2018

ANNUAL REPORT

碧桂園服務控股有限公司

Country Garden Services Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6098

Content

CORPORATE OVERVIEW

Country Garden Services Holdings Company Limited (stock code: 6098.HK) is a leading residential property management service provider in China.

The Group had the honor of ranking No. 1 among Chinese Community Service Providers in 2018 according to YIHAN (億翰智庫) and ranked first among the Top 100 Property Management Companies in China in terms of operational performance, according to China Index Academy. Founded in 1992, the Group experienced 27 years of steady development. It always adheres to the service concepts of "Cater for property owners' urgent needs; address property owners' concerns." and "Property owner-oriented". With strong business capability, it has formed a comprehensive and efficient property management service system. It is committed to offering property owners quality services through strong offline service system and consolidation of community business resources. Furthermore, it provided full life-cycle value services by focusing on preservation and appreciation of the value of owners' real estates.

We have three main business lines, namely, property management services, community value-added services and value-added services to non-property owners, which form an integrated service offering to our customers and cover the entire value chain of property management. As at 31 December 2018, our total contracted gross floor area ("**GFA**") was approximately 505.0 million sq.m., and our revenue-bearing GFA was approximately 181.5 million sq.m.. We managed 840 property projects covering more than 280 cities across 31 provinces, municipalities and autonomous regions in China, as well as Malaysia, providing quality property management services to more than 1.4 million property owners.

Property management services — We provide a range of property management services to property owners, residents and property developers, including security, cleaning, greening, gardening and repair and maintenance services. We have been optimizing our property management portfolio and enriching our forms of management. Currently, our property management portfolio covers residential properties, commercial properties, office buildings, multi-purpose complexes, government, hospitals and other public facilities, industrial parks, highway service stations, parks and schools. In addition, we have expanded into operation and maintenance of urban public facilities, intelligent industrial park operation services, and the new blue ocean market of the "Three Supplies and Property Management (i.e. water/power/heat supply and property management)" Reform.

Community value-added services — By focusing on the mature development cycle of communities, the family growth cycle of property owners and the property value cycle, we are committed to becoming an "integrated whole-cycle community life services operator", through the provision of comprehensive community value-added services to property owners. In light of the daily needs of property owners, we proactively promoted this business segment in the old and new communities, and provided a wide range of community value-added services to property owners and residents of the properties under our management, which mainly included: (1) home living services, such as purchase assistance, housekeeping, greening, gardening, turn-key furnishing and move-in, group purchase and other bespoke services; (2) real estate brokerage services, including real estate agency, real estate investment consultancy, property short-term lease, hosting services and property insurance; (3) community area services, including venue operation and community media, etc.

Value-added services to non-property owners — The value-added services to non-property owners provided by us mainly include (1) consultancy services to property developers for their pre-sale properties management, as well as consultancy services for properties managed by other property management companies, (2) cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage, and (3) sales and leasing agency services of unsold parking spaces and properties.

On 19 June 2018, the Company was listed on the Stock Exchange, indicating its formal entrance into the international capital market. Since then, the Company was well recognized in the market. It was included as a constituent of MSCI China Index and Hang Seng Composite LargeCap & MidCap Index, on 31 August 2018 and 10 September 2018, respectively, and became one of the investable stocks in the Mainland-Hong Kong Stock Connect.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Changjiang
Mr. XIAO Hua
Mr. GUO Zhanjun

Non-executive Directors

Ms. YANG Huiyan *(Chairman)*
Mr. YANG Zhicheng
Ms. WU Bijun

Independent Non-executive Directors

Mr. MEI Wenjue
Mr. RUI Meng
Mr. CHEN Weiru

AUDIT COMMITTEE

Mr. RUI Meng *(Chairman)*
Mr. MEI Wenjue
Mr. CHEN Weiru

REMUNERATION COMMITTEE

Mr. CHEN Weiru *(Chairman)*
Ms. YANG Huiyan
Mr. MEI Wenjue

NOMINATION COMMITTEE

Ms. YANG Huiyan *(Chairman)*
Mr. RUI Meng
Mr. CHEN Weiru

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. LI Changjiang
Mr. Huang Peng

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

AUDITORS

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

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F, China Building, 29 Queen's Road, 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

Shunde Sub-branch of Foshan
Branch of China Merchants Bank
Shunde Country Garden Branch of
China Construction Bank
Shunde Beijiao Branch of Bank of China

COMPANY WEBSITE

www.bgyfw.com

STOCK CODE

6098

LISTING DATE

19 June 2018

MAJOR EVENTS

In March 2018, CG Property Services launched first-aid training. The training covered 240 cities across 28 provinces and benefited approximately 1 million property owners, which was extensively reported by CCTV, Phoenix TV, People's Daily and many other media.


物业管家成为应急救护员


COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

In July 2018, CG Property Services entered into a joint venture agreement (the "**Joint Venture Agreement**") with Strait Energy (Beijing) Intercontinental Investment Company Ltd in relation to the formation of the joint venture for the purpose of investing in and undertaking property management and value-added services for cooperative PRC central enterprises in relation to the reform of "Three Supplies and Property Management". Pursuant to the Joint Venture Agreement, CG Property Services will subscribe for 80% of the equity interest in the joint venture at a consideration of RMB400,000,000 (equivalent to approximately HK$473,232,771). As of 31 December 2018, the Company has completed the capital injection and business registration procedures.

March

June

July

In June 2018, CG Services (HK.6098) was officially listed on the Main Board of the Hong Kong Stock Exchange.

In June 2018, CG Services organized the first "Fearless Love Family Festival" series of activities and held over 1,000 events covering 215 communities across 43 regions in the country, which benefited millions of property owners in the communities of CG Services.


COUNTRY GARDEN SERVICES HOLIDNGS COMPANY LIMITED
碧桂園服務控股有限公司
(股份代號：6098)

有關
收購從事物業服務
公司之
須予披露交易

該等收購事項

上市規則之涵義

緒言

In November 2018, CG Property Services, as the purchaser, entered into certain equity transfer agreements with Ms. Shi Xiaoqin, Shenzhen Paladin Capital Management Ltd. and/or Shenzhen Paladin certain Equity Investment Partnership (Limited Partnership), as vendors, pursuant to which, the purchaser conditionally agreed to purchase and the sellers conditionally agreed to sell the equity interests of several target companies which are mainly engaged in property management business in the PRC. The acquisition was completed on 30 November 2018.

October

November

December

In October 2018, CG Services initiated the selection of "Triple-A Phoenix Butler & Jin Tong Award" ("三好"鳳凰管家暨"金桐獎"評選), which lasted for more than two months. More than 2,100 butlers participated in the selection, covering the companies in 47 regions and cities throughout the country and involving 685 projects, and more than 250,000 property owners participated in the voting. Their stories are common, but very warm, namely, Ms. Lu who initiated the charity caring activities for the elderly; Ms. Feng who has been praised by 783 houseowners for only half a year in the management of the housekeepers. Ms. Wan, nicknamed "Desperate Sanniang" by her colleagues, won 35 banners in one day.

In December 2018, CG Services held the "Leading the Future with Intelligence, Being Symbiotic with the City (智領未來，與城共生)" urban symbiosis plan conference and the "Public Services of New Urban Governance" summit forum in Tonghu Sci-Tech Town (潼湖科技小鎮), Huizhou.

AWARDS AND HONOURS

1

1. In June 2018, CG Property Services was honored as one of "2018 China TOP 100 Property Management Companies (2018中國物業服務百強企業)", " 2018 China TOP 10 Property Management Companies in terms of business scale (2018中國物業服務百強企業服務規模TOP10)", "2018 China TOP 10 Property Management Companies in terms of growth potential (2018中國物業服務百強企業成長性TOP10)", "2018 China Top 100 Leading Property Management Companies in terms of service quality (2018中國物業服務百強企業服務品質領先企業)", "2018 China Top 100 Leading Property Management Companies in terms of customer satisfaction (2018中國物業服務百強滿意度領先企業)" and "2018 China TOP 10 Property Management Companies in terms of business performance (2018中國物業服務百強企業經營績效TOP10)" by CIA.

2

3

2. In August 2018, CG Services was honored as " 2018 China Top 1 Community Service Provider (2018年中國社區服務商TOP1)", "2018 China Top 10 Community Service Providers in terms of community culture construction (2018中國社區服務商社區文化建設十強)" and "2018 China Top 10 Community Service Providers in terms of growth potential (2018中國社區服務商成長性十強) " by YIHAN (億翰智庫).

3. In September 2018, CG Services won the title of "2018 China Property Services Leading Brand in Professional Operation (2018中國物業服務專業化運營領先品牌企業) " (third place), with the brand value of RMB6.508 billion.

CHAIRMAN'S STATEMENT

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

Dear Shareholders,

The board of directors is pleased to report that the Group recorded revenue of approximately RMB4,675.3 million for the year ended 31 December 2018, representing an increase of 49.8% as compared to that of 2017, and gross profit of approximately RMB1,761.6 million, representing an increase of 70.1% as compared to that of 2017. The net profit for the year was approximately RMB934.2 million, representing an increase of 112.1% as compared to that of 2017. The profit attributable to the owners of the Company increased from approximately RMB401.7 million for the same period in 2017 to approximately RMB923.2 million, representing an increase of approximately 129.8%. The basic earnings per share were RMB36.93 cents, representing an increase of approximately 129.8%.

We are lucky to be in an era of steady economic development in China. The national economy advances amidst stability and "the people's yearning for a better life" is the driving force for our development. "A better life" reflects people's unremitting pursuit of quality life, which promotes rapid reshuffle, upgrading and reconstruction of the property management industry. With the community as a starting point, we strive to provide diversified life services to meet the needs of residents. As the extensive scope of property management has been further expanded, urban services will lead a much more profound governance revolution than that of community services. The technology application makes the industry transformation full of imagination. The community brain built with AI, property cloud, robots…big data, Internet of Things and technical neuron is reshaping the management model and accumulating massive data at a leapfrog speed, thus bringing unprecedented opportunities for exploring values in communities. With the commercial blue ocean nurtured by communities having a preliminary shape, property management companies strive to capture the demand points, introduce quality partners, activate community resources and channel value and create dedicated service ecology in the community scenarios.

<u>We always maintain a quality scale expansion.</u> In this year, the value of the property management industry has gained high recognition from other parties, and many property companies successfully stepped into the capital market. Under the trend of rapid expansion of the industry scale and increasing concentration, the leading enterprise effect has been highlighted, the industrial mergers and acquisitions have developed dramatically and the layout of new business forms has been transformed and upgraded. In this process, we have always maintained a steady pace of expansion to secure many contracts with low-cost brand extension, acquired many quality property management companies and developed multiple forms of services including residential and industrial park services and took the lead to enter the urban service field and explored the new blue ocean of the "Three Supplies and Property Management" Reform.

<u>We always strive to provide best services and improve community ecosystem.</u> We consider the satisfaction of developer and property owners as core, strive to provide the perfect services, strengthen our leading reputation in the industry by leveraging on our basic services with excellent quality and reasonable price. Meanwhile, as the consumption structure of residents has undergone profound changes in the recent years, we have gradually built an open and symbiotic community ecosystem to cope with the constant upgrading of diversified consumption demands. We have integrated internal and external resources, deployed value-added services such as housing supporting facilities, venue operation, group purchase, automobile and insurance, and built the communities, Phoenix Club (鳳凰會) APP and other platforms to achieve win-win development with the property owners and partners in the ecosystem based on the massive demands of the property owners, and finally create the coverage advantage over the core resources such as population, assets and channel.

<u>We actively respond to property owners' demands, provide more and better value-added services and develop new business growth points.</u> Facing the operational pressure brought by rising costs, we strive to provide property management services the quality of which are in line with the price and improve service quality to gain stronger pricing power. By developing a wide range of value-added services and new businesses, the Company is seeking for diversified profit models to construct a more balanced and growing profit-making structure. In 2018, the revenue generated from community value-added services was approximately RMB417.2 million, representing an increase of 72.5% as compared to that of 2017. The revenue growth rate of community value-added services is significantly higher than property management services.

<u>We continue to increase investment in science & technology and smart management and deploy the "AI+" community strategy.</u> With rapid growth of digitalized technology and matured development of cloud computing, big data and artificial intelligence, more and more property management companies are turning technologies into scenario applications to empower enterprise innovations. We strive to build "smart communities" and connect "smart homes" to improve the living experience of property owners in all aspects. Currently, we have carried out strategic cooperation with several enterprises including Tencent, Hikvision, Alibaba and Huawei to jointly research and develop algorithmic models and smart platforms under community scenarios, and have taken the lead in deploying the "AI+" artificial smart community in the industry, so as to significantly reduce the cost of community management, improve management efficiency and help to enhance customers' satisfaction rate.

<u>We highlight talents as foundation, constantly optimize our talent team and promote industry reform and innovation.</u> With the transformation of the industry, the talent structure is developing to be high-end and compound ones and enterprises are also increasingly attaching importance to long-term incentive mechanisms for their core talent teams. Based on our business needs, we have successively introduced management elites in the Internet industry, the consulting industry and the service industry to constantly strengthen our senior management team. We are the first company in the industry to implement the "Rocket Force Talent Program (火箭軍計劃)" for postgraduates, and at present, nearly 100 postgraduates have joined the Company, injecting new vitality into our talent team.

Inspired by the new era, we inherit the past and forge ahead into the future, and strive to become an "**international leading technology-based integrated services group**". By focusing on our services, we seek to provide diversified, more sophisticated and specialized integrated services that can solve a package of needs, and enhance the efficiency and capacity of services through technological means.

We focus on **the business portfolio strategy of "Big Property Management" and "Big Community Services"** to support the realization of our vision.

For the "Big Property Management" business segment: By leveraging on the development model of "Service + Science & Technology", we aim to drive our core business with the management of facilities and equipment, improve the professional level of our existing property management services by relying on intelligent means and refined management, empower and expand property management services, and expand innovative services including urban services and smart community services.

For the "Big Community Services" business segment: By leveraging on the development model of "Service + Ecology", we strive to upgrade the existing resources, develop the integrated marketing services of communities to become the largest community flow platform, support the development of services including house rental and sales, sales of parking spaces and housekeeping services and venture new types of community ecological services based on the needs of property owners.

Last but not least, on behalf of the board of directors, I would like to express our appreciation to all our staff and the management team for their contribution to our Company, and I would also like to extend my sincere appreciations to all our shareholders and stakeholders for their trust and support. We will seize the opportunities of the era, strive to make arduous efforts and let more people experience the beauty of life!

We wish to create a better society with our existence.

Yang Huiyan
Chairman of the Board

Hong Kong, 19 March 2019

Financial Summary

Consolidated Results

	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	1,672,464	2,358,449	3,121,852	**4,675,287**
Profit before income tax	294,913	486,332	608,197	**1,069,387**
Income tax expense	(74,460)	(133,804)	(167,734)	**(135,177)**
Profit and total comprehensive income for the year	220,453	352,528	440,463	**934,210**
Profit and total comprehensive income attributable to:				
Owners of the Company	220,453	324,181	401,743	**923,154**
Non-controlling interests	—	28,347	38,720	**11,056**
	220,453	352,528	440,463	**934,210**
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)				
Basic			16.07	**36.93**
Diluted			16.07	**36.53**

Consolidated Financial Position

	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Non-current assets	47,310	70,084	121,569	**851,088**
Current assets	1,386,855	2,397,878	3,355,551	**4,670,806**
Current liabilities	856,855	1,384,619	1,920,558	**3,127,144**
Net current assets	530,000	1,013,259	1,434,993	**1,543,662**
Total assets less current liabilities	577,310	1,083,343	1,556,562	**2,394,750**
Non-current liabilities	—	—	14,456	**65,044**
Equity attributable to owners of the Company	577,310	1,019,430	1,421,173	**2,260,787**
Non-controlling interests		63,913	120,933	**68,919**
Total equity	577,310	1,083,343	1,542,106	**2,329,706**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is a leading residential property management service provider in China. It had the honor of ranking No. 1 among Chinese Community Service Providers in 2018 according to YIHAN (億翰智庫) and No. 1 among the Top 100 Property Management Companies in China in terms of operational performance, according to China Index Academy.

The Group owns three main business lines, namely (i) property management services, (ii) community value-added services, and (iii) valued-added services to non-property owners, which form an integrated service offered by us to our customers and cover the entire value chain of property management.

Property Management Services

We provide a range of property management services to property owners, residents and property developers, including security, cleaning, greening, gardening and repair and maintenance services, with a current focus on residential communities. Our property management portfolio also covers non-residential properties, including commercial properties, office buildings, multi-purpose complexes, government, hospitals, other public facilities, industrial parks, highway service stations, parks, scenic areas and schools.

We own a large property management portfolio, and our projects cover more than 280 cities across 31 provinces, municipalities and autonomous regions in China as well as in Malaysia with total contracted GFA of approximately 505.0 million sq.m. as at 31 December 2018. We managed 840 properties and provided property management service to approximately 1.4 million property owners with an aggregate revenue-bearing GFA of approximately 181.5 million sq.m. and a revenue-bearing GFA of 1.1 million sq.m. in Malaysia. During the Year, our collection rate remained at the same high level as compared to the same period of last year, and reached 95.37%, representing a continuing increase of 0.92 percentage points.


Heilongjiang
Jilin
Liaoning
Xinjing
Inner Mongolia
Beijing
Tianjin
Hebei
Ningxia
Shanxi
Qinghai
Gansu
Shaanxi
Shandong
Jiangsu
Henan
Shanghai
Anhui
Tibet
Hubei
Sichuan
Zhejiang
Chongqing
Hunan
Jiangxi
Guizhou
Fujian
Guangdong
Yunnan
Guangxi
Hainan
Malaysia
Contracted GFA
(million sq.m.)
<1
1–5
5–10
≥10
Revenue-bearing GFA
(million sq.m.)
<1
1–5
5–10
≥10

Community Value-added Services

In respect of community value-added services, we are committed to becoming an "integrated whole-cycle community life services operator" by focusing on the mature development cycle of communities, the family growth cycle of property owners and the property value cycle to provide comprehensive community value-added services to property owners. In 2018, our community value-added businesses witnessed a profit-making and large-scale development in the fields including real estate agency, property supporting services, community media, community housekeeping service and community area operation. We have proactively expanded in the areas including real estate short-term lease, community group purchase and community insurance, and strived to explore the market potential. During the Year, the revenue generated from community value-added services amount to approximately RMB417.2 million, accounted for 8.9% of the Group's total revenue. The revenue recorded a continuous increase over the last three years. In the past three years, in view of the daily needs of property owners, we have been actively promoting this business segment in both old and new communities to provide a wide range of community value-added services to owners and residents of the properties under management, including: (i) home living services, such as purchase assistance, housekeeping, greening, gardening, turn-key furnishing and move-in, group purchase and other bespoke services; (ii) real estate brokerage services, including real estate agency, real estate investment consultancy, property short-term lease, hosting services and property insurance; and (iii) community area services, including venue operation and community media. We have further improved our business system and possessed the capability of sustainable development. The revenue structure of our community value-added services business has been constantly optimized, and both balanced development and sustainable operation capability have been significantly improved. During the Year, revenue from the principal businesses in the value-added services segment grew significantly faster than that of the property management service for the same period.

