decrease of approximately 22.0% compared to approximately RMB176.1 million for the six months ended 30 June 2022.

During the Period, the core net profit* attributable to the Shareholders was approximately RMB2,615.4 million, representing a decrease of approximately 9.5% compared to approximately RMB2,891.0 million for the six months ended 30 June 2022.

Intangible Assets

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

As at 30 June 2023, the intangible assets of the Group were approximately RMB25,469.9 million, representing a decrease of approximately RMB483.5 million compared to approximately RMB25,953.4 million as at 31 December 2022, which was mainly due to the amortization of the intangible assets during the Period which amounted to approximately RMB566.0 million.

* Core net profit attributable to the owners of the Company excluding borrowing costs of convertible bonds, share-based payment expenses, unrealised gains or losses from financial assets at fair value through profit or loss, amortisation charges of intangible assets – contracts and customer relationships, insurance brokerage licenses and brands arising from mergers and acquisitions and impairment of goodwill and other intangible assets, impairment of loans to third parties pledged by equities, losses from disposal of subsidiaries and expected credit losses on external guarantee.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Assets at Fair Value through Other Comprehensive Income

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

As at 30 June 2023, the balance of financial assets at fair value through other comprehensive income of the Group was approximately RMB3,969.6 million, representing a decrease of approximately RMB182.0 million compared to approximately RMB4,151.6 million as at 31 December 2022, which was mainly due to the decrease in the valuation of certain investment of the Group during the Period.

Trade and Other Receivables

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

As at 30 June 2023, the Group recorded net trade receivables of approximately RMB17,496.4 million, representing an increase of approximately RMB2,138.3 million compared to approximately RMB15,358.1 million as at 31 December 2022, mainly due to the increase in the total revenue of the Group.

The net other receivables of approximately RMB4,976.1 million as at 30 June 2023, representing a decrease of approximately RMB465.4 million compared to approximately RMB5,441.5 million as at 31 December 2022, mainly due to the decrease in deposits and payments on behalf of property owners.

Financial Assets at Fair Value through Profit or Loss

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

As at 30 June 2023, the balance of financial assets at fair value through profit or loss of the Group amounted to approximately RMB884.8 million, representing an increase of approximately RMB22.0 million as compared with approximately RMB862.8 million as at 31 December 2022, which was mainly due to the gains on capital appreciation arising from the utilization of idle funds for financial management by subsidiaries.

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 RMB5,981.9 million as at 31 December 2022 to approximately RMB6,683.6 million as at 30 June 2023, representing an increase of approximately RMB701.7 million, mainly due to the increase in the advance payments for property management services.

Trade and Other Payables

Trade and other payables include trade payables, other payables, dividend payables, contingent consideration for business combination, payroll payables and other taxes payables.

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

As at 30 June 2023, trade payables of the Group were approximately RMB6,548.2 million, representing an increase of approximately RMB571.6 million compared to approximately RMB5,976.6 million as at 31 December 2022, primarily due to the Group's business expansion resulting in an increase in material procurement costs, labor outsourcing costs and utility fees.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Other payables increased from approximately RMB6,785.3 million as at 31 December 2022 to approximately RMB7,312.3 million as at 30 June 2023, primarily due to the increase in temporary receipts and deposits from property owners.

Capital Management

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

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

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

As at 30 June 2023, the bank and other borrowings of the Group amounted to approximately RMB1,847.8 million (31 December 2022: approximately RMB2,253.6 million). All borrowings due during the Period were repaid on time.

As at 31 December 2022 and 30 June 2023, the gearing ratio of the Group was maintained at net cash position.

Liquidity, Financial and Capital Resources

The Group is in a good financial position and its working capital during the Period was financed by internal funds generated from operations, bank loans and paid-in capital from Shareholders.

As at 30 June 2023, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB12,712.4 million, representing an increase of approximately RMB1,335.6 million as compared with approximately RMB11,376.8 million as at 31 December 2022. Total bank deposits and cash were denominated in the following currencies:

	30 June 2023		31 December 2022	
	(RMB'000)	(%)	(RMB'000)	(%)
RMB	12,577,847	99.0	11,182,834	98.3
HKD	43,630	0.3	104,259	0.9
Other currencies	90,874	0.7	89,679	0.8
	12,712,351	100.0	11,376,772	100.0

Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB167.6 million (31 December 2022: approximately RMB161.0 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of the local government authorities and the deposits made as performance security for business contracts of Country Garden Manguo Environmental Technology Group Co., Ltd.# (碧桂園滿國環境科技集團有限公司) (“**Manguo**”) and Fujian Dongfei Environment Group Co., Ltd.# (福建東飛環境集團有限公司) (“**Dongfei**”), the subsidiaries of the Group.

For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the net current assets of the Group were approximately RMB10,991.7 million (31 December 2022: approximately RMB9,662.3 million). The current ratio (current assets/current liabilities) of the Group was approximately 1.4 times (31 December 2022: 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 services contracts as planned or at desirable pace or price; the Group may not be able to collect property management fees from customers and as a result, may incur impairment losses on receivables; termination or non-renewal of a significant number of the Group's property management services contracts could have a material adverse effect on business, financial position and results of operations.

Foreign Exchange Risk

The Group's businesses were principally located in the PRC. Except for bank deposits, trade receivables, a closed-end fund and equity investments in an entity 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 strategies as appropriate to reduce foreign exchange risks.

Employees and Remuneration Policies

As at 30 June 2023, the Group had 211,001 employees (31 December 2022: 227,759 employees). During the Period, the total staff costs were approximately RMB7,493.9 million.

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

The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of its employees, monthly social insurance funds covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and the housing provident fund, or to contribute regularly to other mandatory provident fund schemes on behalf of its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

The Shareholders approved the Pre-Listing Share Option Scheme of the Company on 13 March 2018, and the Share Option Scheme of the Company on 28 September 2020. During the Period, the Company has not granted any share options according to the above Schemes and has not issued any Shares upon the exercise of share options by eligible participants.

Employee Training and Development

In 2023, the Group absorbed various talents across multiple disciplines, and introduced many technology-based and business-oriented talents, to cultivate a diversified talent pool and upgrade the appointment standards of key talent teams; through sorting for talent teams, stocktaking and post system iteration, improving the ability and job matching of talents and selecting highly suitable talents, the Group achieved horizontal and vertical multi-channel development.

The Company has opened up online learning channels for employees, creating a learning atmosphere through both online learning platforms and offline training. At the same time, the Company upgraded a large number of courses to build its knowledge base. As at 30 June 2023, our online learning platform has accumulated 1,632 courses, of which 152 were newly added in the first half of 2023, with an online learning time of 68,317 hours. By focusing on solving the difficulties of front-line business, the Company organized 18 essential small classes, with 9,648 participants. The Company also carried out a normalized empowerment by 24 courses of online live broadcasts, covering 47,140 trainees; the nationwide tour training of “Action in Ten Cities” covered 668 trainees, helping to steadily improve the business.

Among them, for front-line positions, on the basis of ensuring 100% training coverage of new employees, we have strengthened the training of grassroots employees. Through the daily morning meetings, we provide monthly on-the-job improvement training, to accelerate the integration of new employees and their post competence, standardize customer service attitude and service etiquette and promote on-site quality and owners' satisfaction.

At the same time, in order to support the Group's business development strategy more efficiently, the Company created the “CG Defense Officer” talent development plan in 2023, and accelerated the training of them into project managers through the “721” training and forced growth mechanism according to the talent development path, so as to strengthen the training of high-potential talents.

Charge on Assets

As at 30 June 2023, as several subsidiaries of the Company, carried out borrowing and sale and leaseback financing loan business with banks and financial leasing companies to meet the daily operational needs, which were mainly secured by rights of collection of certain of their respective city service projects and certain equipment.

Contingent Liabilities

Please refer to note 28 to the interim financial information in this report for details of contingent liabilities as at 30 June 2023, which were contingent considerations arising from business combinations. Save as disclosed, the Group did not have any other contingent liabilities.

External Guarantee

As at 30 June 2023, save as disclosed in note 31 to the interim financial information in this report, the Group did not have any other external guarantee.

Material Acquisitions, Disposal and Significant Investments

During the Period, the Group had no material acquisitions or disposals and no individually significant investments.

Details of Future Plans for Material Investments or Purchasing Capital Assets of the Group and Their Expected Sources of Funding in the Coming Year

The Group will plan for material investments according to its strategic objectives and business requirements as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDENDS

The final dividend of the Company for the year ended 31 December 2022 of RMB14.40 cents (equivalent to HKD15.89 cents) per share and the special dividend of RMB22.81 cents (equivalent to HKD25.17 cents) per share, totaling approximately RMB1,255,141,000, were approved at the annual general meeting of the Company held on 25 May 2023 (the “**AGM**”) and paid in cash in Hong Kong dollars on 11 August 2023.

The Board has decided not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

MAJOR EVENTS DURING THE CURRENT PERIOD

Amendments to the Memorandum and Articles of Association and Adoption of the Second Amended and Restated Memorandum and Articles of Association

For the purposes of (i) complying with the Core Shareholders Protection Standards as set out in the amended Appendix 3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) from 1 January 2022; (ii) complying with the relevant provisions of the applicable laws of the Cayman Islands; (iii) allowing general meetings to be held as an electronic meeting (also referred to as a virtual general meeting) or as a hybrid meeting; and (iv) making certain organisational and administrative amendments, the Board proposed to make certain amendments to the existing memorandum and articles of association of the Company (the “**Proposed Amendments**”). At the same time, the Board proposed to adopt the second amended and restated memorandum and articles of association incorporating the Proposed Amendments (the “**Second Amended and Restated Memorandum and Articles of Association**”) in substitution for and to the exclusion of the existing memorandum and articles of association.

The Proposed Amendments and the proposed adoption of the Second Amended and Restated Memorandum and Articles of Association were approved by way of a special resolution at the AGM. Please refer to the announcements of the Company dated 29 March 2023 and 25 May 2023 and the circular of the Company dated 24 April 2023 for further details.

EVENT SUBSEQUENT TO THE REPORTING PERIOD

Donation of Shares by the Chairman of the Board and a Controlling Shareholder

The Company has been notified by Ms. Yang Huiyan (“**Ms. Yang**”), a controlling shareholder (as defined under the Listing Rules), the non-executive Director and the chairman of the Board, that she and her wholly-owned company, Concrete Win Limited (the “**Donor**”), entered into a deed of gift with Guoqiang Public Welfare Foundation (Hong Kong) Limited (“**Guoqiang Public Welfare Foundation (Hong Kong)**”) on 29 July 2023 (the “**Deed of Gift**”). Pursuant to the Deed of Gift, the Donor shall donate 674,640,867 shares of the Company (the “**Shares**”), representing approximately 20% of the issued Shares (the “**Donation Shares**”), to Guoqiang Public Welfare Foundation (Hong Kong) for charitable purposes (the “**Donation**”).

Recognising the long-term value of the Company and in order to enhance the stability of the Company’s corporate governance, Guoqiang Public Welfare Foundation (Hong Kong) irrevocably and unconditionally undertakes to Ms. Yang and the Donor that it will hold the Donation Shares for a period of ten years and appoint Ms. Yang and the Donor or their nominees to act as its proxy for exercising the voting rights in respect of the Donation Shares on behalf of Guoqiang Public Welfare Foundation (Hong Kong) at the discretion of Ms. Yang and the Donor. The Donation has now been completed. Ms. Yang directly and indirectly owns 543,695,233 Shares, representing approximately 16.12% of the issued Shares; and Ms. Yang continues to directly and indirectly control the voting rights in respect of 1,218,336,100 Shares, which include the voting rights in respect of the Donation Shares, representing approximately 36.12% of the voting rights in respect of the issued Shares. Please refer to the announcement of the Company dated 30 July 2023 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

Intention to Conduct on-Market Share Repurchase

The Board believes that the Shares have been trading at a price level which does not fully reflect the intrinsic value of the Group. As such, depending on the market conditions and the Company's actual needs at the relevant time, the Board intends to repurchase not more than 337,312,739 Shares, representing 10% of the total number of issued Shares on the date of the AGM, in the open market at an appropriate time after the publication of this report in accordance with the general mandate to repurchase Shares granted by the Shareholders at the AGM (the "**Share Repurchase**"). The Company will conduct the Share Repurchase in compliance with the memorandum and articles of association of the Company, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Act of the Cayman Islands and all other applicable laws and regulations. The relevant consideration for the Share Repurchase will be settled with the existing available cash reserve of the Group. The Company will subsequently cancel the Shares repurchased.

The Board believes that the Share Repurchase will demonstrate the Group's confidence in its long-term business prospects, improve the returns to the Shareholders and be in the interest of the Company and the Shareholders as a whole. The Board also believes that the Group is in a stable financial position and is able to maintain sufficient financial resources to meet the needs of its continuous business growth while carrying out the Share Repurchase. Please refer to the announcement of the Company dated 1 August 2023 for further details.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules, where at least one member possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibility of the Audit Committee. The membership of the Audit Committee consists of three independent non-executive Directors, namely, Mr. Rui Meng, Mr. Mei Wenjue and Mr. Chen Weiru. Mr. Rui Meng is the chairman of the Audit Committee. The primary duties of the Audit Committee include assisting the Board in providing an independent view of the effectiveness of the Group’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. The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2023, the Company had complied with all applicable code provisions set out in 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 its code of conduct regarding securities transactions by its Directors and employees (the “**Securities Dealing Code**”). The Company has made specific enquiries to all Directors on whether the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2023 and all Directors have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the Period.

No incident of non-compliance was found by the Company during the six months ended 30 June 2023. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES OF INFORMATION ON DIRECTORS

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

Mr. Rui Meng, Independent Non-executive Director

In May 2023, Mr. Rui has retired as an independent director of the board at Shanghai Hydee Software Corp., Ltd. (上海海典軟件股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 831317).

In June 2023, Mr. Rui has retired as an independent director of the board at Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600843).

During the six months ended 30 June 2023, save as disclosed above, there is no other information that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities and no equity securities have been issued by the Company during the Period.

EQUITY FUND-RAISING ACTIVITIES AND USES OF PROCEEDS

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

INTERESTS DISCLOSURE

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

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares held	Number of interests in underlying shares held under equity derivatives	Total	% of total Shares in issue as at 30 June 2023	Number of debentures held
Ms. Yang Huiyan	Interest of controlled corporation	1,218,336,100 ⁽²⁾	–	1,218,336,100	36.12%	–
Mr. Li Changjiang (President)	Beneficial owner and interest of spouse	3,227,915 ⁽³⁾⁽⁴⁾	3,690,000 ⁽⁷⁾	6,917,915	0.21%	–
Mr. Xiao Hua	Beneficial owner	755,795 ⁽³⁾⁽⁵⁾	860,000 ⁽⁷⁾	1,615,795	0.05%	–
Mr. Guo Zhanjun	Beneficial owner	825,405 ⁽³⁾⁽⁶⁾	600,000 ⁽⁷⁾	1,425,405	0.04%	–

Notes:

- As at 30 June 2023, the total number of Shares in issue of the Company was 3,373,127,390 Shares.
- As at 30 June 2023, Concrete Win Limited (“Concrete Win”) and Fortune Warrior Global Limited (“Fortune Warrior”) held 1,092,972,961 Shares and 125,363,139 Shares, respectively. Concrete Win and Fortune Warrior are beneficially wholly-owned by Ms. Yang Huiyan. By virtue of the SFO, Ms. Yang Huiyan is deemed to be interested in the same number of Shares in which Concrete Win and Fortune Warrior were interested.
- The relevant interests include the Shares received from the exercise of the unlisted physically settled options granted pursuant to Pre-Listing Share Option Scheme. Upon exercise of the share options in accordance with the Pre-Listing Share Option Scheme, the corresponding number of ordinary Shares will be issued at HK\$0.94 per Share. The share options are personal to the respective Directors.
- These Shares represent 1,283,000 Shares held by Ms. Huang Zhihua, spouse of Mr. Li Changjiang, which were purchased in the secondary market, 315 Shares received by Mr. Li Changjiang as the distributed final dividend of CG Services for 2020 and 1,944,600 Shares issued to Mr. Li Changjiang upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- These Shares represent 37 Shares distributed to Mr. Xiao Hua by virtue of the shares of Country Garden Holdings Company Limited (“CG Holdings” or “CGH”) held by him prior to the spin-off and separate listing of the Shares on the Main Board of the Stock Exchange, 5,558 Shares received by Mr. Xiao Hua as the distributed final dividend of CG Services for 2020 and 750,200 Shares issued to Mr. Xiao Hua upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- These Shares represent 14,205 Shares received by Mr. Guo Zhanjun as the distributed final dividend of CG Services for 2020 and 2021 and 811,200 Shares issued to Mr. Guo Zhanjun upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.
- The relevant interests are unlisted physically settled options granted pursuant to the Share Option Scheme. Upon exercise of the share options in accordance with the Share Option Scheme, the corresponding number of ordinary Shares will be issued at HK\$50.07 per Share. The share options are personal to the respective Directors.