Value-added Services to Non-property Owners

During the Year, the value-added services to non-property owners accounted for approximately 16.9% of the Group's total revenue, representing an increase of approximately 6.4 percentage points as compared to that of the same period of 2017.

The value-added services to non-property owners we provided mainly include (i) 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, greening, repair and maintenance services to property developers at the pre-delivery stage, and (iii) sales and leasing agency services of unsold parking spaces and properties.

New Blue Ocean of the "Three Supplies and Property Management" Reform

In 2018, The Group has set up a joint venture company and started to enter the field of "Three Supplies (water, electricity and heat supply) and Property Management" separation and transfer reform. During the Year, we have started to take over the property management and heating supply business, which will start to generate revenue in 2019. The property management projects which we have started to take over will cover 53 cities in 11 provinces nationwide, and will have a total GFA under management of approximately 90.2 million square meters; the heating supply projects will cover 8 cities in 6 provinces nationwide, and will have a total GFA under management of approximately 41.7 million square meters.

PROSPECTS AND FUTURE PLANS

From urban management to urban governance, the year of 2019 may become the "first year of urban services"

As the urban development under the background of industry and city integration requires high-quality urban management and urban governance innovation, relying on CG Services's 27 years of experience in the operation of large-scale projects located in new cities, we hope to actively participate in the marketization competition in the field of urban public services and improve the efficiency of urban public services to promote the solution of "urban diseases" problems and drive the sustainable urban development by combining its advantages in digital scenario operation in public space.

Early in 2015 when CG Services initiated the marketization, we innovatively entered into a strategic cooperative relationship of urban services with the Municipal Government of Hancheng, Shaanxi province. Based on the practice of previous urban service projects in Hancheng and other cities, we launched the Urban Services 2.0 Product System — CG Services urban coexistence program in 2018, which mainly includes three service portfolios of urban public services, digital city integrated management services and industrial coordinated operation services, and aims to provide a set of functional, economical and practical integrated public service solutions for the city by deeply expanding the upstream and downstream industrial chains of modern urban services.

At present, CG Services has executed strategic framework agreements with several cities, including Kaiyuan city and Xichang city, among which the project in Kaiyuan has entered the implementation stage and achieved certain initial results.

CG Services, as an explorer of new types of urban governance and public services, is committed to cooperating with city administrators, citizens and ecological partners of urban governance and public service to create a new urban governance pattern of co-construction, co-governance and sharing.

Further expand our cornerstone property management business

We will continue to expand our business and further increase our market share in the industry by increasing the number of properties under our management and the total contracted GFA. With years of cooperation with the CGH Group, as well as our business development ability for third-party projects. we have extensive project coverage and large contracted GFA. In addition, we also diversified our portfolio with different business forms and urban services, in order to achieve a multi-layered organic growth.

With the support of resource advantages, we will continue to improve our ability to operate across the country, assist the water, electricity and heat supply and property management reform of state-owned enterprises, and continue to deeply explore this area in the future to exert our own advantages, which is also one of the driving

forces for the future growth of CG Services. With our brand value and service quality, we are able to secure new business from independent property developers and obtain business opportunities from the pre-delivery service provided to non-property owners to achieve our business expansion. We will selectively evaluate opportunities in areas around our existing business locations to maximize economies of scale and maintain a reasonable balance between the geographic coverage and the level of profitability of our property management services. To diversify our property management portfolio and revenue streams, we also plan to provide comprehensive property management services to an increasing number of non-residential properties such as commercial properties, industrial properties, urban services, industrial parks, science parks, educational institutions, highway service stations, featured towns, governments and public facilities through our strengthened strategic cooperation with various business partners. As the current trend of the property industry mainly features the constant enhancement of the scale advantages of leading enterprises, continuous innovation of value-added businesses and the further strengthening of industry clustering trend, we will selectively invest in, cooperate with or acquire other property management companies, and focus on selecting partners who have consistent brand image and market positioning with us, so as to effectively achieve the extension and deepening of service content and property management portfolio and achieve advantage complementation with one another.

Strive to develop a personalized community environment and explore the potential of value-added services to enhance customer experience and value creation ability

Under the environment where the total amount of community resources is relatively fixed, the scale advantages of CG Services will be further highlighted in the value-added businesses, and properties companies with larger management scale will show greater platform value in the future.

We always give top priority to the needs of the property owners and residents. We will vigorously develop our value-added services business with a focus on customers' living conditions to comprehensively improve customer living experience and satisfaction, and enhance our service innovation and value-creation ability in building a personalized community ecosphere. We will also design differential service packages according to the diversified needs of our customers in order to improve our operational efficiency and brand image. We believe that these professional measures will help create progressive changes and systematically improve our service efficiency and quality. We will seek to maintain and explore more cooperation opportunities with leading third-party merchants in the industry in order to provide selected products and services to our property owners and residents. We will continue to strengthen the integration with our butler-style services and community value-added services to improve customer experience. Leveraging on our existing experience, we will further expand our value-added services to property owners to better meet their needs in the entire value chain of property development.

Realize high service quality and optimize our cost efficiency with smart management and standardized operation

The property management industry is in the transition stage to the modern service industry. We will continue to provide our customers with quality services through our standardized, automated and smart management and the sophisticated information system and effectively control our costs while improving the operational efficiency.

The measures that we have expanded the coverage of our various automated and smart management include the upgrading of the IRBA system for the smart face recognition for visitor access and the management of parking lots and the upgrading of the internal information ERP system for property management. Such measures can enable relevant systems to be featured with more standard modularized management functions to conduct big data analysis, the management of customer relationship, etc. This will cover a full range of our customer service contact points to facilitate our day-to-day operations and ensure a more centralized quality control and internal management from our headquarter to all of our regional projects. We have designed our advanced property management system to assist in the collection and management of first-hand customer data and service records from our managed properties, so that we can analyze customer needs and behavior patterns when developing our customer-oriented business models and strategies.

Material Acquisitions

The Company currently has a large area of reserved GFA and is well positioned to have access to acquire GFA. Since the listing, the Company has been closely focusing on the merger and acquisition opportunities in the market and prudently assessing the matching degree of each project with the existing businesses of the Company and their potential profitability. During the Year, we completed several material equity acquisitions (details are set out in Note 31 to the consolidated financial segments). These acquisitions will enable CG Services to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from three main business lines, namely (i) property management services, (ii) community value-added services and (iii) value-added services to non-property owners. For the year ended 31 December 2018, the total revenue increased by approximately 49.8% to approximately RMB4,675.3 million from approximately RMB3,121.9 million for the year ended 31 December 2017.

(1) Property management services

During the Year, the revenue from property management services increased by approximately 35.4% to approximately RMB3,445.5 million from approximately RMB2,544.7 million for the year ended 31 December 2017, accounting for approximately 73.7% of the total revenue (corresponding period in 2017: approximately 81.5%).

The table below sets out the breakdowns 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 year ended/ As at 31 December 2018				For the year ended/ As at 31 December 2017			
	Revenue		**Revenue-bearing GFA**		Revenue		Revenue-bearing GFA	
	(RMB'000)	**(%)**	**('000 sq.m.)**	**(%)**	(RMB'000)	(%)	('000 sq.m.)	(%)
Properties developed by the CGH Group	**3,054,342**	**88.6**	**145,475**	**80.1**	2,348,756	92.3	109,427	89.1
Properties developed by independent third-party property developers	**391,147**	**11.4**	**36,033**	**19.9**	195,909	7.7	13,331	10.9
Total	**3,445,489**	**100.0**	**181,508**	**100.0**	2,544,665	100.0	122,758	100.0

The revenue-bearing GFA increased by approximately 58.7 million sq.m. from approximately 122.8 million sq.m. for the same period in 2017 to approximately 181.5 million sq.m.; among which, the revenue-bearing GFA from management of properties developed by independent third-party property developers increased by 170.3%, and its percentage of the total revenue-bearing GFA increased by 9 percentage points from 10.9% for the same period in 2017 to 19.9%.

(2) Community value-added services

During the Year, the revenue from community value-added services increased by approximately 72.5% to approximately RMB417.2 million from approximately RMB241.8 million for the year ended 31 December 2017, accounting for approximately 8.9% of the total revenue (corresponding period in 2017: approximately 7.7%).

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

(a) During the Year, the revenue from home living services increased by approximately 101.7% to approximately RMB251.2 million from approximately RMB124.5 million for the year ended 31 December 2017.

(b) During the Year, the revenue from real estate brokerage services increased by approximately 28.0% to approximately RMB106.0 million from approximately RMB82.8 million for the year ended 31 December 2017.

(c) During the Year, the revenue from community area services increased by approximately 73.9% to approximately RMB60.0 million from approximately RMB34.5 million for the year ended 31 December 2017.

As discussed above, we are committed to becoming an "integrated whole-cycle community life services operator" through the provision of comprehensive community value-added services to property owners. On one hand, the continued increase in the area under management of our property management services business brought about a growing customer base for the development of community value-added services. On the other hand, we further optimised our business structure by tapping into the demand of community ecosphere, while introducing strategic partners and carrying out standardised management, so as to achieve win-win situation in terms of business revenue.

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

During the Year, the revenue from value-added services to non-property owners increased by approximately 141.2% to approximately RMB791.1 million from approximately RMB328.0 million for the same period in 2017, accounting for approximately 16.9% of the total revenue (corresponding period in 2017: approximately 10.5%).

The increase in value-added services to non-property owners was mainly due to the fact that (i) CGH Group recorded good sales results in 2018 and the number of projects covered by the Group's consultancy services for pre-sales activities increased significantly and the business model of some projects changed from commission basis to lump sum basis; (ii) the Group recorded additional income of approximately RMB66.7 million as it was commissioned by CGH Group to collect agency fees for the sales and leasing agency services of unsold parking spaces and properties since 18 September 2018; (iii) the Group achieved growth in pre-delivery cleaning and other services.

Cost of Services

The Group's cost of services includes (i) staff cost, (ii) cleaning cost, (iii) maintenance cost, (iv) utilities, (v) greening and gardening cost, (vi) transportation cost, (vii) office and communication cost, (viii) taxes and surcharges, (ix) employee uniform cost, (x) depreciation and amortisation charges, (xi) community activities cost, (xii) travelling and entertainment cost and (xiii) others. During the Year, the cost of services was approximately RMB2,913.7 million, representing an increase of approximately 39.7% as compared with approximately RMB2,086.3 million for the year ended 31 December 2017.

Such increase was mainly due to the rapid increase in our revenue-bearing GFA which led to the increase in corresponding costs.

Gross Profit and Gross Profit Margin

During the Year, the overall gross profit increased by approximately RMB726.0 million to approximately RMB1,761.6 million from approximately RMB1,035.6 million for the year ended 31 December 2017.

During the Year, the overall gross profit margin increased by 4.5 percentage points to approximately 37.7% from approximately 33.2% for the year ended 31 December 2017, which was mainly due to the increase in the gross profit margin of the three main business lines.

(i) Property management services

During the Year, the gross profit margin of property management services increased by 2.5 percentage points to approximately 31.9% from approximately 29.4% for the year ended 31 December 2017, which was mainly due to (i) the increase in project density of the Group, which helped to achieve intensive management, and (ii) the effect of outsourcing, the community intelligentisation and measures adopted to reduce costs and increase efficiency, such as energy-saving renovation.

(ii) Community value-added services

During the Year, the gross profit margin of community value-added services increased by 8.4 percentage points to approximately 66.1% from approximately 57.7% for the year ended 31 December 2017, which was mainly due to the fact that (i) the Group further optimized the business structure and promoted the businesses with lower staff cost and higher gross profit margin; and (ii) during the Year, as the Group introduced a large number of strategic partners, the gross profit from the home living services and community area services grew significantly.

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

During the Year, the gross profit margin of value-added services to non-property owners increased by 4.9 percentage points to approximately 48.1% from approximately 43.2% for the year ended 31 December 2017, which was mainly due to the gross profit margin from providing the sales and leasing agency services of unsold parking spaces and properties for CGH Group was higher than that from consultancy services to property developers for their pre-sale activities. On the other hand, lump sum basis was adopted in providing consulting services to some projects and pre-delivery cleaning and other services with low profit margin grew, resulting in slight decrease in gross profit margin in the second half of the Year.

Selling and Marketing Expenses

During the Year, selling and marketing expenses were approximately RMB26.6 million, representing an increase of approximately 183.0% as compared with approximately RMB9.4 million for the year ended 31 December 2017.

The increase in selling and marketing expenses were mainly attributable to the increase in labor costs as the Group recruited more marketing personnel and adjusted related incentive policies to further increase the number of projects developed by independent third-party property developers.

General and Administrative Expenses

During the Year, general and administrative expenses were approximately RMB759.7 million, representing an increase of approximately 66.9% as compared with approximately RMB455.3 million for the year ended 31 December 2017.

The increase in general and administrative expenses were mainly due to (i) the retention of more supporting personnel responsible for headquarter functions and other central management services, as a result of the increase in the total revenue-bearing GFA of the Group as it expanded its business scale, and (ii) the listing expenses and share-based compensation expenses incurred during the Year in relation to the listing of the Group in Hong Kong of approximately RMB11.6 million and RMB20.5 million, respectively.

Other Income

During the Year, other income was approximately RMB31.1 million, representing an increase of approximately 137.4% as compared with approximately RMB13.1 million for the year ended 31 December 2017.

The increase in other income was mainly attributable to (i) the return of approximately RMB9.4 million on the financial management products we purchased during the Year; and (ii) the one-off government grants of approximately RMB6.0 million from Foshan Municipal Government and other district departments as supportive fund for enterprises.

Other Gains — Net

During the Year, other gains — net were approximately RMB19.2 million, representing an increase of approximately RMB17.9 million as compared with approximately RMB1.3 million for the year ended 31 December 2017.

The increase was mainly due to the gain of approximately RMB12.6 million from disposal of certain equity interests in two associated companies, namely Fenghuang Youxuan and Wangshenghuo, during the Year, and the revaluation gain of approximately RMB4.3 million on reclassification from investment in an associate to financial asset at their fair value through other comprehensive income.

Finance Income — net

During the Year, finance income — net was approximately RMB53.8 million, representing an increase of approximately 53.7% as compared with approximately RMB35.0 million for the year ended 31 December 2017.

The increase in finance income — net was due to the increase in interest income derived from deposits, mainly benefiting from a higher cash level and more efficient deposit management as compared to that as at the end of the corresponding period last year.

Share Option Scheme

The “Pre-Listing Share Option Scheme” was approved by the shareholders’ meeting of the Company held on 13 March 2018. On 21 May 2018, 71,302,000 share options and 61,646,000 share options (132,948,000 shares options in total) were granted to certain directors, senior management and employees of CGH and the Group respectively at the exercise price of HK$0.94 per share. The share-based compensation expenses charged to profit or loss for the year ended 31 December 2018 were approximately RMB20.5 million.

Income Tax Expense

During the Year, income tax expense was approximately RMB135.2 million, representing a decrease of approximately 19.4% as compared with approximately RMB167.7 million for the year ended 31 December 2017.

The decrease in income tax expense was mainly due to the fact that our PRC subsidiary CG Property Services received the certificate of "High and New Technology Enterprise" and the preferential income tax rate of 15% in May 2018, and thus the overprovision for income tax expense for the year ended 31 December 2017 of RMB58,309,000 was reversed during the year ended 31 December 2018.

Profit for the Year

During the Year, net profit of the Group was approximately RMB934.2 million, representing an increase of approximately 112.1% as compared with the net profit of approximately RMB440.5 million for the year ended 31 December 2017.

During the Year, profit attributable to the owners of the Company increased from approximately RMB401.7 million for the year ended 31 December 2017 to approximately RMB923.2 million, representing an increase of approximately 129.8%.

During the Year, profit attributable to the non-controlling interests of the Company decreased by approximately 71.3% from approximately RMB38.7 million for the year ended 31 December 2017 to approximately RMB11.1 million.

Property, Plant and Equipment

Property, plant and equipment of the Group comprise transportation equipment, machinery equipment, electronic equipment, office equipment and other fixed assets. As at 31 December 2018, the property, plant and equipment of the Group was approximately RMB113.0 million, representing an increase of approximately RMB34.4 million from approximately RMB78.6 million as at 31 December 2017, mainly due to an increase in the purchase of transportation equipment, machinery equipment and electronic equipment for the purpose of meeting the requirements of the Group's business development during the Year, which was partly offset by the depreciation during the Year.

Intangible Assets

The intangible assets of the Group mainly comprise goodwill and property management contracts and customer relationships arising from the business combinations and software assets.

As at 31 December 2018, the intangible assets of the Group were approximately RMB686.3 million, representing an increase of RMB665.4 million compared to approximately RMB20.9 million as at 31 December 2017, which was mainly due to several material equity acquisitions completed by the Group during the Year, resulting in goodwill of approximately RMB505.4 million and property management contracts and customer relationships of approximately RMB154.7 million.

Trade and Other Receivables

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

Trade receivables mainly arise from income from property management services and value-added services to non-property owners.

As at 31 December 2018, the Group recorded total trade receivables of approximately RMB567.5 million, representing an increase of approximately RMB195.9 million as compared with approximately RMB371.6 million as at 31 December 2017, due to a significant increase in the total revenue of the Group during the Year.

Other receivables decreased from approximately RMB322.6 million as at 31 December 2017 to approximately RMB190.5 million as at 31 December 2018, mainly due to the settlement of receivables from related parties of RMB233.5 million.

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 RMB556.9 million as at 31 December 2017 to approximately RMB1,000.2 million as at 31 December 2018, representing an increase of approximately RMB443.3 million, primarily due to an increase in the revenue-bearing GFA of the Group during the Year.

Trade and Other Payables

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

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

As at 31 December 2018, trade payables of the Group were approximately RMB350.7 million, representing an increase of approximately RMB111.7 million as compared with approximately RMB239.0 million as at 31 December 2017, primarily due to an increase in the procurement costs driven up by the increase in the revenue of the Group during the Year.