INTERESTS DISCLOSURE

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

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate % of total issued shares of the associated corporation as at 30 June 2023 ⁽¹⁾
Ms. Yang Huiyan	Sichuan Justbon Life Services Group Co., Ltd. (" Justbon Services ")	Interest of controlled corporation	177,584,598	99.71%

Note:

- (1) The resolution for approving the delisting of H shares of Justbon Services from the Stock Exchange was passed at the general meeting and H share class meeting of Justbon Services held on 17 June 2021, and the delisting acceptance condition was satisfied on 15 July 2021. The listing of H shares of Justbon Services on the Stock Exchange was voluntarily withdrawn at 4:00 p.m. on 19 August 2021. Following the delisting, the shares of Justbon Services, as a PRC issuer, are no longer divided into H shares and domestic shares and are all ordinary shares with nominal value of RMB1 each. The percentage is calculated based on the total shares of Justbon Services of 178,102,160 shares as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executives of the Company (including their spouses and children under the age of 18) had any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such rights.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2023, as set out in the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares and underlying shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate % of total Shares in issue
Concrete Win	Beneficial owner	1,092,972,961 (L)	32.40%
Mr. Chen Chong ⁽²⁾	Interest of spouse	1,218,336,100 (L)	36.12%

Notes:

L – long position
S – short position

- (1) As at 30 June 2023, the total number of Shares in issue of the Company was 3,373,127,390 Shares.
- (2) By virtue of the SFO, Mr. Chen Chong is deemed to be interested in the Shares held by his spouse, Ms. Yang Huiyan, whose interests are disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company".

Save as disclosed above, as at 30 June 2023, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

(a) Pre-Listing Share Option Scheme

On 13 March 2018, the Pre-Listing Share Option Scheme was adopted by the then Shareholders of the Company. It was subsequently amended by a resolution passed at the extraordinary general meeting held on 7 November 2019 (for details of the amendment, please refer to the announcement of the Company dated 16 October 2019 and the circular of the Company dated 22 October 2019). A summary of the principal terms of the Pre-Listing Share Option Scheme is set out as follows:

(i) Purpose

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

(ii) Participants

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

- employee participants, including any full-time employee, executive and senior staff of the Group;
- any Director of the Company (including non-executive Director and independent non-executive Director);
- any other eligible individual whom the Board or its authorised person considers at its sole discretion has made or will make contributions to the Company (including service providers and connected entity participants).

(iii) Maximum number of Shares available for subscription

All the shares available for issue under the Pre-Listing Share Option Scheme have been granted in 2018. During the Period, no Shares were issued under the Pre-Listing Share Option Scheme; as at the date of this report, 132,948,000 Shares (the maximum number of Shares which may be granted pursuant to the Pre-Listing Share Option Scheme) have been exercised and issued in previous years.

(iv) Maximum entitlement to options of each participant

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

(v) Exercise period of options

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

(vi) Payment on acceptance of option offer

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

INTERESTS DISCLOSURE

(vii) *Basis for determining the exercise price*

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

(viii) *Remaining life of the scheme*

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

(ix) *Vesting period*

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Pre-Listing Share Option Scheme for the holding of an option before it can be exercised.

On 21 May 2018, share options for 132,948,000 Shares with a fair value on the date of grant of approximately HK\$108,375,000 (equivalent to approximately RMB86,667,000) were granted by the Company to a total of 15 eligible participants, including 13 employees of the Company (including four Directors) and two connected entity participants (i.e. two employees of CGH, and the number of share options granted to them both exceeded 0.1% of the issued share capital of the Company at the adoption date and the number of share options granted to one of employees of CGH exceeded 1% of the issued share capital of the Company at the adoption date), in accordance with the terms of the Pre-Listing Share Option Scheme.

No outstanding options of the Company had been granted, exercised, cancelled or lapsed under the Pre-Listing Share Option Scheme during the reporting period.

(b) Share Option Scheme

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

(i) *Purpose*

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

INTERESTS DISCLOSURE

(ii) *Eligible participants*

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

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

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

As at the date of this report, a total of 35,733,000 Shares (including options to subscribe for 29,293,000 Shares that have been granted but not yet lapsed or exercised) (representing approximately 1.06% of the issued share capital of the Company as at the date of this report) were available for issue under the Share Option Scheme.

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

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

(v) *Exercise period of options*

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

(vi) *Payment on acceptance of option offer*

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

INTERESTS DISCLOSURE

(vii) Basis for determining the exercise price

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

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

(viii) Remaining life of the scheme

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

(ix) Vesting period

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

On 28 September 2020, 23 March 2021 and 30 March 2022, the Company granted share options to a total of 73 eligible participants, including 65 participants who were employees (other than Directors) at the time of grant, 4 Directors and 4 service providers (the number of share options granted to one of the service providers exceeded 0.1% of the issued share capital of the Company at the adoption date).

Some eligible participants who were granted share options on 30 March 2022 were also the eligible participants who were granted share options on 23 March 2021. The share options granted on 23 March 2021 were cancelled on 30 March 2022.

INTERESTS DISCLOSURE

During the Period, details of movements in the share options under the Share Option Scheme are as follows:

Category and name of grantee	Outstanding as at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled during the Period	Options to subscribe for Shares		Exercise price per Share (HK\$)	Date of grant	Exercise period
					Lapsed during the Period	Outstanding as at 30 June 2023			
Directors									
Mr. Li Changjiang	5,790,000	-	-	-	2,100,000	3,690,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁵⁾
Mr. Xiao Hua	1,520,000	-	-	-	660,000	860,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁵⁾
Mr. Guo Zhanjun	1,200,000	-	-	-	600,000	600,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁵⁾
Sub-total of Directors	8,510,000	-	-	-	3,360,000	5,150,000			
Employee participants									
	33,736,000	-	-	-	14,158,000	19,578,000	50.07	28 September 2020	Vesting date ⁽²⁾ – 27 September 2025 ⁽⁵⁾
	3,240,000	-	-	-	1,136,000	2,104,000	50.07	30 March 2022	Vesting date ⁽³⁾ – 29 March 2027 ⁽⁶⁾
Service providers									
	6,320,000	-	-	-	2,760,000	3,560,000	50.07	28 September 2020	Vesting date ⁽¹⁾ – 27 September 2025 ⁽⁵⁾
Sub-total of eligible participants (other than Directors)	43,296,000	-	-	-	18,054,000	25,242,000			
Total	51,806,000	-	-	-	21,414,000	30,392,000			

INTERESTS DISCLOSURE

Notes:

- (1) Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the auditor's report of the Company for the relevant financial year is issued: (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2020 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2021 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2022 is issued.
- (2) Subject to the satisfaction of certain vesting conditions, the vesting date of the share options granted by the Company on 28 September 2020 to a total of 61 other participants, including 57 employees (other than Directors) and 4 service providers*, to subscribe for 53,900,000 Shares shall be the date as set out in note (1), and the vesting date of the share options granted to 4 employees (other than Directors) to subscribe for the remaining 2,400,000 Shares shall be the date on which the auditor's report of the Company for the relevant financial year is issued, which is (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2021 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2022 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2023 is issued.

* *Service providers (all being consultants of the Company) represent persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interest of the long-term growth of the Group. For the avoidance of doubt, service providers exclude placing agents or financial advisors providing consulting services for fundraising, mergers or acquisitions or professional services provider who provides assurance services, or is required to perform services with impartiality and objectivity.*
- (3) Subject to the satisfaction of certain vesting conditions, as at 30 March 2022, the Company granted share options to five employees (other than Directors) to subscribe for 3,240,000 Shares in total, of which the vesting date of a total of 1,600,000 share options granted to two grantees shall be the date on which the auditor's report of the Company for the relevant financial year is issued, (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2021 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2022 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2023 is issued. The vesting date of a total of 1,640,000 share options granted to the remaining three grantees shall be the date on which the auditor's report of the Company for the relevant financial year is issued, (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2022 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2023 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2024 is issued. The reason for the vesting period of some share options being less than 12 months is that: the exercise price (i.e. exercise price of HKD72.40) of the same number of outstanding share options granted on 23 March 2021 (i.e. share options to subscribe for 1,600,000 Shares) no longer serves the purpose of providing incentives and rewards for promoting the grantees to contribute to the Group, and is not conducive to retaining existing grantees and make lasting contributions to the development of the Group. Accordingly, both the Remuneration Committee and the Board have resolved to cancel the outstanding share options under the Share Option Scheme and grant an equal number of new share options to the existing grantees.
- (4) The expense of share options charged to profit or loss during the Period was approximately RMB92.47 million (for the corresponding period in 2022: RMB10.99 million), mainly because the lapse of share options was partially offset by expense of share options provided before during the Period. The relevant accounting policy is described in Note 2.23 "Share-based payments" to the consolidated financial statements set out in the 2022 annual report of the Company published on 24 April 2023.
- (5) Subject to the satisfaction of the vesting conditions under the terms of the Share Option Scheme and that the share options do not lapse, the share options are exercisable by the grantees before 27 September 2025 and 29 March 2027, respectively.

INTERESTS DISCLOSURE

- (6) During the Period, no share options were exercised or vested by eligible participants, therefore the weighted average closing price of relevant Shares immediately preceding the date of exercise or vesting of share options was not applicable. During the Period, no share options were cancelled by the Company.
- (7) During the Period, no share options were granted by the Company. As at 1 January 2023 and 30 June 2023, the number of Shares available for grant under the Share Option Scheme was 6,440,000 Shares and 6,440,000 Shares.

During the Period, no share options were granted by the Company, therefore the total number of Shares which may be issued upon the exercise of the share options granted under the Share Option Scheme divided by the weighted average number of Shares in issue during the Period is 0.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	6	20,733,133	20,055,434
Cost of services	9	(15,088,902)	(14,023,176)
Cost of sales of goods	9	(486,556)	(645,307)
Gross profit		5,157,675	5,386,951
Selling and marketing expenses	9	(155,886)	(161,499)
General and administrative expenses	9	(1,815,550)	(1,939,072)
Net impairment losses on financial assets	9	(316,436)	(192,511)
Other income	7	281,881	238,335
Other gains — net	8	94,828	294,275
Operating profit		3,246,512	3,626,479
Finance income	10	114,205	60,480
Finance costs	10	(111,761)	(140,565)
Finance income/(costs) — net	10	2,444	(80,085)
Share of results of investments accounted for using the equity method	18	19,291	24,271
Profit before income tax		3,268,247	3,570,665
Income tax expense	11	(779,686)	(818,746)
Profit for the period		2,488,561	2,751,919
Profit attributable to:			
— Owners of the Company		2,351,168	2,575,786
— Non-controlling interests		137,393	176,133
		2,488,561	2,751,919
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Currency translation differences		(6,191)	(15,435)
Items that will not be reclassified to profit or loss:			
— Changes in fair value of financial assets at fair value through other comprehensive income	25	(151,964)	130,974
Total other comprehensive (losses)/income for the period, net of tax		(158,155)	115,539
Total comprehensive income for the period		2,330,406	2,867,458
Total comprehensive income attributable to:			
— Owners of the Company		2,193,013	2,694,277
— Non-controlling interests		137,393	173,181
		2,330,406	2,867,458
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
— Basic	12	69.70	76.51
— Diluted	12	69.70	76.51

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 30 June 2023 RMB'000	Audited At 31 December 2022 RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,545,490	1,477,517
Other right-of-use assets	15	215,381	214,389
Investment properties	16	2,106,574	1,989,667
Intangible assets	17	25,469,939	25,953,361
Investments accounted for using the equity method	18	663,587	644,815
Financial assets at fair value through other comprehensive income	19	3,969,617	4,151,610
Contract assets	20	436,149	427,725
Trade and other receivables	21	213,524	246,603
Deferred income tax assets		410,809	314,715
		35,031,070	35,420,402
Current assets			
Inventories		320,613	270,758
Trade and other receivables	21	24,052,947	22,146,142
Financial assets at fair value through profit and loss	23	884,754	862,822
Restricted bank deposits	22	167,630	161,002
Cash and cash equivalents	22	12,544,721	11,215,770
		37,970,665	34,656,494
Total assets		73,001,735	70,076,896

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited At 30 June 2023 RMB'000	Audited At 31 December 2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	24	27,329,914	27,329,914
Other reserves	25	567,305	812,916
Retained earnings	26	10,409,628	9,313,601
		38,306,847	37,456,431
Non-controlling interests		2,531,857	2,452,569
Total equity		40,838,704	39,909,000
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	29	986,876	1,015,929
Lease liabilities	15	2,215,617	2,053,781
Deferred income tax liabilities		1,981,560	2,104,015
		5,184,053	5,173,725
Current liabilities			
Contract liabilities		6,683,591	5,981,946
Trade and other payables	28	18,505,544	16,865,118
Current income tax liabilities		724,756	697,069
Bank and other borrowings	29	860,876	1,237,636
Lease liabilities	15	204,211	212,402
		26,978,978	24,994,171
Total liabilities		32,163,031	30,167,896
Total equity and liabilities		73,001,735	70,076,896

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

The interim financial information on pages 37 to 80 was approved by the Board of Directors on 29 August 2023 and were signed on its behalf.

Li Changjiang

Director

Guo Zhanjun

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Note	Unaudited					Total equity RMB'000
		Attributable to owners of the Company				Non- controlling interests RMB'000	
		Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2023		27,329,914	812,916	9,313,601	37,456,431	2,452,569	39,909,000
Comprehensive income							
Profit for the period		-	-	2,351,168	2,351,168	137,393	2,488,561
Other comprehensive losses		-	(158,155)	-	(158,155)	-	(158,155)
Total comprehensive income for the period ended 30 June 2023		-	(158,155)	2,351,168	2,193,013	137,393	2,330,406
Transactions with owners of the Company							
Employee share schemes							
– value of employee services	25	-	(92,471)	-	(92,471)	-	(92,471)
Capital injection from non-controlling interests		-	-	-	-	3,693	3,693
Transactions with non-controlling interests		-	5,015	-	5,015	(10,905)	(5,890)
Disposals of subsidiaries		-	-	-	-	(15,916)	(15,916)
Dividends	13	-	-	(1,255,141)	(1,255,141)	(34,977)	(1,290,118)
Total transactions with owners		-	(87,456)	(1,255,141)	(1,342,597)	(58,105)	(1,400,702)
Balance at 30 June 2023		27,329,914	567,305	10,409,628	38,306,847	2,531,857	40,838,704

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		3,120,829	3,374,417
Income tax paid		(928,876)	(1,028,074)
Net cash generated from operating activities		2,191,953	2,346,343
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		–	(505,678)
Settlement of outstanding considerations payable for business combinations in prior years		(10,765)	(142,519)
Net cash outflow from disposals of subsidiaries		(1,475)	–
Dividends received from investments accounted for using the equity method	18	2,915	864
Dividends received from financial assets at fair value through other comprehensive income	7	140,757	63,565
Payments for investments accounted for using the equity method	18	(2,396)	(38,128)
Purchases of property, plant and equipment	14	(332,932)	(371,062)
Purchases of intangible assets		(138,940)	(84,285)
Purchases of investment properties		–	(3,943)
Payments for financial assets at fair value through profit and loss		(1,015,000)	(3,292,310)
Proceeds from disposal of interests for using the equity method		–	52,023
Proceeds from disposal of property, plant and equipment		21,048	164,253
Proceeds from disposal of financial assets at fair value through profit or loss		1,075,560	3,303,804
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	33,341
Proceeds from disposal of other intangible assets		–	872
Loans to third parties		–	(510,849)
Interest received	10	114,205	60,480
Net cash used in investing activities		(147,023)	(1,269,572)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Cash flows from financing activities			
Redemption of convertible bonds		–	(4,279,781)
Proceeds from bank and other borrowings		505,110	953,349
Issuance of shares pursuant to share option scheme		–	1,875
Capital injection from non-controlling interests		3,693	12,807
Transactions with non-controlling interests		(5,890)	(3,350)
Principal elements of lease payments		(137,616)	(72,735)
Repayments of bank and other borrowings		(910,923)	(211,450)
Interest paid on leases	10	(65,458)	(36,810)
Interest paid on bank and other borrowings	10	(46,303)	(49,349)
Buy-back of shares		–	(50,251)
Dividends paid to non-controlling interests		(15,485)	(12,312)
Net cash used in financing activities		(672,872)	(3,748,007)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		11,215,770	11,618,619
Effects of exchange rate changes on cash and cash equivalents		(43,107)	(131,050)
Cash and cash equivalents at end of the period		12,544,721	8,816,333

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

Country Garden Services Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 24 January 2018 as an exempted company with limited liability under the Companies Act (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 2023 (“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 2022 (“2022 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. Material accounting policy information

The accounting policies applied are consistent with those as described in the 2022 Financial Statements, except for the adoption of new and amendments to HKFRSs effective for reporting period commencing on or after 1 January 2023 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 2023 did not have a material impact to the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Material accounting policy information *(Continued)*

- (b) Except for HKFRS 17 and amendments to HKAS 1 and HKFRS Practice Statement 2, HKAS 8 and HKAS 12, 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 2023 and have not been early adopted are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 7 and HKAS 7	Disclosure of supplier finance arrangement	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (revised)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	On or after 1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4. Judgements and estimates

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2022 Financial Statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management

5.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2022 Financial Statements.