Other payables primarily include (i) deposits from property owners in relation to interior decorations, (ii) temporary receipts from properties owners mainly consisting of utilities fees collected from properties owners and income generated from community area services that belongs to properties owners and (iii) accruals and others mainly in relation to withholding funds for utilities and reimbursement and outstanding consideration payables for business combination.

Other payables increased from approximately RMB654.1 million as at 31 December 2017 to approximately RMB1,120.0 million as at 31 December 2018, primarily due to the effects of the increases in the balances of outstanding consideration payables for business combination, and deposits from property owners for interior decorations and the income generated from community area services that belongs to properties owners.

Liquidity, Financial and Capital Resources

As at 31 December 2018, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB3,874.3 million, representing an increase of approximately RMB1,237.2 million as compared with approximately RMB2,637.1 million as at 31 December 2017. Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB5.4 million (as at 31 December 2017: approximately RMB2.8 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of local government authorities.

Our financial position remained sound. As at 31 December 2018, the net current assets of the Group was approximately RMB1,543.7 million (as at 31 December 2017: approximately RMB1,435.0 million). The current ratio (current assets/current liabilities) of the Group was 1.5 times (as at 31 December 2017: 1.7 times).

For the year ended 31 December 2018, the Group did not have any loan or borrowing.

Key Risk Factors and Uncertainties

The following content lists out the key risks and uncertainties facing 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 operations are affected by the regulatory environment and measures affecting the property management industry in the PRC. In particular, the fees that property management companies may charge in connection with property management services are subject to regulation and supervision by relevant regulatory authorities; The Group business performance is primarily dependent on the total contracted and revenue-bearing GFA and the number of properties the Group manage, but the Group business growth is, and will likely continue to be, affected by the PRC government regulations of the Group industries.

Business Risk

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

Foreign Exchange Risk

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

Employees and Remuneration Policies

As at 31 December 2018, the Group had 33,609 employees (as at 31 December 2017: 23,961 employees). During the Year, the total staff costs were approximately RMB2,433.8 million.

The remuneration package of the employees includes salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of its employees, a monthly social insurance funds covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and the housing provident fund, or to contribute regularly to other mandatory provident fund schemes on behalf of its employees. The Group has also adopted a share option scheme, details of which are disclosed in the paragraph headed "Pre-listing Share Option Scheme" in this report.

Employee Training and Development

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

During the Year, the Company held various kinds of trainings, the number of participants reached approximately 280,000 person-times and a total of hundreds of thousands of training hours, of which 27 trainings were for developing talents. This has effectively enhanced the management level of all senior management and the service ability of our frontline staff and further optimized our talent structure to make our talent team more accordant with the business development of the Company.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 11 January 2019, the Company entered into an agreement with the placing agent, J.P. Morgan Securities PLC, and the vendor, Concrete Win, pursuant to which, the placing agent conditionally agreed to place, on a fully underwritten basis, 168,761,000 existing shares of the Company at the placing price of HK$11.61 per share and Concrete Win conditionally agreed to subscribe at the placing price for the same number of new shares as the placing shares placed by the placing agent. The Directors consider that the placing and the subscription represents an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Company intends to apply 70% of the net proceeds from the proposed placing for mergers and acquisitions projects to expand geographical coverage or service scope within the Company's core businesses or related businesses, and the remaining 30% for investments in technology and intellectualization, investments in urban services and value-added services new business development. On 24 January 2019, the Company completed the placing of the existing Shares as well as the subscription of new Shares and allotment and issuance of Shares under the general mandate. The net proceeds received by the Company after deducting relating fees and expense, were approximately HK$1,939 million.

In January 2019, the Group entered into equity transfer agreements with certain independent third parties to acquire 100% equity interest in each of Shanghai Lianyuan Property Development Company Limited* (上海聯源物業發展有限公司) ("Shanghai Lianyuan") and Guangdong Yuanhai Asset Property Investment Management Company Limited* (廣東元海資產物業投資管理有限公司) ("Guangdong Yuanhai") at a cash consideration of RMB136 million and RMB100 million, respectively (the "Acquisitions"). The Acquisitions have not been completed as of the date of this annual report. Shanghai Lianyuan and Guangdong Yuanhai will become subsidiaries of the Group upon the completion of the Acquisitions. As all the applicable percentage ratios under the Listing Rules are lower than 5%, the Acquisitions do not constitute notifiable transaction of the Company as defined under the Chapter 14 of the Listing Rules.

On 19 March 2019, the Group entered into an equity transfer agreement with a connected person at the subsidiary level of the Company (the "Vendor"), pursuant to which the Group has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the remaining 30% equity interest in Shengshi at a cash consideration of RMB90,000,000. Shengshi will become a wholly-owned subsidiary of the Group upon the completion of the equity transfer.

DIVIDEND DISTRIBUTION

According to the shareholder's resolution of the Company dated 5 May 2018, a dividend of RMB3.76 cents per share totalling RMB93,900,000 was declared and paid to its then shareholder, WiseFame in May 2018.

The Board of Directors recommended the payment of a 2018 final dividend of RMB8.49 cents per share, totalling RMB230,790,000, which has taken into account the effects of placing of the Company's shares in January 2019 and the expected exercise of share options as of the record date for the eligible shareholders. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

CHARGE ON ASSETS

As at 31 December 2018, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yang Huiyan (楊惠妍), aged 37, was appointed as a Non-executive Director and the chairman of the Board on 9 March 2018 and is responsible for the formulation and provision of guidance and development strategies for the overall development of the Group. Ms. Yang is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Ms. Yang is a controlling shareholder.

Ms. Yang joined CGH in March 2005 as a general manager of the procurement department, where she was responsible for overall procurement decision making until November 2006. Ms. Yang was appointed as an executive director of CGH in December 2006 and a vice chairman of CGH in March 2012 and was re-designated from a vice chairman to a co-chairman of CGH in December 2018. She is mainly responsible for assisting Mr. Yeung Kwok Keung, the chairman of CGH, in the day-to-day work of the CGH Group, and responsible for the CGH Group's strategic investments and new business exploration based on the existing business, such as new retail business. Ms. Yang is also a member of the corporate governance committee, the executive committee and the finance committee of CGH and a director of various members of the CGH Group.

Ms. YANG was appointed as a director of the board and the chairman of Bright Scholar Education Holdings Limited since December 2016, company whose shares are listed on The New York Stock Exchange.

Ms. Yang graduated from Ohio State University in the United States in March 2005, where she obtained a bachelor degree in business administration.

Ms. Yang is a cousin of Mr. Yang Zhicheng, a non-executive Director.

Mr. Yang Zhicheng (楊志成), aged 45, was appointed as a Non-executive Director on 9 March 2018 and is responsible for the provision of guidance for the overall development of the Group.

From 1992 to 1997, Mr. Yang served as a project manager at Shunde Sanhe Property Development Company Limited* (順德市三和物業發展有限公司), the predecessor of Shunbi Property, where he was responsible for property project management and public relations. Since 1997, Mr. Yang has served as a project general manager at the CGH Group, where he was responsible for the overall management of several property development projects. He has been an executive director, the president of Jiangzhong region and the vice president of CGH since December 2006, January 2010 and November 2017, respectively, and is mainly responsible for the overall development and management of certain property development projects of the CGH Group.

Mr. Yang graduated from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2013, where he obtained a degree of executive master in business administration.

Mr. Yang is a cousin of Ms. Yang Huiyan, a controlling shareholder, non-executive Director and the chairman of the Board.

Ms. Wu Bijun (伍碧君), aged 45, was appointed as a Non-executive Director on 9 March 2018 and is responsible for the provision of guidance for the overall development of the Group.

Ms. Wu worked at Hubei Branch of China Construction Bank* (中國建設銀行股份有限公司湖北省分行) from 1996 to 1998 and chief auditor of Foshan Zhixin Certified Public Accountants Company Limited* (佛山市智信會計師事務所有限公司) from 1999 to 2002. From 2002 to 2005, she worked at Foshan Shunde Finance and Taxation Bureau* (佛山市順德區財稅局). Ms. Wu joined the CGH Group in November 2005 and had served as the general manager of the finance department until May 2013 and the assistant president from September 2011 to April 2014. She has been serving as the general manager of the finance centre, vice president and chief financial officer of CGH since May 2013, April 2014 and April 2017, respectively. Ms. Wu is mainly responsible for the financial management of the CGH Group.

Ms. Wu graduated from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Finance and Economics (中南財經大學)) in the PRC in July 1995, where she obtained a bachelor degree of economics. She also obtained a degree of executive master of business administration from China Europe International Business School (中歐國際工商學院) in the PRC in October 2015. Ms. Wu became a PRC Certified Public Accountant (中國註冊會計師) certified by The Certified Public Accountant Examination Committee of The Ministry of Finance (財政部註冊會計師考試委員會) in July 1998 and a Certified PRC Tax Agent (中國註冊稅務師) certified by the Personnel Department of Guangdong Province (廣東省人事廳) in October 1999.

Mr. Li Changjiang (李長江), aged 53, was appointed as an Executive Director on 9 March 2018 and has been the general manager of CG Property Services since he joined the Group in December 2011. Mr. Li is primarily responsible for overall strategic decisions, business planning and major operational decision making of the Group.

Prior to joining the Group, from March 1997 to September 2006, Mr. Li has served in positions including administrative director at Guangzhou Everbright Garden Property Management Company Limited* (廣州市光大花園物業管理有限公司) from March 1997 to May 1999, property manager at Shenzhen Expander Property Management Company Limited* (深圳市城建物業管理有限公司) from May 1999 to April 2002 and property manager and assistant general manager at Shenzhen Gemdale Property Management Company Limited* (深圳市金地物業管理有限公司) from April 2002 to September 2006, where he was responsible for various tasks, including administrative management, customer services management, marketing and property management. From September 2006 to December 2011, Mr. Li was a regional director within the group of A-Living Services Co., Ltd. (雅居樂雅生活服務股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 3319) where he was mainly responsible for overall operation and management of property management in Southern China region.

Mr. Li graduated from Southwest Agricultural University (西南農業大學) in the PRC in July 1989.

Mr. Xiao Hua (肖華), aged 41, was appointed as an Executive Director on 9 March 2018 and has been the deputy general manager of CG Property Services since February 2013. Mr. Xiao is primarily responsible for overall management of value-added services to non-property owners.

From April 2004 to April 2009, Mr. Xiao worked at the Group as an assistant manager, a deputy manager and a manager at Chencun branch office in Guangdong, where he was mainly responsible for security management and providing assistance to day-to-day operation of the branch office and a deputy manager, a manager and a senior manager at Huabi branch office in Guangdong, where he was mainly responsible for the day-to-day operation and management of the branch office. From April 2009 to December 2009, Mr. Xiao was promoted to regional director at Changsha branch office and in January 2010, to regional director of Zengcheng branch office, where he was responsible for overall operation, management and brand development of property management services until February 2013.

Mr. Guo Zhanjun (郭戰軍), aged 39, was appointed as an Executive Director on 9 March 2018 and has been the deputy general manager of CG Property Services since he joined the Group in August 2017. Mr. Guo is primarily responsible for overall management of human resources of the Group.

Prior to joining the Group, from July 2002 to September 2010, Mr. Guo served in positions including human resource supervisor at Zhengzhou Yutong Bus Company Limited* (鄭州宇通客車股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600066), manager, senior manager and head of human resources department at GD Midea Air-Conditioning Equipment Co., Ltd* (廣東美的製冷設備有限公司) and human resources director at AUX Group Co., Ltd.* (奧克斯集團有限公司), a company mainly engaged in manufacturing and sales of electrical equipment and home appliances. From August 2011 to March 2013, Mr. Guo was the head of human resources department in the concrete business unit of Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司) (formerly known as Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd. (長沙中聯重工科技發展股份有限公司)), a company listed on Shenzhen Stock Exchange (stock code: 000157) and the Main Board of the Stock Exchange (stock code: 1157). Mr. Guo joined the CGH Group as a deputy general manager of training and development department in July 2013 and was promoted to human resources director of Jiangzhong region in April 2014 and general manager of recruiting department in January 2016, where he was mainly responsible for human resources planning and management. From June 2016 to February 2017, he left the CGH Group and joined Beijing branch office of Thaihot Group Co., Ltd.* (泰禾集團股份有限公司北京分公司), a company listed on the Shenzhen Stock Exchange (stock code: 000732), as a deputy general manager of human resources department and a human resources director of Beijing region. Mr. Guo returned to the CGH Group as the assistant general manager of human resources management centre in February 2017 and was responsible for human resources planning and management until June 2017.

Mr. Guo graduated from Renmin University of China (中國人民大學) in the PRC in July 2002, where he obtained a bachelor degree in environmental economic and resource management.

Mr. Mei Wenjue (梅文珏), aged 49, was appointed as an Independent Non-executive Director on 25 May 2018 and is responsible for providing independent advice to the Board. Mr. Mei is also a member of the audit committee and the remuneration committee of the Company.

Mr. Mei has served as chief executive officer and director at Guangzhou Ruizhi Car Rental Company Limited* (廣州瑞致租車有限公司) since November 2014, May 2016, a company primarily engaged in car rental business, where he was responsible for the overall business operations and management. From 1994 to September 2008, Mr. Mei worked at China Southern Airlines Company Limited (中國南方航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600029), the New York Stock Exchange (stock code: ZNH) and the Main Board of the Stock Exchange (stock code: 1055). From September 2008 to October 2014, he served as the chief representative at the Shenzhen Office of China Europe International Business School (中歐國際工商學院). From March 2015 to January 2018, he served as a director of the board at Sichuan Huapu Modern Agriculture Company Limited* (四川華樸現代農業股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 837890). Mr. Mei was also an independent non-executive director of the board at Miko International Holdings Limited (米格國際控股有限公司) from December 2013 to March 2016, a company listed on the Main Board of the Stock Exchange (stock code: 1247) and at CGH from May 2013 to March 2018.

Mr. Mei graduated from Sun Yat-Sen University (中山大學) in the PRC, where he obtained a bachelor degree of English language and literature in June 1994 and a master degree of administrative management in June 2001. He also received a master degree in business administration from the School of Management of Cranfield University in the United Kingdom in June 2006.

Mr. Rui Meng (芮萌), aged 51, was appointed as an Independent Non-executive Director on 25 May 2018 and is responsible for providing independent advice to the Board. Mr. Rui is also the chairman of the audit committee and a member of the nomination committee of the Company.

Mr. Rui has been a Professor of Finance and Accounting at China Europe International Business School (中歐國際工商學院) since January 2012, and has held the title of Zhongkun Group Chair in Finance at China Europe International Business School since October 2015.

Mr. Rui has been professionally designated as a Certified Financial Analyst by the Association for Investment Management and Research since September 2000 and a Financial Risk Manager by the Global Association of Risk Professionals since April 2010.

Mr. Rui was an independent director of the board and chairman of the audit committee at Midea Group Co., Ltd.* (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code:000333), from August 2015 to September 2018. He currently serves as an independent director of the board and a member of the audit committee at COSCO Shipping Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on both the Main Board of the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026), an independent director of the board and the chairman of the audit committee at Shanghai Winner Information Technology Co., Inc.* (上海匯納信息科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300609), 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) and an independent non-executive director of the board and the chairman of the audit committee at China Education Group Holdings Limited (中國教育集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 0839).

Mr. Rui graduated from University of International Relations (國際關係學院) in the PRC in July 1990, where he obtained a bachelor degree in international economics. He also received a master of science in economics from Oklahoma State University in the United States as well as a master of business administration degree and a doctor of philosophy degree in business administration from the University of Houston in the United States in May 1993, December 1996 and August 1997, respectively.

Mr. Chen Weiru (陳威如**)**, aged 48, was appointed as an Independent Non-executive Director on 25 May 2018 and is responsible for providing independent advice to the Board. Mr. Chen is also the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company.

Mr. Chen was an assistant professor of strategy at the Asia Campus of INSEAD (歐洲工商管理學院) from September 2003 to 2011 and an associate professor of strategy at China Europe International Business School (中歐國際工商學院) from July 2011 to 2017. Mr. Chen became the chief strategy officer at Zhejiang Cainiao Supply Chain Management Company Limited* (浙江菜鳥供應鏈管理有限公司) in August 2017, a platform company primarily engaged in smart logistics, where he is responsible for strategic decisions making and executing for business development. He is now an Executive director of Industry Internet Center of Alibaba Business School since February 2019. He was an independent director of the board at Zhejiang DUNAN Artificial Environment Co.,Ltd.* (浙江盾安人工環境股份有限公司) from April 2015 to April 2017, a company listed on the Shenzhen Stock Exchange (stock code: 002011), at Nanjing OLO Home Furnishing Co., Ltd.* (南京我樂家居股份有限公司) from April 2015 to July 2017, a company listed on the Shanghai Stock Exchange (stock code: 603326) and at CG Property Services from May 2016 to January 2018. Mr. Chen currently serves as an independent director of the board at TAL Education Group (好未來教育集團), a company listed on the New York Stock Exchange (stock code: TAL) and an independent director of the board at Dian Diagnostics Co., Ltd.* (迪安診斷技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300244).

Mr. Chen graduated from National Taiwan University (國立台灣大學) in Taiwan in June 1993, where he obtained a bachelor degree in business administration. In January 1996, he graduated from Tamkang University(淡江大學) in Taiwan, where he obtained a master degree in business administration. He received a Ph.D. in strategy from Purdue University in the United States in December 2003.

Mr. Gong Shunsong (龔順松), aged 40, was appointed as a Chief Operating Officer in January 2018 and is primarily responsible for overall management, operations and business development.

Prior to joining our Group, from May 2003 to January 2018, he served in positions in various logistics companies including logistics manager at Flextronics Logistics (Zhuhai) Company Limited* (偉創力物流(珠海)有限公司), where he was responsible for overseeing logistic systems and VMI operation supporting, business director at Shenzhen Ourate Supply Chain Management Company Limited (深圳歐瑞特供應鏈管理有限公司) (formerly known as Shenzhen Arvato Logistics Services Company Limited* (深圳歐唯特物流服務有限公司)), where he was responsible for management of the overall business operations and logistics director and vice president of e-commerce and logistics supply chain business division at SF Holding Co., Ltd.* (順豐控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002352), where he was responsible for operations management until he joined our Group in January 2018.

Mr. Gong obtained a diploma in computer science from Jiujiang College Xundong Campus (九江學院潯東校區) (formerly known as Jiujiang Normal College (九江師範高等專科學校)) in the PRC in June 2000. He graduated from Royal Roads University in Canada in November 2006, where he obtained a master degree of business administration in executive management.