There have been no significant changes in the risk management policies since the year ended 31 December 2022.

5.2 Liquidity risk

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

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

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 30 June 2023					
Trade and other payables (excluding payroll payables and other taxes payables)	15,404,536	–	–	–	15,404,536
Lease liabilities	321,647	272,377	709,680	2,139,174	3,442,878
Bank and other borrowings	926,373	114,880	64,540	921,261	2,027,054
Total	16,652,556	387,257	774,220	3,060,435	20,874,468
At 31 December 2022					
Trade and other payables (excluding payroll payables and other taxes payables)	13,031,241	–	–	–	13,031,241
Lease liabilities	322,797	264,396	666,318	1,992,792	3,246,303
Bank and other borrowings	1,259,631	71,993	136,391	902,437	2,370,452
Total	14,613,669	336,389	802,709	2,895,229	18,647,996

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management *(Continued)*

5.3 Fair value measurement of financial instruments

Fair value estimation

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2023				
Financial assets				
Financial assets at fair value through profit or loss	–	–	884,754	884,754
Financial assets at fair value through other comprehensive income	23,466	–	3,946,151	3,969,617
Total financial assets	23,466	–	4,830,905	4,854,371
At 31 December 2022				
Financial assets				
Financial assets at fair value through profit or loss	–	–	862,822	862,822
Financial assets at fair value through other comprehensive income	29,225	–	4,122,385	4,151,610
Total financial assets	29,225	–	4,985,207	5,014,432

NOTES TO THE INTERIM FINANCIAL INFORMATION

5. Financial risk management *(Continued)*

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

Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the six months ended 30 June 2023:

	Financial assets at fair value through profit or loss (note 23) RMB'000	Financial assets at fair value through other comprehensive income (note 19) RMB'000	Total RMB'000
Opening balance at 31 December 2022	862,822	4,122,385	4,985,207
Additions	1,015,000	–	1,015,000
Disposals	(1,000,000)	–	(1,000,000)
Fair value changes	6,932	(176,234)	(169,302)
Closing balance at 30 June 2023	884,754	3,946,151	4,830,905

- (a) There is no material unrealised gain or loss recognised in profit or loss in the current period (2022: no material unrealised gain or loss) attributable to balances held at the end of the reporting period.
- (b) There were no transfers required between the levels of the fair value hierarchy during the six months ended 30 June 2023 (2022: no transfers). The group also did not change any valuation techniques in determining the level 2 and level 3 fair values.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information

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

The Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners, water, electricity and heat supplies and property management services under the state-owned enterprises separation and reform program (hereinafter referred to as “Three Supplies and Property Management”), city services and commercial operational services in the PRC.

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

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

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

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

Capital expenditure comprises additions to property, plant and equipment, other right-of-use assets, investment properties and intangible assets.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(Continued)*

Revenue mainly comprises of proceeds from provision of property management services, community value-added services, value-added services to non-property owners, heat supply services, city services and commercial operational services. An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 2022 was as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue from property management and related services other than Three Supplies and Property Management businesses		
– Property management services	12,187,481	10,986,321
– Community value-added services	1,884,170	2,112,282
– Value-added services to non-property owners	971,766	1,424,001
– Other services	60,283	77,762
	15,103,700	14,600,366
Revenue from Three Supplies and Property Management businesses		
– Property management and other related services	1,888,710	1,508,450
– Heat supply services	812,164	722,537
	2,700,874	2,230,987
Revenue from city services business	2,394,290	2,635,235
Revenue from commercial operational services business	534,269	588,846
	20,733,133	20,055,434

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 2023 and 2022.

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information (Continued)

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

	Six months ended 30 June 2023				
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	City services business RMB'000	Commercial operational services RMB'000	Total RMB'000
Revenue from contracts with customers	15,105,870	2,700,874	2,420,165	388,977	20,615,886
Recognised over time	14,699,189	2,427,937	2,404,512	379,923	19,911,561
Recognised at a point time	406,681	272,937	15,653	9,054	704,325
Revenue from other source	-	-	-	147,261	147,261
Rental income	-	-	-	147,261	147,261
Total segment revenue	15,105,870	2,700,874	2,420,165	536,238	20,763,147
Less: inter-segment revenue	(2,170)	-	(25,875)	(1,969)	(30,014)
Revenue from external customers	15,103,700	2,700,874	2,394,290	534,269	20,733,133
Segment results	2,535,021	28,228	462,767	157,295	3,183,311
Share of results of investments accounted for using the equity method	20,810	(3,046)	1,527	-	19,291
Depreciation and amortisation charges	625,720	74,529	192,635	82,963	975,847
Net impairment losses on financial assets	293,041	5,542	16,144	1,709	316,436
Capital expenditure	192,349	133,302	218,223	253,793	797,667
	At 30 June 2023				
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	City services business RMB'000	Commercial operational services RMB'000	Total RMB'000
Segment assets	55,544,182	2,839,659	5,961,371	3,391,343	67,736,555
Investments accounted for using the equity method	497,965	144,213	21,409	-	663,587
Segment liabilities	18,798,199	2,555,343	2,029,013	2,951,775	26,334,330

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(Continued)*

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

	Six months ended 30 June 2022				
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	City services business RMB'000	Commercial operational services RMB'000	Total RMB'000
Revenue from contracts with customers	14,608,474	2,230,987	2,640,458	519,320	19,999,239
Recognised over time	14,298,172	2,011,495	2,281,770	519,320	19,110,757
Recognised at a point time	310,302	219,492	358,688	–	888,482
Revenue from other source	–	–	–	69,526	69,526
Rental income	–	–	–	69,526	69,526
Total segment revenue	14,608,474	2,230,987	2,640,458	588,846	20,068,765
Less: inter-segment revenue	(8,108)	–	(5,223)	–	(13,331)
Revenue from external customers	14,600,366	2,230,987	2,635,235	588,846	20,055,434
Segment results	2,907,203	24,317	421,492	139,854	3,492,866
Share of results of investments accounted for using the equity method	22,221	366	1,684	–	24,271
Depreciation and amortisation charges	643,544	35,439	157,758	70,000	906,741
Net impairment losses on financial assets	143,784	20,112	24,575	4,040	192,511
Capital expenditure	364,205	87,694	148,760	309,090	909,749
	At 31 December 2022				
	Property management and related services other than Three Supplies and Property Management RMB'000	Three Supplies and Property Management RMB'000	City services business RMB'000	Commercial operational services RMB'000	Total RMB'000
Segment assets	53,218,453	2,763,817	5,525,944	3,239,535	64,747,749
Investments accounted for using the equity method	477,155	149,438	18,222	–	644,815
Segment liabilities	17,830,918	2,509,966	1,905,831	2,866,532	25,113,247

NOTES TO THE INTERIM FINANCIAL INFORMATION

6. Revenue and segment information *(Continued)*

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Segment results	3,183,311	3,492,866
Realised and unrealised gains from financial assets at FVPL (note 8)	82,492	157,884
Finance income/(costs) — net	2,444	(80,085)
Profit before income tax	3,268,247	3,570,665

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

	At 30 June	At 31 December
	2023 RMB'000	2022 RMB'000
Segment assets	67,736,555	64,747,749
Deferred income tax assets	410,809	314,715
Financial assets at FVOCI	3,969,617	4,151,610
Financial assets at FVPL	884,754	862,822
Total assets	73,001,735	70,076,896

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

	At 30 June	At 31 December
	2023 RMB'000	2022 RMB'000
Segment liabilities	26,334,330	25,113,247
Dividend payables (note 28)	1,274,633	—
Deferred income tax liabilities	1,981,560	2,104,015
Current income tax liabilities	724,756	697,069
Bank and other borrowings	1,847,752	2,253,565
Total liabilities	32,163,031	30,167,896

NOTES TO THE INTERIM FINANCIAL INFORMATION

7. Other income

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Dividend income from financial assets at FVOCI	140,757	63,565
Government subsidy income	111,205	145,771
Late payment charges	29,919	28,999
	281,881	238,335

8. Other gains – net

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Realised and unrealised gains from financial assets at FVPL	82,492	157,884
Net foreign exchange gains	12,468	112,881
Gains on early termination of lease contracts	9,133	1,869
Gains on disposals of property, plant and equipment	880	16,414
Gains on disposals of subsidiaries	162	–
Others	(10,307)	5,227
	94,828	294,275