Mr. Xu Binhuai (徐彬淮), aged 40, was appointed as a Deputy General Manager in October 2016 and is primarily responsible for strategic planning in business innovation and brand management.

Prior to joining our Group, from November 2004 to February 2010, Mr. Xu served in various positions in marketing at DHL-SINOTRANS International Air Courier Ltd.* (中外運-敦豪國際航空快件有限公司), including manager of sales performance group and regional sales and marketing planning manager where he was mainly responsible for sales planning and performance management. From March 2010 to October 2012, he served as the head of marketing department of North Asia at American President Lines (China) Co., Ltd. (美國總統輪船(中國)有限公司), a logistics company, where he was mainly responsible for marketing and sales management in North Asia. From November 2012 to February 2016, he served as a senior project manager at Roland Berger Strategy Consultants (Shanghai) Company Limited* (羅蘭貝格企業管理(上海)有限公司), where he was in charge of providing business consulting services to transportation, logistics, tourism and public service industries.

Mr. Xu joined the CGH Group as the deputy general manager of corporate strategy office in March 2016 and was mainly responsible for strategic planning of new business lines until September 2016.

Mr. Xu graduated from Fudan University in July 2002, where he obtained a bachelor degree in macromolecular material and engineering. He graduated from the University of Hong Kong in November 2016, where he obtained a master degree in business administration.

Mr. Huang Peng (黃鵬), aged 36, was appointed as a Chief Financial Officer in September 2016 and is primarily responsible for financial management, investment management, compliance and company secretarial matters of our Group.

Prior to joining our Group, from April 2006 to September 2009, Mr. Huang served as listing office manager and manager of securities department in Vtron Group Co., Ltd.* (威創集團股份有限公司) (formerly known as Guangdong Vtron Video Technologies Company Limited* (廣東威創視訊科技股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 002308), where he was responsible for investor relations, and investment management. From October 2009 to December 2015, he served in various positions including as the head of finance, secretary of the board and deputy general manager in Pony Test Group Company Limited* (譜尼測試集團股份有限公司), a company mainly engaged in comprehensive testing services for various industries, where he was responsible for financial management and board secretarial matters.

Mr. Huang served as an independent director of the board at Beijing Arrays Medical Imaging Corporation* (北京銳視康科技發展有限公司), a company engaged in production and sales of medical imaging equipment, until September 2016. He was also an executive director at Guangzhou Yanzhao Enterprise Management Company Limited* (廣州炎昭企業管理有限公司) from January 2016 to October 2016, a company mainly engaged in business management advisory services and an executive director at Guangdong Huishi Network Medical Investment Company Limited* (廣東惠視網絡醫療投資有限公司) from July 2016 to November 2016, a company mainly engaged in investment advisory services and hospital management.

Mr. Huang graduated from Huazhong University of Science and Technology in the PRC in June 2005, where he obtained a bachelor degree in transportation. He graduated from Guanghua School of Management of Peking University (北京大學光華管理學院) in the PRC with a master degree in business administration in July 2012. He became a PRC Certified Public Accountant (中國註冊會計師) certified by The Certified Public Accountant Examination Committee of the Ministry of Finance (財政部註冊會計師考試委員會) in December 2014.

Mr. Yu Xiangdong (余向東), aged 49, was appointed as a Deputy General Manager in June 2014 and is primarily responsible for management of community value-added services business.

Prior to joining our Group, from August 1998 to September 2013, he served in various positions including deputy manager of business management department at Shenzhen Vanke Property Service Company Limited* (深圳市萬科物業服務有限公司), where he was responsible for committee development of property management,providing consultancy services for business development and other community business operations, manager of business management department at Vanke Property Development Company Limited* (萬科物業發展股份有限公司), where he was responsible for development of property management and providing consultancy services for business development, director of general manager office at Shenzhen Vanke Property Services Company Limited* (深圳市萬科物業服務有限公司), where he was responsible for information management, brand management and public relations, and general manager at Beijing Vanke Property Service Company Limited Qingdao Branch Office* (北京萬科物業服務有限公司青島分公司), where he was responsible for overall business operations and property management in Shandong Province. Mr. Yu worked at Shenzhen Wanrui Technology Company Limited* (深圳市萬睿智能科技有限公司), a company primarily engaged in the development and application of intelligent building technology until May 2014, where he was responsible for market expansion.

Mr. Yu graduated from Ocean University of China (中國海洋大學) (formerly known as Qingdao Ocean University (青島海洋大學)) in the PRC in July 1991, where he obtained his bachelor degree in freshwater fisheries. He obtained a master degree in zoology from South China Normal University (華南師範大學) in the PRC in July 1994.

Mr. Yuan Hongkai (袁鴻凱), aged 41, was appointed as a Deputy General Manager in February 2017 and is primarily responsible for informatization solutions and intelligent technologies management. Mr. Yuan joined CG Property Services as information management consultant in June 2016.

Prior to joining our Group, from July 2000 to December 2013, Mr. Yuan served in positions including assistant general manager at China Sigma Co., Ltd.* (中國希格瑪有限公司), a company mainly engaged in development and sales of high technology and construction materials, and information technology director at Kinghand Real Estate Development Group Company Limited* (京漢置業集團有限責任公司), where he was mainly responsible for information technology management in these positions. In January 2014, Mr. Yuan became a vice president and a director of the board at Easy Life (Beijing) Smart Community Investment and Development Company Limited* (樂生活 (北京) 智慧社區投資發展股份有限公司), a company mainly engaged in property management services, where he was responsible for technology research and development and business operations until May 2016.

Mr. Yuan graduated from the University of Science and Technology of China (中國科學技術大學) in the PRC in July 2000, where he completed his bachelor degree in computer science and application of professional engineering. He obtained a master degree in software engineering from Beijing University of Aeronautics and Astronautics (北京航空航天大學) in the PRC in July 2007.

Joint Company Secretaries

Mr. Huang Peng (黃鵬), aged 36, was appointed as Joint Company Secretary on 9 March 2018. For details of Mr. Huang Peng, please refer to "Biographical Details of Directors and Senior Management — Mr. Huang Peng (黃鵬)" in this section.

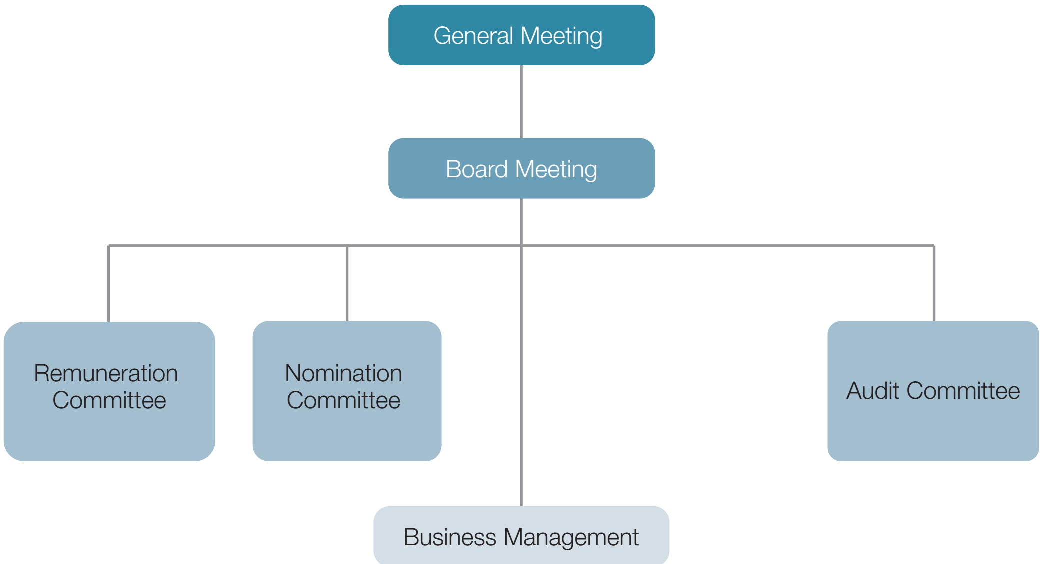
Mr. Leung Chong Shun (梁創順), aged 53, was appointed as Joint Company Secretary on 9 March 2018. He has been a partner of Woo Kwan Lee & Lo. (胡關李羅律師行), a law firm based in Hong Kong, since 1997.

Mr. Leung is currently the company secretary of another four listed companies on the Main Board of the Stock Exchange, namely, China Merchants China Direct Investments Limited (招商局中國基金有限公司) (stock code: 0133), China Merchants Port Holdings Company Limited (招商局港口控股有限公司) (stock code: 0144), Guangzhou Automobile Group Co., Ltd (廣州汽車集團股份有限公司) (stock code: 2238) and CGH (stock code: 2007).

Mr. Leung graduated from the University of Hong Kong, where he obtained a bachelor degree in laws in November 1988 and obtained the Postgraduate Certificate in laws in September 1989. He became a qualified solicitor in Hong Kong in October 1991 and in England and Wales in November 1994, respectively.

CORPORATE GOVERNANCE REPORT

Sound corporate governance is the fundamental guarantee for the long-term healthy and stable development of an enterprise. The general meetings, the board meetings and all other special committees of the Company discharge their respective duties and responsibilities and coordinate with each other with effective checks and balances under laws and rules and relevant systems to continuously improve the corporate governance level of the Company.



The Group deeply understands the important role that its Board plays in providing effective leadership and guidance for the businesses of the Group and ensuring the transparency and accountability of the operation of the Group, and knows very well that sound corporate governance will lead the Group towards success and help add value to the shareholders. Therefore, the Board consistently strives to maintain a high level of business ethnics, a healthy corporate culture and sound corporate governance by formulating and implementing a corporate governance policy and practice that is in line with the behavior and growth of the businesses of the Group.

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange on the Listing Date, the Company has adopted and complied with the principles and code provisions set out in the CG Code in Appendix 14 to the Listing Rules.

Compliance with the 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 codes of conduct regarding securities transactions by its Directors and employees (the "**Securities Dealing Code**").

The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code for the period from the Listing Date to 31 December 2018 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period. The Company did not spot any non-compliance incidents during the aforesaid period. If an employee may have any inside information of the Group, he/she shall comply with the written guidelines no less exacting than the Model Code.

Board of Directors

The Board supervises over the business, strategic decisions and performance of the Group and should make decisions objectively in the best interest of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management is delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group.

Board Composition

As at 31 December 2018, the Board comprised nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

During the period from the Listing Date to 31 December 2018, the Board comprised the following Directors:

Executive Directors:	Mr. LI Changjiang Mr. XIAO Hua Mr. GUO Zhanjun
Non-executive Directors:	Ms. YANG Huiyan *(Chairman)* Mr. YANG Zhicheng Ms. WU Bijun
Independent non-executive Directors:	Mr. MEI Wenjue Mr. RUI Meng Mr. CHEN Weiru

The detailed biography of the current Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Mr. YANG Zhicheng is a cousin of Ms. YANG Huiyan, a controlling shareholder, the chairman of the Board and a non-executive Director. Save as disclosed above, none of other Directors has maintained any family relationship with any of other Directors.

During the period from the Listing Date to 31 December 2018, the Company arranged for appropriate cover on Directors' and Senior Management' liability insurance policy to indemnify the Directors and Senior Management for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the Year.

Independent Non-Executive Directors

During the Year, the Board has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in having three independent non-executive Directors (representing one-third of the Board) from time to time. The independent non-executive Directors, all of whom are independent of the management of the Group's businesses, are highly experienced professionals with substantial experience in areas such as legal, accounting or financial management.

The Company has received annual written confirmation from each of the independent non-executive Directors of his independence to the Group pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and they are independent persons, and complied with the independence provision in accordance with Rule 3.13 of the Listing Rules.

In addition to the regular Board meetings, the chairman met with the independent non-executive Directors without the presence of the executive Directors during the year ended 31 December 2018.

Directors' Continuing Professional Development

Directors' training is an ongoing process. All Directors are encouraged to attend the seminars and courses on relevant topics when counting towards continuous professional development training.

Pursuant to Code A.6.5 of the CG Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. According to the records maintained by the Company, during the Year, all the current Directors, being Ms. YANG Huiyan, Mr. LI Changjiang, Mr. XIAO Hua, Mr. GUO Zhanjun, Mr. YANG Zhicheng, Ms. WU Bijun, Mr. MEI Wenjue, Mr. RUI Meng and Mr. CHEN Weiru, had participated in appropriate continuous professional development activities by ways of attending training sessions and/or reading articles, newspapers, journals and/or updates relevant to the Company's business or to the Directors' duties and responsibilities and complied with the provisions of Code A.6.5 of the CG Code.

A summary of their training records is as follows:

Directors	Type of Continuing Professional Development (Note 1)	Content of Continuing Professional Development (Note 2)
Executive Directors:		
Mr. LI Changjiang	1, 2	A, B
Mr. XIAO Hua	1, 2	A, B
Mr. GUO Zhanjun	1, 2	A, B
Non-executive Directors:		
Ms. YANG Huiyan *(Chairman)*	1, 2	A, B
Mr. YANG Zhicheng	1, 2	A, B
Ms. WU Bijun	1, 2	A, B
Independent Non-executive Directors:		
Mr. MEI Wenjue	2	B
Mr. RUI Meng	2	B
Mr. CHEN Weiru	2	B

Note 1:

1 Attending internal seminars/training sessions, lectures, symposiums or forums

2 Reading newspapers, journals and updates

Note 2:

A. Businesses relating to the Company

B. Laws, rules and regulations, accounting standards

Appointment and Re-Election of Directors

Under Code A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term and be subject to re-election. Under Code A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every Director (including a Director appointed for a specific term) should be subject to retirement by rotation at least once every three years.

Each of the Directors is engaged on a service agreement (for executive Directors and non-executive Directors) or an appointment letter (for independent non-executive Directors) for a term of three years or for a term expiring on 18 June 2021. All of them are subject to retirement and re-election in accordance with the Articles of Association.

According to the Articles of Association, at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Board Meetings

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged if and when required. The date of each meeting is decided in advance to enable the Directors to attend the meeting in person. For those Directors who are not able to attend these meetings in persons, participation by telephone conference is available.

The Board meets regularly for discussing and determining the strategies of the Group, setting directions and monitoring the performance of the Group. Notice of not less than 14 days is given to all Directors in convening all regular meetings. Each Director can access to the advices and services of the Company Secretary and is invited to include any matters for discussion in the agenda of the regular meetings. Agendas and materials for discussion in the meetings are circulated to all Directors at least 3 days prior to the date of the meetings.

A substantial shareholder or a Director, who has declared to have a conflict of interest in the proposed transactions or issues to be discussed, would not be counted in the quorum of the meeting and would abstain from voting on the relevant resolution, and the matter will be dealt with by a physical Board meeting rather than a written resolution.

The Company Secretary of the Company prepares detailed minutes of each meeting. After the meeting, draft and final versions of the minutes would be sent to all the Directors for comments and records as soon as practicable. Minutes of Board meetings and Board committees meetings are kept by the Listing Company Secretariat of the Company and are open for inspection by any Director after due notice is issued by him/her.

During the period from the Listing Date to 31 December 2018, the Directors have made active contribution to the affairs of the Group and nine Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim results of the Group.

Pursuant to Article 100(1) of the Articles of Association, a Director shall not be entitled to attend any Board meeting for approving any transaction in which he or his associates is materially interested. Any Board meeting which a Director is not so entitled to attend shall not be taken into account in determining that Director's attendance record.

Attendance Records of the Directors

The following table shows the attendance of each individual member of the Board and the board committees at the board meetings, the respective board committee meetings held during the Year, and the extraordinary general meeting held on 22 November 2018 ("**2018 EGM**") held during the Year:

	Attendance during the Year/Number of meetings held				
Name of members of the Board/the Board Committees	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	2018 EGM
Executive Directors:					
Mr. LI Changjiang	9/9	N/A	N/A	N/A	1/1
Mr. XIAO Hua	9/9	N/A	N/A	N/A	1/1
Mr. GUO Zhanjun	9/9	N/A	N/A	N/A	1/1
Non-executive Directors:					
Ms. YANG Huiyan *(Chairman)*[1]	6/6	N/A	N/A	N/A	1/1
Mr. YANG Zhicheng[1]	6/6	N/A	N/A	N/A	1/1
Ms. WU Bijun[2]	7/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. MEI Wenjue	9/9	1/1	N/A	N/A	1/1
Mr. RUI Meng	9/9	1/1	N/A	N/A	1/1
Mr. CHEN Weiru[3]	9/9	1/1	N/A	N/A	0/1

Notes:

1. The Group, (i) Ms. YANG Huiyan is the controlling shareholder of CG Holdings and thus CG Business Management; (ii) Mr. YANG Zhicheng is an associate of Ms. YANG Huiyan; they have abstained from voting on the resolutions at the Board meeting approving the acquisition by the Group of 10% equity interest in O-Home Technology in 9 July 2018, the continuing connected transaction with Bright Scholar Group on 22 August 2018, and the continuing connected transaction with CG Holdings on 18 September 2018, and the transactions contemplated thereunder to avoid any conflicts of interest. Therefore, six board meetings would have been attended by Ms. YANG Huiyan and Mr. YANG Zhicheng during the Reporting Period.

2. As Ms. WU Bijun is the Vice President and the Chief Financial Officer of CG Holdings, she has abstained from voting on the resolutions at the Board meeting approving the acquisition by the Group of 10% equity interest in O-Home Technology on 9 July 2018, the continuing connected transaction with CG Holdings on 18 September, 2018, and the transactions contemplated thereunder to avoid any conflicts of interest. Therefore, seven board meetings would have been attended by Ms. WU Bijun during the Reporting Period.

3. Mr. CHEN Weiru could not attend the extraordinary general meeting of the Company held on 22 November 2018 due to his other business engagements and had completed the leave procedures.

Chairman and General Manager

Ms. YANG Huiyan is the chairman and Mr. LI Changjiang is the general manager of the Company. The roles of the chairman and the general manager are segregated. Ms. YANG Huiyan and Mr. LI Changjiang are not connected in any respect. The chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the Board level. The general manager is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that Board committees work smoothly and effectively.

Board Committees

As part of good corporate governance, the Board has set up a Remuneration Committee, an Audit Committee and a Nomination Committee for overseeing particular aspects of the Company's affairs. Each Committee has its own specific delegated authorities and operates within defined written terms of reference, which are posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgyfw.com). All the Board Committees should report to the Board on their decisions or recommendations made.

Audit Committee

The Audit Committee currently comprises all three independent non-executive Directors, namely Mr. RUI Meng, who acts as the chairman, Mr. MEI Wenjue and Mr. CHEN Weiru.

The duties of the Audit Committee include, inter alias, reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board in fulfilling its responsibility over the audit; making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; and reviewing the Company's financial control, risk management and internal control systems. The Audit Committee should meet at least twice a year to discuss and review the financial information, the risk management and internal control systems and relevant matters. The proceedings of the Audit Committee meetings are the same as that of the Board meetings. Terms of reference of the Audit Committee are currently available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgyfw.com).

During the Year, the Audit Committee has reviewed the audit planning memorandums, the interim results as of 30 June 2018, financial reporting and compliance procedures, compliance and internal control report, risk management and internal control system, the remuneration of external auditors, the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function department, and their training plans and budget.

The Company's annual results announcement and annual report for the year have been reviewed by the Audit Committee.

The Audit Committee held one meeting during the Year and the attendance of each member is listed under the section headed "Attendance Records of the Directors" above on a named basis.

Remuneration Committee

The Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. CHEN Weiru, who acts as the chairman, Mr. MEI Wenjue, and one non-executive Director, namely Ms. YANG Huiyan.

The responsibilities and authorities of the Remuneration Committee are clearly defined by its terms of reference, the principal duties of which include: (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual Directors and senior management.

The Board together with the Remuneration Committee monitors the performance of the executive Directors and the senior management. Such division of responsibilities ensures a balance of power. The Remuneration Committee shall meet at any time when necessary. Terms of reference of the Remuneration Committee are currently available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgyfw.com).

The Remuneration Committee did not hold any meeting during the period from the Listing Date up to 31 December 2018.

Details of the remuneration of each of the Directors for the year ended 31 December 2018 are set out in note 34 to the consolidated financial statements.

Details of the 5 individuals with the highest emoluments are set out in note 10(a) to the consolidated financial statements.

The remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2018 is set out below:

RMB	Number of members of senior management
2,000,001 to 3,000,000	1
3,000,001 to 4,000,000	2
4,000,001 to 5,000,000	2

Nomination Committee

The Nomination Committee currently comprises three members, including one non-executive Director, namely Ms. YANG Huiyan, who acts as the chairman, and two independent non-executive Directors, namely Mr. RUI Meng and Mr. CHEN Weiru.

The main duties of the Nomination Committee include, inter alia, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment and removal of Directors. Terms of reference of the Nomination Committee are currently available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgyfw.com).

The Nomination Committee did not hold any meeting during the period from the Listing Date to 31 December 2018.

The Nomination Policy was approved on 20 December 2018.

Objective:

1. The Nomination Committee ("**Committee**") shall nominate suitable candidates to the board ("**Board**") of directors of the Company ("**Directors**") for it to consider and make recommendations to shareholders for election as Directors at general meetings for appointment or re-appointment or appoint as Directors to fill casual vacancies or as an addition to the existing Board.

2. The Committee may, as it considers appropriate, nominate a number of candidates more than the number of directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

3. The Committee should ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Selection Criteria

4. The factors listed below would be used as reference by the Committee in assessing the suitability of a proposed candidate:

    i. Reputation for integrity

    ii. Accomplishment and experience in different industries

    iii. Commitment in respect of available time and relevant interest

iv. Independence

v. Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, qualifications, professional experience, skills, knowledge, independence and length of service

vi. For proposed independent non-executive directors who will be holding their seventh (or more) listed company directorship, whether the individuals would still be able to devote sufficient time to the board (including whether the individuals have extensive experience in corporate governance of listed companies, are familiar with the management of listed companies, have close and good communication with the management and other independent non-executive directors of the Company, can make the management decision of the Company works properly, are a chairman of the board or chief executive officer or full-time executive director of other listed companies, the business activity of other listed companies in which the individuals hold directorship, etc.)

vii. other factors considered to be relevant by the Committee on a case by case basis, including the requirements and restrictions as stated in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")

These factors are for reference only, and not meant to be exhaustive and decisive. The Committee has the discretion to nominate any person, as it considers appropriate.

5. Retiring Directors are eligible for nomination by the Committee and recommendation by the Board to stand for re-election at a general meeting.

6. Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

7. The Committee may request candidates to provide additional information and documents, if considered necessary.

Nomination Procedures

8. The Secretary of the Committee or the Company Secretary shall call a meeting of the Committee, and invite nominations of candidates from Board members if any, for consideration by the Committee prior to its meeting. The Committee may also identify candidates pursuant to the criteria set out above and put forward candidates who are not nominated by Board members.

9. The Committee may use any process it deems appropriate to evaluate the candidates pursuant to the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references.

10. For filling a casual vacancy and for addition to the existing Board, the Committee shall make recommendations for the Board's consideration, approval and appointment. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. For proposing candidates to stand for election at a general meeting, the Committee shall make nominations to the Board for its consideration and recommendation to the shareholders.

11. In case of election at a general meeting, until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

12. In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations (including the Listing Rules), of the proposed candidates will be included in the circular to shareholders. In addition, where a new Director is appointed or re-designated, the Company will announce the change as soon as practicable and include details of the relevant Director as required pursuant to the Listing Rules.

13. The shareholders of the Company may propose a person for election as a director, details of which are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company. A shareholder can serve a notice at the registered office, head office or the registration office (such place as the Board may from time to time determine to keep a branch register of members and where (except the Board otherwise directs) the transfer or other documents of title are to be lodged for registration and are to be registered) of the Company within the lodgment period of its intention to propose a resolution to elect certain person(s) as a Director, without the Board's recommendation or the Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

14. A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

15. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting. The ultimate responsibility for selection and appointment of Directors rest with the entire Board.

16. The Company will disclose this nomination policy in the Company's corporate governance report and/or by other means in accordance with the requirements of the Listing Rules.

17. The progress made towards achieving the objective set in this nomination policy will be disclosed in the Company's corporate governance report annually and/or by other means in accordance with the requirements of the Listing Rules.

Corporate Governance Function

As no corporate governance committee has been established, the Board is responsible for, among other things, formulating and reviewing the policies and practices on corporate governance of the Group and make recommendations, monitoring the compliance of legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the corporate governance compliance with the CG Code and the disclosures in the annual report.

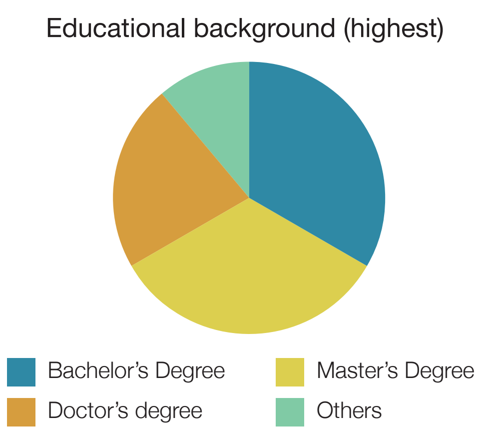
The corporate governance report has been reviewed by the Board in the discharge of its corporate governance function.

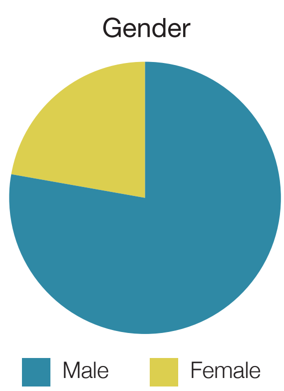
Summary of the Board Diversity Policy

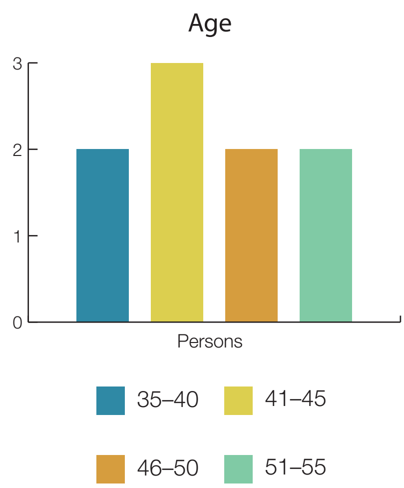
The Company has adopted a Board Diversity Policy setting out the objectives and the factors to be considered for achieving the diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy and competence, and the candidates will be considered against certain objective criteria such as gender, age, cultural and educational background, ethnicity, professional qualifications, areas of experience, skills, knowledge and length of services, etc. The Nomination Committee monitors and reviews (if appropriate) the implementation of the Board Diversity Policy.

The Company seeks to achieve board diversity taking into account of a number of factors, including but not limited to, educational background, gender, age, skills and knowledge. The ultimate selection decision will be based on merits and contribution to the Board.

As at 31 December 2018, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:







Each of the Board members possesses different skills and knowledge, including development strategy and marketing management, human resource management, property management, financial management, etc. The Board is characterized by significant diversity in terms of gender, age, degree, skills and knowledge.

Directors' Responsibility on the Consolidated Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual reports and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided necessary explanation and information to the Board to enable it to make an informed assessment of the financial information and position of the Group presented the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Deed of Non-Competition

Ms. YANG Huiyan, ultimate controlling shareholder of the Company, has entered in the Deed of Non-Competition dated 29 May 2018 in favour of our Company to the effect that she will not, and will procure her respective Close Associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Company, further details of which are set out in the paragraph entitled "Deed of Non-Competition" in the prospectus of the Company dated 6 June 2018.

The Company has received the confirmation from Ms. YANG Huiyan in respect of her compliance with the terms of the non-competition undertaking for the year ended 31 December 2018. The independent non-executive directors had reviewed the compliance with and enforcement of the terms of the non-competition undertaking by Ms. YANG for the year ended 31 December 2018.

Risk Management and Internal Control Systems

Duties of the Board and the Management

The Board is solely responsible for maintaining sound and effective risk management and internal control systems to safeguard the Company's assets and the shareholders' interests. The Board deeply understands the key role of the Company's risk management and internal control systems in its risk management and ongoing compliance with laws and regulations. The Company is aware of the duties of the Board and the management in the risk management and internal control systems:

- **The Board** shall be responsible for assessing and determining the nature and extent of the risks that the Company is willing to take when achieving the strategic objectives, shall ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems, shall oversee the management in the design, implementation and monitoring of the risk management system and shall conduct a review on an annual basis.

- **The management** shall be responsible for designing, implementing and supervising the risk management and internal control systems, and confirm the effectiveness of risk management and internal control with the Board.

Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve the business objectives and only provide reasonable rather than absolute assurance against material misstatement or loss.

Risk Management

1. Risk Management System Construction

The Company has carried out the construction of systematic risk management system in the current year through the implementation of the following work, and established a set of risk management policies to guide the implementation of annual risk assessment and ongoing risk monitoring activities:

1) **Set up the risk management organizational structure:** the Company has established a risk management organizational structure (see diagram 1 below: risk management organizational structure) covering the decision-making level (the Board and the Audit Committee), the supervisory level (the audit and supervision department) and the executive level (the senior management and the management of each functional centers under the headquarter/subsidiaries), has segregated risk management responsibilities to define the risk management responsibilities and risk information reporting routes for management and various functional departments.

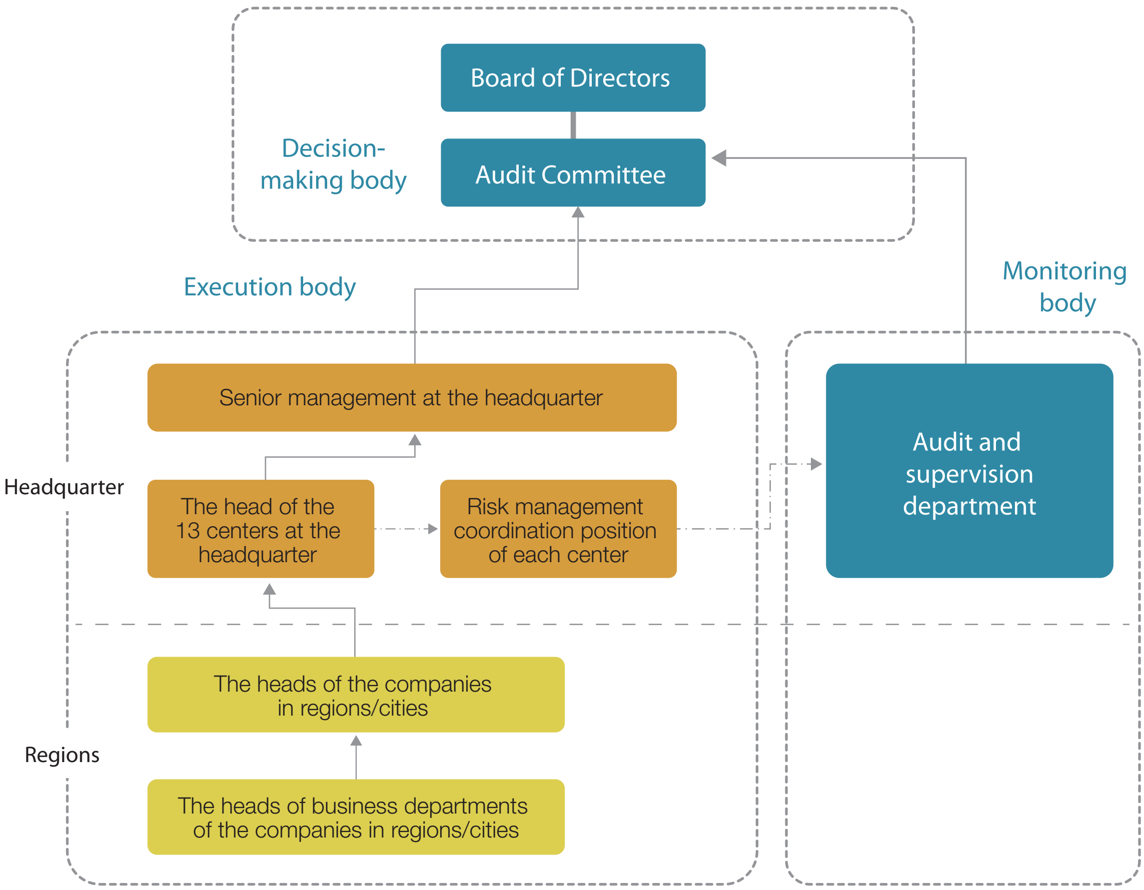


Diagram 1: Risk Management Organizational Structure

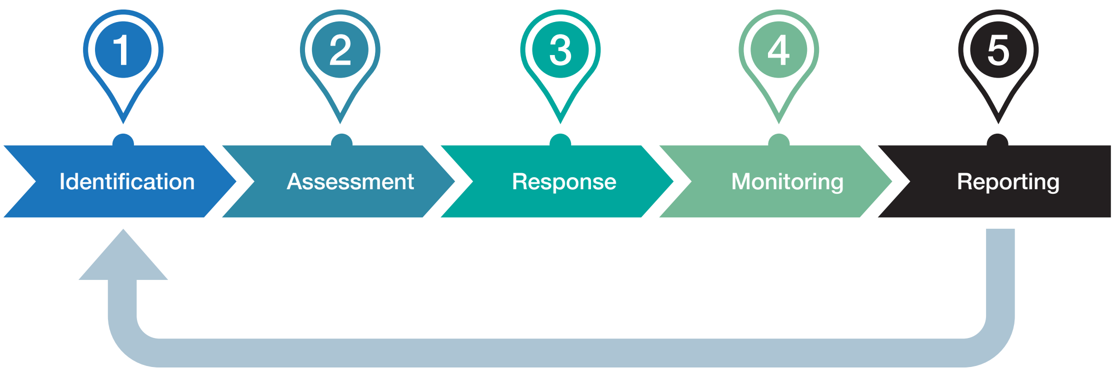
The primary roles and responsibilities of the risk management system are as follows:

Roles	Major responsibilities
The Board (decision-making body)	• To evaluate and determine the nature and extent of the risks that the Company is willing to take when achieving the strategic objectives • To ensure that the effective risk management and internal control systems are established and maintained • To oversee management in the design, implementation and monitoring of the risk management and internal control systems
The Audit Committee (decision-making body)	• To review and formulate the framework of risk management • To review and assess the framework of the Company's risk management on a regular basis • To continuously monitor the scope of work of the risk management system and the work of other assurance providers • To monitor the frequency of major control failures or weak points, the extent of unforeseen consequences or emergencies resulted therefrom, and the material impact that has caused, may have caused or will cause on the financial performance or condition of the Company • To report any material risk management matters and recommend solutions to the Board
The senior management at each headquarter (execution body)	• To make risk assessment on a regular basis according the Company's strategy, in order to formulate risk management measures • To design, implement and monitor the risk management and internal control systems • To confirm the effectiveness of risk management and internal control systems with the Board
The management of the headquarters and its subsidiaries (execution body)	• To formulate and implement the risk response solutions for the respective business • To promote and implement specific risk management measures • To control various risks of the respective business and report risk information to the senior management at headquarters in a timely manner
Audit and Supervision Department (supervisory body)	• To coordinate and promote the establishment of the risk management system • To coordinate and promote the implementation of risk assessments in each business center • To supervise over the implementation of risk response and monitoring in each business center

Roles	Major responsibilities
Risk management coordination position at each center of the headquarters (execution body)	• To work with the management of the headquarters and its subsidiaries, and to assist the Audit and Supervision Department to promote the establishment of the risk management system • To assist the promotion of risk assessments in each business center • To assist the supervision of the risk response and monitoring in each business center

2) **Develop risk assessment criteria:** to establish the risk assessment criteria which are applicable to the Company, including strategy, finance, operation, personnel, compliance, security, reputation etc., based on the Company's business nature and operational features, strategic goals as well as risk preference of the management, and to assess the risks that are most likely to affect the achievement of corporate objectives by using jointly identified assessment methods and criteria.

3) **Establish a risk management process:** to establish a risk management process that includes the main steps of identification, assessment, response, monitoring and reporting (see diagram 2: main steps of the risk management process) and form a closed loop to continuously monitor and manage risks. Specifically, it includes, based on the business objectives of the Company, identifying the risk factors that affect the achievement of such business objectives and assessing the possibility and potential impact of each specific risk; streamlining and recording the existing specific risk response measures; and continuously monitoring and assessing the changes in risks and adjusting response measures in a timely manner.



(See diagram 2: main steps of the risk management process)

4) **Determine the frequency of risk management review:** to determine the frequency of the risk assessment and reporting of the Company (at least once a year), and to standardize the form and frequency of the report with above key elements through the Risk Management Manual of Country Garden Services Holdings Company Limited (《碧桂園服務控股有限公司風險管理手冊》).