NOTES TO THE INTERIM FINANCIAL INFORMATION

9. Expenses by nature

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Employee benefit expenses	7,493,881	7,755,493
Cleaning expenses	3,253,951	2,748,836
Maintenance expenses	1,114,298	928,049
Depreciation and amortisation charges	975,847	906,741
Security expenses	956,131	824,951
Utilities	944,510	736,939
Heat supply costs	652,823	607,426
Cost of sales of goods	486,556	645,307
Greening and gardening expenses	390,187	362,807
Net impairment losses on financial assets	316,436	192,511
Rental expenses for short-term and low-value leases	241,038	205,242
Office and communication expenses	164,855	123,442
Travelling and entertainment expenses	135,527	103,175
Transportation expenses	105,252	72,896
Professional service fees	103,550	117,271
Sales service expenses	93,079	72,584
Other taxes and surcharges	90,767	94,439
Cost of information technology services	59,936	65,839
Community activities expenses	56,084	43,725
Bank charges	51,269	45,440
Advertising and promotion costs	40,648	56,572
Construction costs for contractual service concession arrangements	7,454	109,911
Other expenses	129,251	141,969
	17,863,330	16,961,565

NOTES TO THE INTERIM FINANCIAL INFORMATION

10. Finance income/(costs) – net

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Finance income:		
Interest income on bank deposits	114,205	60,480
Finance costs:		
Borrowing costs on convertible bonds	–	(54,406)
Interest expense on lease liabilities	(65,458)	(36,810)
Interest expense on bank and other borrowings	(46,303)	(49,349)
	(111,761)	(140,565)
Finance income/(costs) – net	2,444	(80,085)

11. Income tax expense

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current income tax	956,563	959,736
Deferred income tax		
– Corporate income tax	(206,639)	(173,594)
– Withholding income tax on profits to be distributed in future	29,762	32,604
	(176,877)	(140,990)
	779,686	818,746

NOTES TO THE INTERIM FINANCIAL INFORMATION

12. Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2023	2022
Profit attributable to the owners of the Company (RMB'000)	2,351,168	2,575,786
Weighted average number of ordinary shares in issue (thousands of shares)	3,373,127	3,366,485
Basic earnings per share (RMB cents)	69.70	76.51

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the share option schemes (note 27). For the share option schemes, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. For the period ended 30 June 2023, the effect of the share options were anti-dilutive and therefore not included in the calculation of the diluted earnings per share.

	Six months ended 30 June	
	2023	2022
Profit attributable to the owners of the Company (RMB'000)	2,351,168	2,575,786
Weighted average number of ordinary shares in issue (thousands of shares) and weighted average number of ordinary shares for diluted earnings per share (thousands of shares)	3,373,127	3,366,485
Diluted earnings per share (RMB cents)	69.70	76.51

13. Dividends

The final dividend in respect of 2022 of RMB14.40 cents (equivalent to HKD15.89 cents) per share and a special dividend of RMB22.81 cents (equivalent to HKD25.17 cents) per share, totalling approximately RMB1,255,141,000 was approved at the Annual General Meeting on 25 May 2023 and was paid in cash on 11 August 2023.

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION

14. Property, plant and equipment

	RMB'000
Six months ended 30 June 2023	
Opening net book amount	1,477,517
Additions	332,932
Disposals of subsidiaries	(617)
Other disposals	(20,168)
Depreciation and amortisation	(244,174)
Net book amount	1,545,490
Six months ended 30 June 2022	
Opening net book amount	1,365,576
Acquisition of subsidiaries	10,092
Other additions	371,062
Disposals	(147,839)
Depreciation and amortisation	(195,834)
Net book amount	1,403,057

As at 30 June 2023, transportation equipment with net book amount of RMB60,330,000 (As at 31 December 2022: RMB86,757,000) were pledged as collateral for the Group's bank and other borrowings (note 29).

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Leases

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

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

Other right-of-use assets

	Buildings RMB'000	Transportation equipment RMB'000	Machinery RMB'000	Land use right RMB'000	Total RMB'000
Six months ended 30 June 2023					
Opening net book amount	142,781	6,573	4,180	60,855	214,389
Additions	64,799	438	900	–	66,137
Early termination of lease contracts	(330)	–	–	–	(330)
Depreciation	(61,927)	(1,235)	(1,053)	(600)	(64,815)
Closing net book amount	145,323	5,776	4,027	60,255	215,381
At 30 June 2023					
Cost	350,055	9,797	7,307	69,212	436,371
Accumulated depreciation	(204,732)	(4,021)	(3,280)	(8,957)	(220,990)
Net book amount	145,323	5,776	4,027	60,255	215,381

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Leases (Continued)

(a) Amounts recognised in the consolidated statement of financial position (Continued)

Other right-of-use assets (Continued)

	Buildings RMB'000	Transportation equipment RMB'000	Machinery RMB'000	Land use right RMB'000	Total RMB'000
Six months ended 30 June 2022					
Opening net book amount	198,094	5,894	26	59,674	263,688
Acquisition of subsidiaries	8,093	-	-	-	8,093
Other additions	62,564	-	3,926	-	66,490
Early termination of lease contracts	(14,081)	-	-	-	(14,081)
Depreciation	(59,262)	(384)	(769)	(942)	(61,357)
Closing net book amount	195,408	5,510	3,183	58,732	262,833
At 30 June 2022					
Cost	341,219	9,224	12,929	66,101	429,473
Accumulated depreciation	(145,811)	(3,714)	(9,746)	(7,369)	(166,640)
Net book amount	195,408	5,510	3,183	58,732	262,833

Lease liabilities

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current	204,211	212,402
Non-current	2,215,617	2,053,781
	2,419,828	2,266,183

NOTES TO THE INTERIM FINANCIAL INFORMATION

15. Leases (Continued)

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of other right-of-use assets		
Buildings	61,927	59,262
Transportation equipment	1,235	384
Machinery	1,053	769
Land use right	600	942
	64,815	61,357
Interest expense (included in 'Finance costs')	65,458	36,810
Expense relating to short-term leases (included in 'Cost of sales' and 'General and administrative expenses')	185,599	158,036
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in 'General and administrative expenses')	55,439	47,206

For the six months ended 30 June 2023, the cash outflows for leases were RMB444,112,000 (2022: RMB314,787,000).

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

16. Investment properties

	Land and buildings RMB'000	Right-of use assets RMB'000	Total RMB'000
Six months ended 30 June 2023			
Opening net book amount	68,392	1,921,275	1,989,667
Additions	53,273	262,743	316,016
Amortisation	(1,407)	(99,447)	(100,854)
Disposals	–	(98,255)	(98,255)
Net book amount	120,258	1,986,316	2,106,574
Six months ended 30 June 2022			
Opening net book amount	64,543	871,539	936,082
Additions	3,943	277,646	281,589
Amortisation	(2,445)	(67,098)	(69,543)
Net book amount	66,041	1,082,087	1,148,128

NOTES TO THE INTERIM FINANCIAL INFORMATION

17. Intangible assets

	Software RMB'000	Contracts and customer relationships RMB'000	Insurance brokerage license RMB'000	Brand RMB'000	Concession intangible assets RMB'000	Total other intangible assets RMB'000	Goodwill RMB'000 (a)	Total RMB'000
Six months ended 30 June 2023								
Opening net book amount	408,787	5,576,760	22,271	1,781,042	263,184	8,052,044	17,901,317	25,953,361
Additions	73,191	9,391	-	-	-	82,582	-	82,582
Amortisation	(33,758)	(400,159)	(1,237)	(120,488)	(10,362)	(566,004)	-	(566,004)
Closing net book amount	448,220	5,185,992	21,034	1,660,554	252,822	7,568,622	17,901,317	25,469,939
At 30 June 2023								
Cost	601,833	6,948,218	28,663	2,166,442	294,363	10,039,519	19,639,425	29,678,944
Accumulated amortisation	(153,613)	(1,759,365)	(7,629)	(471,011)	(41,541)	(2,433,159)	-	(2,433,159)
Accumulated impairment	-	(2,861)	-	(34,877)	-	(37,738)	(1,738,108)	(1,775,846)
Net book amount	448,220	5,185,992	21,034	1,660,554	252,822	7,568,622	17,901,317	25,469,939
Six months ended 30 June 2022								
Opening net book amount	286,370	6,216,821	24,745	1,961,611	166,231	8,655,778	19,289,020	27,944,798
Acquisition of subsidiaries	401	188,684	-	96,887	-	285,972	586,226	872,198
Other additions	84,285	-	-	-	106,323	190,608	-	190,608
Amortisation	(37,378)	(405,042)	(1,237)	(122,424)	(13,926)	(580,007)	-	(580,007)
Disposals	(872)	-	-	-	-	(872)	-	(872)
Closing net book amount	332,806	6,000,463	23,508	1,936,074	258,628	8,551,479	19,875,246	28,426,725
At 30 June 2022								
Cost	409,833	6,959,569	28,663	2,166,442	283,745	9,848,252	19,877,816	29,726,068
Accumulated amortisation	(77,027)	(956,245)	(5,155)	(230,368)	(25,117)	(1,293,912)	-	(1,293,912)
Accumulated impairment	-	(2,861)	-	-	-	(2,861)	(2,570)	(5,431)
Net book amount	332,806	6,000,463	23,508	1,936,074	258,628	8,551,479	19,875,246	28,426,725

(a) Impairment tests for goodwill

As there were no indicators for impairment of the cash-generating units as at 30 June 2023, management has not updated any impairment calculations.