2. *Implementation of corporate risk assessment in 2018*

In this year, based on the established risk management system above, the management has carried out the identification, assessment and analysis of major risks within the main scope of business of the Company with the assistance of external advisory bodies, conducted a comprehensive review of the risk management system, assessed the top ten risks that the Company was exposed to during the year and streamlined the current risk control measures and improvement plans.

The management has reviewed the changes in the nature and extent of major risks that the Company is exposed to by adopting a systematic assessment method, identified the major risks faced by various departments and areas, streamlined the current condition of risk control and subsequent response measures and improvement plans, and reported the assessment results to the Audit Committee.

The Audit Committee, on behalf of the Board, has reviewed and assessed the changes in the nature and extent of major risks, and completed the review of risk management system which was considered by it to be effective and adequate. The management will report major risks control situation to the Audit Committee through submitting a formal report each year.

Internal Control

CG Services has established an internal control system applicable to the Company by reference to the internal control management framework issued by COSO (Committee of Sponsoring Organizations of the Treadway Commission). The control system includes a mature organization structure that clearly defines the powers and responsibilities of each department to protect assets from improper use, maintain proper accounts and ensure compliance with the rules.

As an important part of risk management, the Company's internal control system is established on the basis of various risks which the Company is exposed to. The management at the headquarter, regional subsidiaries and its various departments has designed and implemented a series of policies and procedures for the process related to finance, operation, compliance, and monitored the implementation and effects of such policies and procedures.

The management has carried out internal control self-assessment, internal monitoring review and internal audit for eight identified areas and 57 key business processes, and formulated improvement plans to address the gaps and weaknesses identified in the process. The internal auditing function of the Company has conducted follow-up reviews periodically to ensure remedial actions are taken on a timely basis, and has reported the results of follow-up reviews to the Audit Committee.

Summary of the Effectiveness of Review of Risk Management and Internal Control Systems

During the review year, the Board has conducted a comprehensive review of the risk management and internal control system of the Company, including the establishment of risk management system, 2018 risk assessment and internal control review of key business processes. The period of this review covered the fiscal year of 2018 with the scope covering the Company's main business and all important control aspects, including financial monitoring, operational monitoring and compliance monitoring, and took into account changes in the nature and severity of major risks, as well as the Company's ability to respond to changes in its business and external environment. The Board considers that the Company has complied with the risk management and internal control provisions set out in the Code of Corporate Governance and that the risk management and internal control systems are effective and adequate.

The Board has reviewed the resources, staff qualifications and experiences of accounting, internal audit and financing reporting functions, and the training programs for staff and the relevant budget, and the processes for relevant financial reporting and compliance with listing rules, and considered them effective and adequate.

During the year ended 31 December 2018, the Audit Committee has reviewed reports from the Group's risk management and internal audit department and independent consultants with their findings and recommendations for improvement. The external auditors have also reported any observations they identified in the course of their work to the Group, and are satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

During the year ended 31 December 2018, the Group has implemented procedures and internal controls for the handling and dissemination of inside information. The Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;

- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and their implementation was monitored by the Company; and

- has mode broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

Joint Company Secretaries

The joint company secretaries of the Company are Mr. HUANG Peng, chief financial officer of the Company, and Mr. LEUNG Chong Shun, a practicing solicitor in Hong Kong and external service provider. They have complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules by taking not less than 15 hours of relevant professional training during the Year.

The primary contact person of the Company with Mr. LEUNG is Ms. LI Lin, the head of the Listing Company Secretary Department of the Company.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2018 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit and non-audit services for the year ended 31 December 2018 are analyzed below:

Type of services provided by the external auditor	Amount (RMB)
— Audit services in 2018	
Audit in relation to the listing of shares of the Company	3,400,000.00
Annual audit and interim review services	4,100,000.00
— Non-audit services in 2018	620,000.00
Total:	8,120,000.00

Constitutional Documents

During the period from the Listing Date to 31 December 2018, no amendment was made to the constitutional documents of the Company. A copy of the latest version is available on the websites of the Company (www.bgyfw.com) and the Stock Exchange (www.hkexnews.hk).

Communications with Shareholders and Investors

Communications with Shareholders

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision. The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company has adopted a Shareholders Communication Policy with an aim of promoting and maintaining an ongoing communication with the shareholders and investors, under which procedures for shareholders sending enquiries and concerns to the Board and other policies concerning communication with shareholders and investors have been established. The policy is available at the Company's website (www.bgyfw.com).

The Company maintains a website (www.bgyfw.com) where information of the Group's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Telephone: (852) 3692 5973
Facsimile: 0757-2633 6002
Email: irps@countrygarden.com.cn

General Meetings

General meetings serve as a communication platform where the Board can maintain a face-to-face dialogue with shareholders and investors. Notice of the general meetings together with the shareholders circular and other documents will be sent to shareholders at least 21 clear days and 20 clear business days for annual general meeting and at least 14 clear days and 10 clear business days for extraordinary general meetings.

During the Year, one extraordinary general meeting was held. The chairman of the respective Board committees, independent non-executive Directors, the company secretary and other external professionals were presented at the extraordinary general meeting to answer questions raised by shareholders and investors at the meeting.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions will be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Shareholders of the Company may convene extraordinary general meetings or put forward to proposals at shareholders' meetings as follows:

Convening of Extraordinary General Meeting at the Request of Shareholders

The Board may whenever it thinks fit call an extraordinary general meeting. Any one or more shareholder(s) holding on the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward to Proposals at General Meetings by Shareholders

There are no provisions allowing shareholders to put forward new resolutions at general meetings under the Companies Laws of Cayman Islands or the Articles of Association. Shareholders who wish to put forward a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Procedures for Directing Shareholders' Enquiries to the Board

The Company has established various and a wide range of communication channels with shareholders. These include general meetings, annual and interim results, annual reports and interim reports, notices, announcements and circulars. In addition, the Company updates its website from time to time to keep the shareholders updated of the Company's recent development. Shareholders may at any time send their enquiries and concerns to the Board in writing, the contact details of which are contained on the Company's website (www.bgyfw.com).

For the avoidance of doubt, shareholder(s) must provide his/her/their full name(s), contact details and identifications, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

An up-to-date version of the Articles of Association is available on the websites of the Company (www.bgyfw.com) and the Stock Exchange (www.hkexnews.hk). Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Company (www.bgyfw.com) and the Stock Exchange (www.hkexnews.hk) after each of shareholders' meeting.

The Board is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue for the year ended 31 December 2018 by principal activities is set out in note 6 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2018 is set out in the consolidated statement of comprehensive income on page 79.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out as below:

		Section(s) in this Annual Report	Page No. of the Annual Report
a.	Fair review of the Company's business	Management Discussion and Analysis	12 to 27
b.	Description of the principal risks and uncertainties the Company is facing	Management Discussion and Analysis	12 to 27
c.	Particulars of important events affecting the Company that have occurred since the year ended 31 December 2018	Management Discussion and Analysis, Financial Statements Note 35	26, 145
d.	Indication of likely future development of the Company's business	Management Discussion and Analysis	12 to 27
e.	Analysis using financial key performance indicators	Financial Summary and Management Discussion and Analysis	11 and 12 to 27
f.	Discussion on the Company's environmental policies and performance	Company's environmental policies and performance is described in the "Country Garden Services Sustainability Report 2018" (a standalone report)	Not applicable
g.	An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depend	Management Discussion and Analysis and Report of the Directors	12 to 27 and 57 to 58
h.	Discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company	Corporate Governance Report and Report of the Directors	35 to 54 and 55 to 72

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of RMB8.49 cents per share in the form of cash (2017: nil) for the year ended 31 December 2018 to Eligible Shareholders. The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Wednesday, 22 May 2019 to Tuesday, 28 May 2019. It is expected that the final dividend warrants will be despatched to the Eligible Shareholders on or around Friday, 19 July 2019.

SHARE CAPITAL

Details of the share capital of the Company during the year ended 31 December 2018 are set out in note 22 to the consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2018 are set out in note 15 to the consolidated financial statements of the Group.

INTANGIBLE ASSETS

Details of the movements in intangible assets of the Group for the year ended 31 December 2018 are set out in note 16 to the consolidated financial statements.

BORROWINGS

The Group had no borrowing during the year ended 31 December 2018.

EQUITY LINKED AGREEMENT

Save as disclosed in the section headed "Pre-listing Share Option Scheme", no equity linked agreements were entered into during or subsisted at the end of the year ended 31 December 2018.

LISTING OF THE COMPANY

The Company was originally owned by CG Holdings. In March 2018, CG Holdings submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of the Listing Rules Governing the Listing of Securities on the Stock Exchange to demerge the Company for a separate listing by way of introduction. The proposal was approved by the Stock Exchange in June 2018.

In March 2018, the Company submitted a listing application form (Form A1) to and was subsequently approved by the Stock Exchange to list by way of introduction of and permission to deal in the ordinary shares of US$ 0.0001 each of the Company ("CG Services") on the Main Board.

The spin-off and separate listing of the Company was implemented by distribution in specie as a special interim dividend by CG Holdings to its qualified shareholders on basis of 8.7 CG Holdings Share for every 1 CG Services share held as at 13 June 2018. Upon completion of the Distribution, the Company becomes publicly listed on the Main Board under stock code: 6098 on 19 June 2018.

Thereafter, CG Holdings has retained no interest in the issued share capital of the Company and the Company is no longer a subsidiary of CG Holdings.

DONATIONS

The total donations made by the Group during the year ended 31 December 2018 amounted to approximately RMB48,000 (2017: approximately RMB339,000).

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Pre-listing Share Option Scheme", at no time during the year ended 31 December 2018 was the Company, any of its subsidiaries, fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the distributable reserve of the Company amounted to approximately RMB231,574,000 (2017: nil).

Details of the movements in reserves of the Company during the year ended 31 December 2018 are set out in note 33 to the consolidated financial statements of the Group.

FINANCIAL SUMMARY

A financial summary of the Group for the financial years is set out on page 11 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, revenue attributable to the largest customer of the Group amounted to approximately 16.8% of the total revenue of the year and the five largest customers of the Group accounted for less than 30% of the Group's revenue of the year.

For the year ended 31 December 2018, purchases attributable to the largest supplier of the Group amounted to approximately 2.91% of the total purchases in the year and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

DIRECTORS' AND SHAREHOLDERS' INTERESTS IN SUPPLIERS AND CUSTOMERS OF THE GROUP

During the Reporting Period, Ms. YANG Huiyan, our ultimate controlling shareholder and non-executive director, was interested in 57.23% equity interest of CGH in aggregate. CG group is one of the Group's five largest customers.

In addition, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any direct or indirect interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Non-executive Directors

Ms. YANG Huiyan *(Chairman) (appointed on 9 March 2018)*
Mr. YANG Zhicheng *(appointed on 9 March 2018)*
Ms. WU Bijun *(appointed on 9 March 2018)*

Executive Directors

Mr. LI Changjiang *(General Manager) (appointed on 9 March 2018)*
Mr. XIAO Hua *(appointed on 9 March 2018)*
Mr. GUO Zhanjun *(appointed on 9 March 2018)*

Independent Non-executive Directors

Mr. MEI Wenjue *(appointed on 25 May 2018)*
Mr. RUI Meng *(appointed on 25 May 2018)*
Mr. CHEN Weiru *(appointed on 25 May 2018)*

In accordance with article 83(3) of the Articles of Association of the Company, all Directors shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on Monday, 20 May 2019.

No Director proposed for re-election at the 2019 AGM has entered into a service contract with the Company or any of its subsidiaries or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract (for executive Directors and non-executive Directors) or signed an appointment letter (for independent non-executive Directors) with the Company for a term of three years with effect from 19 June 2018 (date of listing of the Company's shares on Hong Kong Stock Exchange).

The service contracts of the executive Directors and the non-executive Directors may be terminated by the Director himself with no less than thirty days' written notice, and the appointment letter of the independent non-executive Directors may be terminated by the Company or the Director himself with at least three months' prior written notice to the other party.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions", no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

INTERESTS OF DIRECTORS AND THEIR ASSOCIATES IN COMPETING BUSINESS

During the period from the Listing Date to 31 December 2018, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

On 29 May 2018, Ms. YANG Huiyan, the controlling shareholder, has entered into a Deed of Non-competition in favor of the Company.

Ms. YANG Huiyan has undertaken to us in the Deed of Non-Competition that she will not, and will procure her close associates (as defined under the Listing Rules and excluding **CGH** and the **CGH Group**) not to directly or indirectly be involved in or undertake any business (other than the Group's business) that directly or indirectly competes, or may compete, with the Group's business, which includes providing property management services, community value-added services, value-added services to non-property owners, and other services form an integrated service offering to the customers and cover the entire value chain of property management (collectively referred to as the "**Restricted Activities**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where our controlling shareholders and their close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the composition of the board of directors of such company.

For details of the Deed of Non-competition, please refer to the section entitled “Relationship with our Controlling Shareholders” in the listing documents of the Company dated 6 June 2018.

The controlling shareholder, Ms. YANG Huiyan has provided the Company with a written confirmation dated on 26 February 2019 pursuant to which Ms. YANG Huiyan confirms that, during the period from the Listing Date to 31 December 2018 she and her close associates have fully complied with all terms and provisions of the Deed of Non-competition.

PERMITTED INDEMNITY PROVISION

The Articles of Association provide that every Director for the time being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. However, this indemnity does not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

During the period from the Listing Date to 31 December 2018, the Company has taken out insurance for directors and senior management to provide appropriate protection for the Directors and senior management of the Company.

The permitted indemnity provision was in force during the year ended 31 December 2018 for the benefit of the Directors.

DIRECTORS’ AND SENIOR MANAGEMENT’S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 December 2018 are set out in note 34 and note 10 to the consolidated financial statements of the Group.

The remuneration packages of individual Directors (including salaries and other benefits) is recommended by the remuneration committee of the Company for the Board’s approval, having regard to the Group’s results, Directors’ performance, duties, etc.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 10 to the consolidated financial statements.

CONNECTED TRANSACTION

On 9 July 2018, CG Property Services entered into a share transfer agreement with CG Business Management, a wholly-owned subsidiary of CGH, pursuant to which CG Business Management has agreed to sell and CG Property Services has agreed to acquire 10% equity interest in Guangdong O-Home Technology Company Limited for a consideration of RMB5,000,000 (equivalent to approximately HK$5,915,410).

CG Property Services is a wholly-owned subsidiary of the Company. CG Business Management is wholly-owned by CGH, a 30%-controlled company of Ms. YANG Huiyan. Ms. YANG Huiyan is also a non-executive Director and a substantial shareholder of the Company. As such, CG Business Management is an associate of Ms. YANG Huiyan and thus a connected person of the Company. Accordingly, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 0.1% but are below 5%, the acquisition is subject to reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further details of the acquisition were disclosed in the announcement of the Company dated 9 July 2018.

CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transaction with Bright Scholar Group

On 22 August 2018, the Company entered into a Property Management Services Framework Agreement with the Bright Scholar, which sets out the principal terms for the provision of property management services by the Group to Bright Scholar Group in respect of the school campuses and dormitories of Bright Scholar Group, for a term commencing on 22 August 2018 until 31 December 2020. The annual caps (excluding tax) of the transactions contemplated under the Property Management Services Framework Agreement for each of the three years ended 31 December 2020 are RMB7.6 million, RMB20 million and RMB40 million, respectively.

Bright Scholar is an indirect majority-controlled company of Ms. YANG Meirong, who is an aunt of Ms. YANG Huiyan, a non-executive Director and a substantial shareholder of the Company. As such, Bright Scholar is a connected person of the Company and the Property Management Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 0.1% but are all below 5%, the Property Management Services Framework Agreement and the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further details of such agreement were disclosed in the announcement of the Company dated 22 August 2018.

For the year ended 31 December 2018, a total amount of RMB1.285 million was paid by Bright Scholar Group to the Group under the Property Management Services Framework Agreement, and the amount did not exceed the annual cap of RMB7.6 million.

Continuing Connected Transactions with CGH

1. Trademark Licencing Arrangement

On 1 June 2018, a trademark licencing agreement was entered into between our Company and Shunbi Property and a deed of trademark licencing was entered into between the Company and CGH (the "**Trademark Licencing Arrangement**"), pursuant to which Shunbi Property agreed and CGH would procure Shunbi Property 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 is subject to the renewal of the licenced trademarks, on a royalty-free basis.

Details of the licenced trademarks are set forth in the section entitled "Appendix VI — General Information — B. Further Information about the Business of our Company — 2. Intellectual Property Rights of our Group" in the listing documents dated 6 June 2018.

The Directors believe that the entering into of the Trademark Licencing Arrangement with a term of over three years can ensure the stability of our operations, and is beneficial to the Company and the shareholders as a whole.

Shunbi Property, as the registered proprietor of the licenced trademarks, is an indirect wholly-owned subsidiary of CGH. CGH is an associate of Ms. YANG Huiyan, a non-executive director and a controlling shareholder of the Company, and therefore Shunbi Property is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Trademark Licencing Arrangement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As the rights to use the licenced trademark are granted to the Company on a royalty-free basis, the transactions under the Trademark Licencing Arrangement would be within the de minimus threshold provided under Rule 14A.76 of the Listing Rules and would be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Master Property Lease Agreement

On 1 June 2018, the Company entered into a master property lease agreement with CGH (the "**Master Property Lease Agreement**"), pursuant to which the Company may lease the offices, community service centres, etc. of CGH Group, and the Master Property Lease Agreement has a term commencing from the Listing Date until 31 December 2020.

The Directors estimate that the maximum annual fee payable by us under the Master Property Lease Agreement for each of the three years ended 31 December 2020 will not exceed RMB1.1 million, RMB1.6 million and RMB2.2 million, respectively.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Master Property Lease Agreement is expected to be less than 5% and the total consideration is less than HK$3,000,000 per annum, the transactions under the Master Property Leasing Arrangement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the agreement, please refer to the section entitled "Relationship with our Controlling Shareholders" in the listing documents of the Company dated 6 June 2018.

In light of the business development of the Group, it is expected that existing annual caps will be insufficient to cover the expected transaction amounts for the lease of the offices, community service centres, etc. of CGH Group for each of the three years ended 31 December 2020. Therefore, the Group entered into a supplementary agreement with CGH on 14 December 2018, pursuant to which both parties agreed to amend the annual caps to RMB1.36 million, RMB1.8 million and RMB2.2 million, respectively. During the year ended 31 December 2018, the total amount for the lease of the offices, community service centres, etc. of the CGH Group by the Company was RMB1.268 million, which did not exceed the cap of RMB1.36 million.

3. *Master Hotel Services Agreement*

On 1 June 2018, the Company entered into a hotel services framework agreement (the "**Master Hotel Services Agreement**") with CGH for a term commencing from the Listing Date until 31 December 2020.

The Directors estimate that the maximum annual fee payable by us in relation to the hotel services under the Master Hotel Services Agreement for each of the three years ended 31 December 2020 will not exceed RMB4.1 million, RMB4.9 million and RMB5.8 million, respectively.

As each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the hotel services is expected to be less than 25% and the total consideration is less than HK$10,000,000 per annum, the transactions under the Master Hotel Services Agreement will be exempt from the independent shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For details of the agreement, please refer to the section entitled "Relationship with our Controlling Shareholders" in the listing documents of the Company dated 6 June 2018.

During the year ended 31 December 2018, the total amount for the provision of hotel services to the CGH Group by the Group was RMB4.084 million, which did not exceeded the cap of RMB4.1 million.

4. *Master Engineering and Transportation Services Agreement*

On 1 June 2018, the Company entered into a master engineering and transportation services agreement (the "**Master Engineering and Transportation Services Agreement**") with CGH for a term commencing from the Listing Date until 31 December 2020. It is expected that the maximum annual fee payable in relation to the engineering and transportation services under the Engineering and Transportation Services Framework Agreement for each of the three years ended 31 December 2020 will not exceed RMB35.7 million, RMB41.1 million and RMB48.3 million, respectively.

As each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the engineering and transportation services, is expected to be less than 5%, the transactions under the Master Engineering and Transportation Services Agreement will be exempt from the independent shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For details of the agreement, please refer to the section entitled "Relationship with our Controlling Shareholders" in the listing documents of the Company dated 6 June 2018.

For each of the two years ended 31 December 2017 and the seven months ended 31 July 2018, the expenses payable to the CGH Group by our Group for the engineering and transportation services amounted to approximately RMB38.9 million, RMB31.3 million and RMB23.7 million, respectively.

In light of the business development of the Group, it is expected that existing annual caps will be insufficient to cover the expected transaction amounts under the engineering and transportation services for each of the three years ended 31 December 2020. Therefore, the Group entered into a supplementary agreement with the CGH Group on 18 September 2018, pursuant to which both parties agreed to amend annual caps to RMB54 million, RMB76.8 million and RMB79 million, respectively. During the year ended 31 December 2018, the total amount for the provision of the engineering and transportation services to the Group by the CGH Group was RMB49.418 million, which did not exceed the cap of RMB54 million.

As one or more of the applicable percentage ratios calculated based on the highest revised annual cap exceed 0.1% but all of them are less than 5%, thus the supplementary agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirements.

For details of the supplementary agreement, please refer to the announcement of the Company dated 18 September 2018.

5. ***Water Supply Services Agreement***

On 1 June 2018, the Company entered into a water supply services agreement (the "**Water Supply Services Agreement**") with Zengcheng Qingyuan* (增城清源) for a term commencing from the Listing Date until 31 December 2020.

Zengcheng Qingyuan is indirectly owned as to 99% by Xizang Shengda Investment Centre (Limited Partnership)* (西藏聖達投資中心(有限合夥)), which is controlled by Ms. YANG Meirong (楊美容) (an aunt of Ms. YANG Huiyan, one of the controlling shareholders of the Company). Ms. YANG Meirong is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Water Supply Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

The Directors estimate that the annual fee payable in relation to the water supply services under the Water Supply Services Agreement for each of the three years ended 31 December 2020 will not exceed RMB3.6 million, RMB4.2 million and RMB4.2 million, respectively.

As each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the water supply services is expected to be less than 25% and the total consideration is less than HK$10,000,000 per annum, the transactions under the Water Supply Services Agreement will be exempt from the independent shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For details of the agreement, please refer to the section entitled "Relationship with our Controlling Shareholders" in the listing documents of the Company dated 6 June 2018.

During the year ended 31 December 2018, the total amount for the provision of the water supply services to the Group by Zengcheng Qingyuan was RMB3.6 million, which did not exceed the cap of RMB3.6 million.

6. ***Master CGH Property Management Services Agreement***

On 1 June 2018, the Company entered into a property management services framework agreement (the "**Master CGH Property Management Services Agreement**") with CGH, which sets out the terms between the CGH Group and the Group on the property management services fee in respect of the unsold property units and the sold property units prior to the agreed delivery date set out on the property purchase contract for projects developed by the CGH Group and managed by the Company (the "**CGH Property Management Services**"), for a term commencing from the Listing Date until 31 December 2020.

The Directors estimate that the maximum annual fee payable by the CGH Group in relation to the CGH Property Management Services for each of the three years ended 31 December 2020 will not exceed RMB289.6 million, RMB355.3 million and RMB478.1 million, respectively.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the Master CGH Property Management Services Agreement are expected to be more than 5% on an annual basis, the transactions under the Master CGH Property Management Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the agreement, please refer to the section headed "Relationship with our Controlling Shareholders" of the listing documents of the Company dated 6 June 2018.

During the year ended 31 December 2018, the total property management service fee paid by the CGH Group to the Company was RMB264.517 million, which was below the cap of RMB289.6 million.

7. Master Consultancy and Other Services Agreement

On 1 June 2018, the Company entered into a consultancy and other services framework agreement (the "**Master Consultancy and Other Services Agreement**") with CGH, for a term commencing from the Listing Date until 31 December 2020, pursuant to which our Group agreed to provide consultancy services in relation to sales of properties and other services, including but not limited to consultancy services on the operational management of the on-site sales offices of the CGH Group, and cleaning services for the properties developed by the CGH Group before delivery to homeowners.

The Directors expect that the maximum annual fee payable in relation to the services to be provided by our Group under the Master Consultancy and Other Services Agreement for each of the three years ended 31 December 2020 will not exceed RMB395.6 million, RMB600.6 million and RMB882.3 million, respectively.

As one or more of the applicable percentage ratios for the Master Consultancy and Other Services Agreement is expected to be more than 5% on an annual basis, the transactions under the Master Consultancy and Other Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the agreement, please refer to the section headed "Relationship with Our Controlling Shareholders" in the listing documents of the Company dated 6 June 2018.

For each of the two years ended 31 December 2017 and the seven months ended 31 July 2018, the amounts payable by the CGH Group to the Group for the consultancy and other services were approximately RMB162 million, RMB228.1 million and RMB286 million, respectively.

In light of business development of the Group, it is expected that the existing annual caps are insufficient to cover the expected transaction amounts under the consultancy and other services for each of the three years ended 31 December 2020. As such, the Group entered into a supplemental agreement with CGH on 18 September 2018, pursuant to which both parties agreed to revise the annual caps to RMB633.11 million, RMB897.93 million and RMB1,007.42 million, respectively. During the year ended 31 December 2018, the aggregate amount of consultancy and other services paid by the CGH Group to the Company was RMB476.178 million, which did not exceed the cap of RMB633.11 million.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest revised annual cap exceed 5%, the supplemental agreement and the transactions contemplated thereunder are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the supplemental agreement, please refer to the announcement of the Company dated 18 September 2018 and the circular of the Company dated 2 November 2018. The supplemental agreement and the transactions contemplated thereunder, including the revised annual caps, were formally approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 November 2018.

8. ***Sales and Leasing Agency Services Framework Agreement***

On 18 September 2018, the Company entered into a Sales and Leasing Agency Services Framework Agreement with CGH in relation to the provision of sales and leasing agency services in respect of unsold parking spaces and provision of sales agency services in respect of unsold property units of projects of the CGH Group, by the Group to the CGH Group for a term commencing on 18 September 2018 until 31 December 2020. The annual caps of transactions contemplated under the Sales and Leasing Agency Services Framework Agreement for each of the three years ended 31 December 2020 are RMB120 million, RMB380 million and RMB450 million, respectively.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the highest annual cap exceed 5%, the Sales and Leasing Agency Services Framework Agreement and the transactions contemplated thereunder are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The details of the agreement were disclosed in the announcement of the Company dated 18 September 2018 and the circular of the Company dated 2 November 2018, and the agreement has been formally approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 November 2018.

During the year ended 31 December 2018, the total amount for the sales and leasing agency services paid to the Company by the CGH Group was RMB66.712 million, which did not exceed the cap of RMB120 million.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms or better, on terms no less favorable to the Group than terms available to or from independent third parties; and

(3) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY AUDITORS

In accordance with Rule 14A.56 of the Listing Rules, the Company's external auditor, PricewaterhouseCoopers, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions to be disclosed by the Group as below:

(1) nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(2) for transactions involving the provision of services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter has been delivered by the Company to the Stock Exchange.

OTHERS

The connected transactions and continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the period from the Listing Date to 31 December 2018 is disclosed in Note 32 to the financial statements.

Certain items under Note 32 to the financial statements also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions/continuing connected transactions.

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

As at 31 December 2018, 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 pursuant to Section 352 of the SFO to be entered in the register, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in 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 31 December 2018	Number of debentures held
Ms. YANG Huiyan	Interest of controlled corporations	1,444,985,624[1]	—	1,444,985,624	57.80%	—
Ms. WU Bijun	Beneficial owner	233,190[3]	12,964,000[2]	13,197,190	0.53%	—
Mr. LI Changjiang	Beneficial owner	—	12,964,000[2]	12,964,000	0.52%	—
Mr. XIAO Hua	Beneficial owner	37[3]	4,762,000[2]	4,762,037	0.19%	—
Mr. GUO Zhanjun	Beneficial owner	—	4,699,000[2]	4,699,000	0.19%	—

Notes:

(1) As at 31 December 2018, Concrete Win, Genesis Capital, Sure Brilliant and Golden Value held 981,901,840 Shares, 326,436,781 Shares, 125,000,000 Shares and 11,647,003 Shares, respectively. Concrete Win, Genesis Capital, Sure Brilliant and Golden Value 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, Genesis Capital, Golden Value and Sure Brilliant were interested.

(2) The relevant interests are unlisted physically settled options granted pursuant to the Company's Pre-listing Share Option Scheme. Upon exercise of the share options in accordance with the Pre-listing Share Option Scheme, the corresponding number of ordinary Shares of HK$0.94 each shall be issued by the Company. The share options are personal to relevant Directors.

(3) These Shares represent the Shares distributed to the Directors by virtue of the shares of CGH held by them prior to the spinoff and separate listing of the Shares of the Company on the Main Board of the Stock Exchange.

(4) According to the number of Shares of CG Services distributed after the spin-off, the actual number of Shares held by Concrete Win is 1,078,901,838 Shares, the actual number of Shares held by Golden Value is 11,647,004 Shares and Genesis Capital held 326,436,781 Shares. Therefore, the actual number of Shares held by Ms. YANG Huiyan is 1,416,985,623 Shares. On 16 January 2019, the Company made adjustment for this difference in the reporting of interests.

Save as disclosed above, as at 31 December 2018, 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 31 December 2018, 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 interest or short position 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 interest in the total number of Shares in issue	Interest of derivatives
Concrete Win	Beneficial owner	981,901,840(L)	39.28%	–
Genesis Capital	Beneficial owner	326,436,781(L)	13.06%	–
Sure Brilliant	Beneficial owner	125,000,000(L)	5%	–
Mr. CHEN Chong[1]	Interest of spouse	1,444,985,624(L)	57.8%	–
JPMorgan Chase & Co.[2]	Interest of controlled corporation/ Investment manager/ Person having a security interest in shares/ Approved lending agent	125,384,014(L) 6,003,684(S) 87,734,145(P)	5.01% 0.24% 3.50%	2,070,908(L) 3,817,364(S)

Notes:

L — long position, S — short position, P — lending pool

(1) 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".

(2) As shown in the disclosed information, these Shares are held by JF Asset Management Limited, a corporation held indirectly by JPMorgan Chase & Co. as to 99.99% control, and by other corporations held directly or indirectly as to 100% control. In addition, JPMorgan Chase & Co. holds 2,000 Shares (short positions) as cash-settled listed derivatives, 2,070,908 Shares (long positions) and 956,078 shares (short positions) as cash-settled unlisted derivatives, and 2,861,286 Shares (short positions) as physically settled unlisted derivatives.

Save as disclosed above, as at 31 December 2018, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the 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.

PRE-LISTING SHARE OPTION SCHEME

On 13 March 2018, a pre-listing share option scheme was adopted by the then shareholders of the Company.

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

	Options to subscribe for Shares								
Category and name of grantee	As at 1 January 2018 Outstanding	Granted during the Year[2]	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	As at 31 December 2018 Outstanding	Exercise price per Share (HK$)	Date of grant[3]	Exercise period
Director									
Ms. WU Bijun	–	12,964,000	–	–	–	12,964,000	0.940	21.05.2018	Vesting date[(1)] – 20.05.2023
Mr. LI Changjiang	–	12,964,000	–	–	–	12,964,000	0.940	21.05.2018	Vesting date[(1)] – 20.05.2023
Mr. Xiao Hua	–	4,762,000	–	–	–	4,762,000	0.940	21.05.2018	Vesting date[(1)] – 20.05.2023
Mr. GUO Zhanjun	–	4,699,000	–	–	–	4,699,000	0.940	21.05.2018	Vesting date[(1)] – 20.05.2023
Sub-total	–	35,389,000	–	–	–	35,389,000			
Other participants	–	97,559,000	–	–	–	97,559,000	0.940	21.05.2018	Vesting date[(1)] – 20.05.2023
Sub-total	–	97,559,000	–	–	–	97,559,000			
Total	–	132,948,000	–	–	–	132,948,000			

Notes:

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

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

(3) The expense of share options charged to profit or loss for the year ended 31 December 2018 was approximately RMB20.5 million. The relevant accounting policy is described in Note 2.20 'Share-based payments' of the consolidated financial statements of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

The Company was listed on the Main Board of the Stock Exchange on 19 June 2018. Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there was no restriction against such rights under the laws of Cayman Islands.

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

During the period from the Listing Date to 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuing year is to be proposed at the 2019 AGM. The Company has not changed its auditor during any of the past three years.

CONSULTING PROFESSIONAL TAX ADVISERS

The Company's shareholders are recommended to consult professional advisers if they are in any doubt as to the tax implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Company's shares.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders to attend, speak and vote at the 2019 AGM, and the Eligible Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed as appropriate as set out below:

(i) For determining the Shareholders' eligibility to attend, speak and vote at the 2019 AGM:

Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Tuesday, 14 May 2019
Record Date	Tuesday, 14 May 2019
Closure of the register of members	Wednesday,15 May 2019 to Monday, 20 May 2019 (both days inclusive)

(ii) Subject to the passing of the proposal of distributing the final dividend at the 2019 AGM, for determining the Eligible Shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Friday, 24 May 2019
Closure of the register of members	Monday, 27 May 2019 to Tuesday, 28 May 2019 (both days inclusive)
Record Date	Tuesday, 28 May 2019

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

For and on behalf of the Board
LI Changjiang
Executive Director

Hong Kong, 19 March 2019

pwc 羅兵咸永道

To the shareholders of Country Garden Services Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Country Garden Services Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 145, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit are summarised as follows:

- Assessment of the expected credit losses of trade receivables
- Purchase price allocation for business combinations

Key audit matter	How our audit addressed the key audit matter
Assessment of the expected credit losses of trade receivables Refer to note 4 'Critical accounting estimates and judgments' and note 20 'Trade and other receivables' to the consolidated financial statements. As at 31 December 2018, gross trade receivables amounted to RMB600,650,000, which represented approximately 11% of the total assets of the Group. Management has assessed the expected credit losses of the trade receivables and RMB33,166,000 of loss allowance was made against the trade receivables as at 31 December 2018. Management assessed the expected credit losses of trade receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, aging profile of the receivables, existing market conditions as well as forward looking estimates at the end of each reporting period. Given the magnitude of the balance of trade receivables and that the assessment of the expected credit losses of trade receivables involved significant judgments and estimates made by management, we consider the assessment of the expected credit losses of trade receivables a key audit matter.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested management's key controls in relation to the assessment of the expected credit losses of trade receivables. (ii) Assessed the appropriateness of the credit loss provisioning methodology adopted by management. (iii) Assessed the reasonableness of the estimated credit loss rates by considering historical cash collection performance and movements of the aging of trade receivables, and taking into account the market conditions. (iv) Tested, on a sample basis, the accuracy of aging analysis of trade receivables prepared by management. (v) Checked the mathematical accuracy of the calculation of the provision for loss allowance. We found that the significant judgements and estimates made by management in relation to the assessment of the expected credit losses of trade receivables were properly supported by available evidences.