NOTES TO THE INTERIM FINANCIAL INFORMATION

18. Investments accounted for using the equity method

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
At 1 January	644,815	397,750
Share of results	19,291	24,271
Additions	2,396	38,128
Disposals	–	(41,517)
Dividends received	(2,915)	(864)
Acquisition of subsidiaries	–	1,605
At 30 June	663,587	419,373

As at 30 June 2023, there were no significant contingent liabilities and commitments relating to the Group's interests in the investments accounted for using the equity method.

19. Financial assets at fair value through other comprehensive income

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Listed equity securities	23,466	29,225
Unlisted equity investments	3,946,151	4,122,385
	3,969,617	4,151,610

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

20. Contract assets

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contract assets	436,149	427,725

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Trade and other receivables

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current assets:		
Trade receivables (a)		
– Related parties (note 30(e))	2,301,004	1,731,344
– Third parties	16,091,001	14,224,776
	18,392,005	15,956,120
Less: allowance for impairment of trade receivables (b)	(895,570)	(597,998)
	17,496,435	15,358,122
Other receivables		
– Payments on behalf of property owners	603,885	766,890
– Deposits	686,114	1,079,519
– Loans to third parties pledged by equities (d)	2,696,322	2,693,660
– Receivables from finance leases	32,717	14,266
– Others (e)	1,096,492	974,680
	5,115,530	5,529,015
Less: allowance for impairment of other receivables (c)	(352,941)	(334,077)
	4,762,589	5,194,938
Prepayments to suppliers		
– Related parties	9,853	7,654
– Third parties	1,488,295	1,364,980
	1,498,148	1,372,634
Prepayments for tax	295,775	220,448
	24,052,947	22,146,142
Non-current assets:		
Other receivables		
– Receivables from finance leases	213,524	246,603

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Trade and other receivables *(Continued)*

- (a) Property management services income under lump sum basis, heat supply services income and commercial operational services income are received in accordance with the term of the relevant service agreements. Service income from property management services, heat supply services and commercial operational 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 2023 RMB'000	At 31 December 2022 RMB'000
0 to 180 days	10,637,169	11,779,462
181 to 365 days	4,128,526	2,091,517
1 to 2 years	2,844,087	1,699,600
2 to 3 years	554,548	270,136
Over 3 years	227,675	115,405
	18,392,005	15,956,120

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

	Six months ended 30 June 2023 RMB'000	2022 RMB'000
At 1 January	597,998	280,150
Provision for loss allowance recognised in profit or loss	297,572	150,995
At 30 June	895,570	431,145

NOTES TO THE INTERIM FINANCIAL INFORMATION

21. Trade and other receivables *(Continued)*

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At 1 January	334,077	68,885
Provision for loss allowance recognised in profit or loss	18,864	41,516
At 30 June	352,941	110,401

(d) The Group provided short-term loans to certain third parties pledged by equity interests of property management companies in the PRC held by the corresponding parties. The loans to third parties bear interest rate at 6% to 15% per annum. These loans have a term of 2 to 12 months. The reason for the Group to provide such loans to the third parties is for potential acquisitions of equity interests of property management companies.

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

22. Cash and cash equivalents and restricted bank deposits

	At 30 June	At 31 December
	2023	2022
	RMB'000	RMB'000
Cash at banks (a)	12,712,351	11,376,772
Less: Restricted bank deposits (b)	(167,630)	(161,002)
Cash and cash equivalents	12,544,721	11,215,770

NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
RMB	12,577,847	11,182,834
HKD	43,630	104,259
Other currencies	90,874	89,679
	12,712,351	11,376,772

- (b) Restricted bank deposits mainly represent the cash deposits in bank as performance security for property management services according to the requirements of local government authorities and the deposits made as performance security for certain contracts relating to the city services business.

23. Financial assets at fair value through profit or loss

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Wealth management products (a)	580,081	569,162
Investment in a fund (b)	304,673	293,660
	884,754	862,822

- (a) The Group invested in various wealth management products. These products have a term of 3 to 5 years and can be redeemed by the Group at any time. They have an expected return rate ranging from 3.0% to 4.9%. The fair values of these investments were determined based on the expected returns as stipulated in relevant contracts with the counterparties.
- (b) This represented the Group's investment in a fund. The fair value of this investment was determined based on the valuation report provided by the fund manager.

NOTES TO THE INTERIM FINANCIAL INFORMATION

24. Share capital and share premium

	Number of shares	Nominal value of shares USD	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
Authorised share capital of USD0.0001 each	10,000,000,000	1,000,000			
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023					
	10,000,000,000	1,000,000			
At 1 January 2022	3,366,067,903	336,606	2,151	27,200,463	27,202,614
Employee share scheme – exercise of option	2,451,000	245	2	2,642	2,644
Cancellation of shares	(1,493,000)	(149)	(1)	(50,250)	(50,251)
Consideration issue	2,182,454	218	2	58,844	58,846
At 30 June 2022	3,369,208,357	336,920	2,154	27,211,699	27,213,853
At 1 January 2023 and At 30 June 2023	3,373,127,390	337,312	2,157	27,327,757	27,329,914

NOTES TO THE INTERIM FINANCIAL INFORMATION

25. Other reserves

	Statutory reserve RMB'000	FVOCI reserve RMB'000	Currency translation reserve RMB'000	Share- based payment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	385,215	(64,462)	(16,251)	291,089	(126,951)	468,640
Other comprehensive income	–	130,974	(12,483)	–	–	118,491
Transactions with non-controlling interests	–	–	–	–	451	451
Employee share schemes						
– value of employee services	–	–	–	10,990	–	10,990
– exercise of options	–	–	–	(769)	–	(769)
Disposal of financial assets at FVOCI	–	–	–	–	(852)	(852)
At 30 June 2022	385,215	66,512	(28,734)	301,310	(127,352)	596,951
At 1 January 2023	522,966	124,978	(36,026)	345,784	(144,786)	812,916
Other comprehensive income	–	(151,964)	(6,191)	–	–	(158,155)
Transactions with non-controlling interests	–	–	–	–	5,015	5,015
Employee share schemes						
– value of employee services	–	–	–	(92,471)	–	(92,471)
At 30 June 2023	522,966	(26,986)	(42,217)	253,313	(139,771)	567,305

26. Retained earnings

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
At 1 January	9,313,601	8,515,620
Profit for the period	2,351,168	2,575,786
Disposal of financial assets at FVOCI	–	852
Dividends (note 13)	(1,255,141)	(1,009,078)
At 30 June	10,409,628	10,083,180

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Share-based payments

- (a) In September 2020, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 71,500,100 shares of the Company. Pursuant to the terms of the Pre-Listing Share Option Scheme, the options granted are subject to certain performance conditions.

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

All the options under the share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD50.07 per share.

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

	Six months ended 30 June			
	2023		2022	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	50.07	48,566,000	50.07	51,679,000
Forfeited	50.07	(20,278,000)	50.07	(2,420,000)
As at 30 June	50.07	28,288,000	50.07	49,259,000
Vested and exercisable at 30 June	50.07	27,808,000	50.07	28,409,000

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

The Group has to estimate the Expected Retention Rate of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 30 June 2023, the Expected Retention Rate was assessed to be 90.0% (as at 31 December 2022: 92.7%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Share-based payments *(Continued)*

- (b) In March 2021, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 1,600,000 shares of the Company. Pursuant to the terms of the share option scheme, the options granted are subject to certain performance conditions.

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

All the options under the share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD72.40 per share.

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

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

	Six months ended 30 June			
	2023		2022	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	50.07	1,600,000	72.40	1,600,000
Granted	72.40	–	50.07	1,600,000
Forfeited	72.40	(480,000)	–	–
Cancelled	72.40	–	72.40	(1,600,000)
As at 30 June	50.07	1,120,000	50.07	1,600,000
Vested and exercisable at 30 June	50.07	640,000	50.07	640,000

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

The Group has to estimate the Expected Retention Rate of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 30 June 2023, the Expected Retention Rate was assessed to be 100% (as at 31 December 2022: 100%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

27. Share-based payments *(Continued)*

- (c) In March 2022, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 1,640,000 shares of the Company. Pursuant to the terms of the share option scheme, the options granted are subject to certain performance conditions.

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

All the options under the share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD50.07 per share.

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

	Six months ended 30 June			
	2023		2022	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	50.07	1,640,000	–	–
Granted	50.07	–	50.07	1,640,000
Forfeited	50.07	(656,000)	–	–
As at 30 June	50.07	984,000	50.07	1,640,000
Vested and exercisable at 30 June	–	–	50.07	–

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

The Group has to estimate the Expected Retention Rate of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 30 June 2023, the Expected Retention Rate was assessed to be 100% (as at 31 December 2022: 100%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

28. Trade and other payables

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade payables (a)		
— Related parties (note 30(e))	96,139	84,072
— Third parties	6,452,067	5,892,499
	6,548,206	5,976,571
Other payables		
— Deposits	2,468,905	2,167,900
— Temporary receipts from properties owners	3,296,969	2,996,335
— Considerations payable for business combinations	315,035	325,800
— Accruals and others	1,231,427	1,295,274
	7,312,336	6,785,309
Dividend payables	1,274,633	–
Payroll payables	2,282,217	3,138,169
Contingent considerations for business combinations	269,361	269,361
Other taxes payables	818,791	695,708
	18,505,544	16,865,118

As at 30 June 2023 and 31 December 2022, 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 2023 RMB'000	At 31 December 2022 RMB'000
Up to 1 year	5,858,569	5,550,167
1 to 2 years	586,648	366,965
2 to 3 years	63,296	50,277
Over 3 years	39,693	9,162
	6,548,206	5,976,571

NOTES TO THE INTERIM FINANCIAL INFORMATION

29. Bank and other borrowings

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current liabilities:		
– secured	986,761	1,015,814
– unsecured	115	115
	986,876	1,015,929
Included in current liabilities:		
– secured	857,876	1,234,636
– unsecured	3,000	3,000
	860,876	1,237,636
Total bank and other borrowings	1,847,752	2,253,565

The Group's secured borrowings as at 30 June 2023 was amounted to RMB1,844,637,000 (As at 31 December 2022: RMB2,250,450,000), mainly secured by certain transportation equipment of the Group with net book amount of RMB60,330,000 (As at 31 December 2022: RMB86,757,000) and pledged by rights of collection of several city service projects.

As at 30 June 2023, the Group's bank and other borrowings were repayable as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	860,876	1,237,636
Over 1 year and within 2 years	109,817	84,133
Over 2 years and within 5 years	41,582	64,738
Over 5 years	835,477	867,058
	1,847,752	2,253,565

The weighted average effective interest rate for the period ended 30 June 2023 was 4.43% (For the year ended 31 December 2022: 4.88%) per annum.

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

30. Related party transactions

(a) Ultimate controlling shareholder

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

(b) Transactions with related parties

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Provision of services		
– Entities controlled by the Ultimate Controlling Shareholder	812,805	1,089,629
– Entities jointly controlled by the Ultimate Controlling Shareholder	63,994	129,079
– Entities over which the Ultimate Controlling Shareholder has significant influence	27,145	23,121
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	6,725	–
	910,669	1,241,829
Purchase of goods and services		
– Entities controlled by the Ultimate Controlling Shareholder	28,441	28,281
– Entities jointly controlled by the Ultimate Controlling Shareholder	47,357	–
– Entities over which the Ultimate Controlling Shareholder has significant influence	4,353	–
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	1,884	1,904
	82,035	30,185
Addition of investment properties		
– Entities controlled by the Ultimate Controlling Shareholder	–	103,976
– Entities jointly controlled by the Ultimate Controlling Shareholder	–	189,434
	–	293,410

NOTES TO THE INTERIM FINANCIAL INFORMATION

30. Related party transactions *(Continued)*

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest expenses on lease liabilities		
– Entities controlled by the Ultimate Controlling Shareholder	21,679	14,091
– Entities jointly controlled by the Ultimate Controlling Shareholder	9,206	11,794
	30,885	25,885
Repayment of lease liabilities		
– Entities controlled by the Ultimate Controlling Shareholder	38,748	31,733
– Entities jointly controlled by the Ultimate Controlling Shareholder	25,099	79,297
	63,847	111,030

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

(c) Free trademark license agreement

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

(d) Key management compensation

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries, bonus, share-based compensation expenses and other employee benefits	8,013	27,904

NOTES TO THE INTERIM FINANCIAL INFORMATION

30. Related party transactions *(Continued)*

(e) Balances with related parties

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Receivables from related parties		
Trade receivables		
– Entities controlled by the Ultimate Controlling Shareholder	1,907,665	1,416,563
– Entities jointly controlled by the Ultimate Controlling Shareholder	217,060	240,719
– Entities over which the Ultimate Controlling Shareholder has significant influence	66,399	70,936
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	3,402	3,126
	2,194,526	1,731,344
Prepayments		
– Entities controlled by the Ultimate Controlling Shareholder	7,899	3,435
– Entities jointly controlled by the Ultimate Controlling Shareholder	1,742	1,018
– Entities over which the Ultimate Controlling Shareholder has significant influence	201	3,201
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	11	–
	9,853	7,654
Payables to related parties		
Trade payables		
– Entities controlled by the Ultimate Controlling Shareholder	69,506	69,841
– Entities jointly controlled by the Ultimate Controlling Shareholder	22,030	13,674
– Entities over which the Ultimate Controlling Shareholder has significant influence	4,248	232
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	355	325
	96,139	84,072
Contract liabilities		
– Entities controlled by the Ultimate Controlling Shareholder	–	56
– Entities jointly controlled by the Ultimate Controlling Shareholder	18,053	49,512
– Entities over which the Ultimate Controlling Shareholder has significant influence	48,365	28,127
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	788	2
	67,206	77,697

NOTES TO THE INTERIM FINANCIAL INFORMATION

31. Financial guarantee

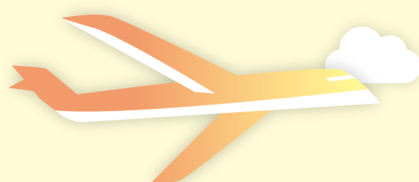
Caixin Smart Life Services Group Limited (“Caixin Services”), a subsidiary of the Company, was acquired by the Group from its original shareholder, Chongqing Caixin Group Co., Ltd. (“Caixin Group”), on 30 September 2021 (the “Acquisition Date”). In late August 2022, certain bank accounts of Caixin Services were frozen judicially, in light of the fact that Caixin Services provided joint and several guarantee to a trust financing arrangement of Caixin Group prior to the Acquisition Date. The Company was informed by Caixin Group and validated the existence of this obligation after the incident happened.

According to information subsequently obtained, in addition to the pledge of the equity interest of a subsidiary held by Caixin Group, the debts were also secured by another eight guarantors, including: (1) one guarantor providing guarantees by way of asset pledge; and (2) the other seven entities (including Caixin Services) providing joint and several guarantee obligations. As at 30 June 2023, the guarantee amount in relation to the debts was approximately RMB770,000,000.

Management of the Company represents that: (1) the Caixin Group confirms that, apart from this, Caixin Services provided no other external guarantee prior to the acquisition date; (2) the normal operation of Caixin Services has not been materially and adversely affected; (3) since the engagement with and acquisition of Caixin Services by the Group, Caixin Group has disclosed and undertaken that the guarantee did not exist during the course of due diligence and negotiation of the acquisition agreement, which, at present, is in violation of the relevant covenants and undertakings under the agreement regarding the acquisition of Caixin Services; (4) the Company has actively taken legal proceedings, to protect the Company’s legitimate rights and interests. As at 30 June 2023, the amount of restricted bank deposits in the frozen bank accounts of Caixin Services was RMB5,456,000. As at 30 June 2023, the Group has assessed that the expected credit losses for the financial guarantee and accordingly made a provision of RMB6,598,000. When estimating the expected credit losses of the financial guarantee, management applied estimation under various scenarios of repayment orders after taking into account the lawyer’s opinion.



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