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation for business combinations Refer to note 31 'Business combinations' to the consolidated financial statements. During the year ended 31 December 2018, the Group completed acquisitions of several property management companies which have been consolidated by the Group since their respective acquisition dates. Management has engaged an independent qualified valuer to assist them in identifying the intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies at their respective acquisition dates, based on which, management performed a purchase price allocation exercise for each acquisition, which resulted in recognition of intangible assets of RMB154,689,000, being the identified property management contracts and customer relationships, and goodwill of RMB505,362,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired. Significant judgements and estimates were involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly gross profit margin, earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, discount rates and expected useful lives of the property management contracts and customer relationships). We consider this area a key audit matter given the magnitude of the identified property management contracts and customer relationships and goodwill recognised arising from the business combinations, and the significant judgements and estimates involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations.	We have performed the following procedures to address this key audit matter: (i) Assessed the competency, objectivity and independence of the external valuer appointed by management. (ii) Discussed with management and assessed the reasonableness of the key assumptions used in the cash flow forecasts for the valuation of the identified property management contracts and customer relationships (mainly gross profit margin, EBITDA margin and the expected useful lives of the property management contracts and customer relationships) by comparing these assumptions against the relevant historical data of these acquired companies and market data, where applicable. (iii) Engaged our in-house valuation experts to perform the following procedures: — evaluate the appropriateness of the valuation methodologies adopted by management; — assess the reasonableness of the discount rates used by management; and — review the sensitivity analysis over the discount rates performed by management. (iv) Checked the mathematical accuracy of the calculations of the fair value of the identified property management contracts and customer relationships and goodwill. We found that the significant judgements and estimates involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations were properly supported by available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	**4,675,287**	3,121,852
Cost of services	6, 9	**(2,913,665)**	(2,086,266)
Gross profit		**1,761,622**	1,035,586
Selling and marketing expenses	9	**(26,639)**	(9,351)
General and administrative expenses	9	**(759,735)**	(455,272)
Net impairment losses on financial assets		**(13,392)**	(4,171)
Other income	7	**31,112**	13,067
Other gains — net	8	**19,181**	1,272
Operating profit		**1,012,149**	581,131
Finance income	11	**53,845**	35,185
Finance costs		**—**	(190)
Finance income — net		**53,845**	34,995
Share of results of joint ventures	18	**6,211**	991
Share of results of associates		**(2,818)**	(8,920)
Profit before income tax		**1,069,387**	608,197
Income tax expense	12	**(135,177)**	(167,734)
Profit and total comprehensive income for the year		**934,210**	440,463
Profit and total comprehensive income attributable to:			
— Owners of the Company		**923,154**	401,743
— Non-controlling interests		**11,056**	38,720
		934,210	440,463
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
— Basic	13	**36.93**	16.07
— Diluted	13	**36.53**	16.07

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**112,981**	78,575
Intangible assets	16	**686,307**	20,858
Investments in joint ventures	18	**27,025**	13,834
Investments in associates		**—**	4,426
Financial assets at fair value through other comprehensive income		**15,558**	174
Deferred income tax assets	27	**3,363**	3,702
Other non-current assets		**5,854**	—
		851,088	121,569
Current assets			
Inventories		**8,460**	6,123
Trade and other receivables	20	**788,059**	712,334
Restricted bank deposits	21	**5,366**	2,797
Cash and cash equivalents	21	**3,868,921**	2,634,297
		4,670,806	3,355,551
Total assets		**5,521,894**	3,477,120

	Note	As at 31 December **2018** **RMB'000**	 2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**1,584**	–
Other reserves	23	**601,003**	500,142
Retained earnings	24	**1,658,200**	921,031
		2,260,787	1,421,173
Non-controlling interests		**68,919**	120,933
Total equity		**2,329,706**	1,542,106
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	27	**65,044**	14,456
Current liabilities			
Contract liabilities	6	**1,000,156**	556,880
Trade and other payables	26	**2,060,176**	1,314,905
Current income tax liabilities		**66,812**	48,773
		3,127,144	1,920,558
Total liabilities		**3,192,188**	1,935,014
Total equity and liabilities		**5,521,894**	3,477,120

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

The financial statements on pages 79 to 145 were approved by the Board of Directors on 19 March 2019 and were signed on its behalf.

LI Changjiang	**GUO Zhanjun**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		–	454,914	564,516	1,019,430	63,913	1,083,343
Comprehensive income							
Profit for the year		–	–	401,743	401,743	38,720	440,463
Transactions with owners of the Company							
Capital injection from non-controlling interests		–	–	–	–	10,145	10,145
Non-controlling interests arising from business combination		–	–	–	–	8,155	8,155
Appropriation of statutory reserves	23	–	45,228	(45,228)	–	–	–
		–	45,228	(45,228)	–	18,300	18,300
Balance at 31 December 2017		–	500,142	921,031	1,421,173	120,933	1,542,106
Balance at 1 January 2018		–	500,142	921,031	1,421,173	120,933	1,542,106
Comprehensive income							
Profit for the year		–	–	923,154	923,154	11,056	934,210
Transactions with owners of the Company							
Issue of shares	22	1,584	–	–	1,584	–	1,584
Effect of the Reorganisation	1	–	(2)	–	(2)	–	(2)
Acquisition of non-controlling interests	30	–	(11,759)	–	(11,759)	(103,441)	(115,200)
Employee share schemes – value of employee services	10,25	–	20,537	–	20,537	–	20,537
Capital injection from non-controlling interests		–	–	–	–	8,825	8,825
Non-controlling interests arising from business combination	31	–	–	–	–	33,241	33,241
Appropriation of statutory reserves	23	–	92,085	(92,085)	–	–	–
Dividends	14	–	–	(93,900)	(93,900)	(1,695)	(95,595)
Total transactions with owners		1,584	100,861	(185,985)	(83,540)	(63,070)	(146,610)
Balance at 31 December 2018		1,584	601,003	1,658,200	2,260,787	68,919	2,329,706

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	28	**1,661,547**	1,035,872
Income tax paid		**(112,871)**	(150,531)
Net cash generated from operating activities		**1,548,676**	885,341
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	31	**(403,840)**	(4,091)
Payments for investments in joint ventures	18	**(6,000)**	(500)
Payments for investments in associates		**–**	(6,000)
Purchases of property, plant and equipment	15	**(61,987)**	(54,753)
Purchases of intangible assets	16	**(16,325)**	(4,729)
Payments for other non-current assets		**(7,574)**	–
Payments for financial assets at fair value through profit or loss		**(242,000)**	–
Payments for financial assets at fair value through other comprehensive income		**(10,844)**	(174)
Proceeds from disposal of investments in associates	8	**13,550**	–
Proceeds from disposal of property, plant and equipment	28	**8,293**	2,261
Proceeds from disposal of financial assets at fair value through other comprehensive income		**410**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**315,949**	–
Investment income from financial assets at fair value through profit or loss	7	**9,368**	–
Repayments by related parties		**233,489**	314
Interest received		**53,845**	35,185
Net cash used in investing activities		**(113,666)**	(32,487)
Cash flows from financing activities			
Capital injection from non-controlling interests		**8,825**	10,145
Issue of shares		**1,584**	–
Repayments of borrowings		**–**	(2,946)
Interest paid		**–**	(190)
Acquisition of non-controlling interests	30	**(115,200)**	–
Dividends paid to the then shareholder of the Company		**(93,900)**	–
Dividends paid to non-controlling interests		**(1,695)**	–
Net cash (used in)/generated from financing activities		**(200,386)**	7,009
Net increase in cash and cash equivalents		**1,234,624**	859,863
Cash and cash equivalents at beginning of the year		**2,634,297**	1,774,434
Cash and cash equivalents at end of the year		**3,868,921**	2,634,297

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and reorganisation

1.1 General information

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

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

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 June 2018 (the "Listing").

On 29 May 2018, the board of directors of Country Garden Holdings Company Limited ("CGH") declared a special dividend to be satisfied wholly by way of a distribution in specie to its then qualifying shareholders of an aggregate of 2,500,000,000 shares of the Company, representing the entire issued share capital of the Company (Note 22), in proportion to their shareholdings in CGH as at 13 June 2018 (the "CGH Distribution"). The CGH Distribution was completed upon the Listing. Prior to the CGH Distribution, the immediate holding company of the Company was Wise Fame Group Limited ("Wise Fame"); after the CGH Distribution, the Company has no immediate holding company and it is ultimately controlled by Ms. Yang Huiyan.

These consolidated financial statements for the year ended 31 December 2018 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2019.

1.2 Group reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business was operated through United Gain Group Limited ("United Gain") and its subsidiaries in the PRC. United Gain was incorporated in the British Virgin Islands and is an investment holding company. The ultimate holding company of United Gain was CGH.

In preparation for the initial listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganisation was undertaken pursuant to which United Gain and its subsidiaries, engaged in the Listing Business, were transferred to the Company. The Reorganisation involved the following:

(1) On 24 January 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of incorporation, the authorised share capital of the Company was Hong Kong Dollar ("HKD") 380,000 divided into 3,800,000 ordinary shares of HKD0.10 each, among which one nil-paid share was issued and held by Wise Fame, a wholly-owned subsidiary of CGH.

1. General information and group reorganisation *(Continued)*

1.2 Group reorganisation *(Continued)*

(2) On 24 January 2018, Tibet Shunqi Investment Center LLP (西藏順琪投資中心 (有限合夥)) ("Tibet Shunqi") transferred its 4% and 4% equity interest in Guangdong Country Garden Property Services Co., Ltd. (廣東碧桂園物業服務股份有限公司) ("CG Property Services") to Foshan Country Garden Management Services Company Limited (佛山市碧桂園管理服務有限公司) ("CG Management Services") and Foshan Country Garden Management Consultation Company Limited (佛山市碧桂園管理顧問有限公司) ("CG Management Consultation") at a consideration of RMB57,600,000 and RMB57,600,000, respectively. The considerations were fully paid in February 2018. Upon completion of such transfer, CG Property Services, which is a holding company of all the PRC operating subsidiaries engaged in the Listing Business, is owned as to 50% by CG Management Services and 50% by CG Management Consultation.

(3) On 5 February 2018, Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司) ("CG Property Services HK") was incorporated in Hong Kong. The initial issued and paid-up share capital was one share at HKD1.00 and held by United Gain.

(4) On 6 March 2018, the Company acquired 100% of the issued share capital of United Gain from Wise Fame at a consideration of United States Dollar ("USD") 200. The consideration was satisfied by (i) crediting as fully-paid at par the nil-paid share held by Wise Fame in the Company and (ii) allotting and issuing one new share, credited as fully paid at par, of the Company to Wise Fame.

(5) On 7 March 2018, CG Property Services HK acquired 100% of the equity interest in CG Management Services and CG Management Consultation from United Gain, at a consideration of RMB6,150,000 and RMB6,150,000, respectively. The consideration was satisfied by the allotment and issue of a total of two shares of CG Property Services HK to United Gain on 13 March 2018.

Upon completion of the above transfers, the Company became the holding company of United Gain and the companies now comprising the Group.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair value.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) The adoption of the amendments to HKFRSs effective for the financial year ending 31 December 2018 did not have a material impact to the Group.

The Group has early adopted HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" in previous years as disclosed in the listing documents of the Company dated 6 June 2018.

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

		Effective for the financial year beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRIC 23	Uncertainty over income tax treatment	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Annual improvements 2015–2017		1 January 2019
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB10,366,000, see Note 29 below. Of these commitments, approximately RMB638,000 relate to short-term leases and RMB1,237,000 relate to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB7,505,000 on 1 January 2019 and lease liabilities of approximately RMB7,505,000.

The Group expects that the impact on net profit will decrease by approximately RMB1,361,000 for 2019 due to the amortisation of right-of-use assets and interest recognised on lease liability under the new rules.

Operating cash flows will increase and financing cash flows will decrease by approximately RMB4,144,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows used in financing activities.

The Group currently has no lessor business.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

2. Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(a) Business combination not under common control *(Continued)*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associates and joint arrangements

(a) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(b) Joint arrangements

Investment in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor. The Group assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

2. Summary of significant accounting policies *(Continued)*

2.3 Associates and joint arrangements *(Continued)*

(c) Equity accounting

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates and joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate or a joint venture, any difference between the cost of the associate or joint venture and the Group's share of the net fair value of the associate's or joint venture's identifiable assets and liabilities is accounted for as goodwill.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(d) Changes in ownership interests

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate or joint venture is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Gain or losses on dilution of equity interest in associates and joint ventures are recognised in profit or loss.

2. Summary of significant accounting policies *(Continued)*

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive directors of the Company that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised within 'other gains — net' in the consolidated statements of comprehensive income.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

2. Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) ***Group companies*** *(Continued)*

- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation, net of any impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Machinery	5–10 years
Transportation equipment	5–10 years
Electronic equipment	5 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains — net' in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies *(Continued)*

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Software

Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 10 years).

Costs associated with maintaining software programmes are recognised as an expense as incurred.

(c) Property management contracts and customer relationships

Property management contracts and customer relationships acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts (6 to 9 years).

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of significant accounting policies *(Continued)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. Summary of significant accounting policies *(Continued)*

2.10 Financial assets *(Continued)*

2.10.3 Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in 'other gains — net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. The Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains — net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2. Summary of significant accounting policies *(Continued)*

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 20 for further details.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 Cash and cash equivalents, restricted cash

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in 'restricted cash' of the consolidated balance sheets.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of significant accounting policies *(Continued)*

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Current and deferred income tax

The tax expense for the period comprised current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies *(Continued)*

2.18 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) When the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of reporting period are discounted to their present value.

2. Summary of significant accounting policies *(Continued)*

2.19 Employee benefits *(Continued)*

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Group. The fair value of the employee service received in exchange for the grant of the equity instruments is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

(i) Including any market performance conditions (for example, an entity's share price);

(ii) Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) Including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of the subsidiaries of the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2. Summary of significant accounting policies *(Continued)*

2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

2.22 Revenue recognition

The Group provides property management services, community value-added services, and value-added services to non-property owners. Revenue from providing services is recognised in the accounting period in which the services are rendered.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Value-added services to non-property owners mainly include consultancy services to property developers or other property management companies, cleaning, greening, repair and maintenance services, and sales and leasing agency services of unsold parking spaces and properties to property developers at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issue the monthly bill to the customers which varies based on the actual level of service completed in that month.

Community value-added services mainly include home living services, real estate brokerage services and community area services. Revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

2. Summary of significant accounting policies *(Continued)*

2.22 Revenue recognition *(Continued)*

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: mainly credit risk and liquidity 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.

3.1.1 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits at banks. The carrying amounts of trade and other receivables, cash and cash equivalents and restricted cash represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Credit risk *(Continued)*

(a) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

As at 31 December 2018, the Group has assessed that the expected credit losses for trade receivables from related parties was immaterial. Thus no loss allowance provision for trade receivables from related parties was recognised during the year (2017: nil).

As at 31 December 2018, the Group has assessed that the expected loss rates for trade receivables from certain third-party property developers amounting to RMB4,057,000 were 100% as these property developers were experiencing significant financial difficulties. Thus RMB4,057,000 of specific loss allowance provision was provided against these receivables during the year ended 31 December 2018 (2017: nil).

The loss allowance provision for the remaining balances was determined as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Trade receivables							
At 31 December 2018							
Expected loss rate	**0.7%**	**5.7%**	**17.3%**	**32.1%**	**55.5%**	**100%**	
Gross carrying amount (RMB'000)	**385,085**	**80,282**	**37,047**	**13,532**	**6,110**	**7,693**	**529,749**
Loss allowance provision (RMB'000)	**2,696**	**4,576**	**6,409**	**4,344**	**3,391**	**7,693**	**29,109**
At 31 December 2017							
Expected loss rate	1%	10%	20%	50%	50%	50%	
Gross carrying amount (RMB'000)	269,043	67,379	23,365	8,871	4,135	5,892	378,685
Loss allowance provision (RMB'000)	2,690	6,738	4,673	4,435	2,068	2,946	23,550

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Credit risk (Continued)

(a) Trade receivables *(Continued)*

The loss allowance provision for trade receivables reconciles to the opening loss allowance for that provision as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	23,550	21,382
Provision for loss allowance recognised in profit or loss	11,041	2,720
Receivables written off as uncollectable	(1,425)	(552)
At 31 December	33,166	23,550

As at 31 December 2018, the gross carrying amount of trade receivables was RMB600,650,000 (2017: RMB395,159,000) and thus the maximum exposure to loss was RMB567,484,000 (2017: RMB371,609,000).

(b) Other receivables (excluding prepayments)

Other receivables (excluding prepayments) mainly included other receivables from related parties, payments on behalf of property owners, tax recoverable and others. Management considered these receivables to be low credit risk and thus the loss allowance provision recognised was limited to 12 months expected losses. In addition, the expected credit losses from other receivables from related parties were assessed to be immaterial, thus no loss allowance provision was recognised for these receivables as at 31 December 2017, which were fully settled during the current year.

The loss allowance provision for other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	2,625	1,174
Provision for loss allowance recognised in profit or loss	2,351	1,451
At 31 December	4,976	2,625

As at 31 December 2018, the gross carrying amount of other receivables (excluding prepayments) was RMB195,485,000 (2017: RMB91,761,000) and thus the maximum exposure to loss was RMB190,509,000 (2017: RMB89,136,000).

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 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. All amounts were due within one year.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade and other payables	**1,422,680**	865,038

3.2 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 capital. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

As at 31 December 2018 and 2017, the Group maintained at net cash position.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Expected credit losses on receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4. Critical accounting estimates and judgements *(Continued)*

(a) Expected credit losses on receivables *(Continued)*

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the related loss allowances in the period in which such estimate is changed. For details of the key assumptions and inputs used, see Note 3.1 above.

(b) Current tax and deferred tax

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(c) Fair value assessment of the identified property management contracts and customer relationships and recognition of goodwill arising from business combinations

Significant judgements and estimates were involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly gross profit margin, earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, discount rates and expected useful lives of the property management contracts and customer relationships). See Notes 16 and 31 for more details.

5. Segment information

Management has determined the operating segments based on the reports reviewed by 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.

During the year, the Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC, over 95% of the Group's revenue were derived in the PRC during the year.

As at 31 December 2018 and 2017, over 95% of the Group's non-current assets were located in the PRC.

6. Revenue and cost of services

Revenue mainly comprises of proceeds from property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue and cost of services by category for the years ended 31 December 2018 and 2017 was as follows:

	Year ended 31 December			
	2018		2017	
	Revenue RMB'000	Cost of services RMB'000	Revenue RMB'000	Cost of services RMB'000
Revenue from customer and recognized over time:				
Property management services	**3,445,489**	**2,347,831**	2,544,665	1,796,762
Community value-added services	**417,220**	**141,457**	241,818	102,197
Value-added services to non-property owners	**791,084**	**410,757**	328,016	186,161
Other services	**21,494**	**13,620**	7,353	1,146
	4,675,287	**2,913,665**	3,121,852	2,086,266

For the years ended 31 December 2018, revenue from CGH and its subsidiaries (the "CGH Group") contributed 16.8% (2017: 14.1%) of the Group's revenue. Other than the CGH Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the year ended 31 December 2018 and 2017.

(a) Contract liabilities

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contract liabilities	**1,000,156**	556,880

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

6. Revenue and cost of services *(Continued)*

(a) Contract liabilities *(Continued)*

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
— Property management services	**514,043**	383,472
— Value-added services to non-property owners	**2,430**	—
— Community value-added services	**277**	3,131
	516,750	386,603

(iii) Unsatisfied performance obligations

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective periods.

(iv) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2018, there were no incremental costs to obtain a contract (2017: nil).

7. Other income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Government grants	**11,170**	4,878
Late fee income	**10,574**	8,189
Investment income from financial assets at fair value through profit or loss (Note)	**9,368**	—
	31,112	13,067

Note: This represented investment income derived from the Group's investments in certain wealth management products during the year, which were classified as financial assets at fair value through profit or loss, there were no balances remained at year end.

8. Other gains — net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Gains on disposal of investments in associates (i)	**12,579**	—
Revaluation gain on reclassification from investment in an associate to financial asset at fair value through other comprehensive income (i)	**4,313**	—
Gains/(losses) on disposal of property, plant and equipment	**121**	(43)
Others	**2,168**	1,315
	19,181	1,272

(i) In March 2018, the Group disposed of its 30% equity interest in Guangdong Shunde Fenghuang Youxuan Commercial Company Limited to a subsidiary of CGH, at a cash consideration of RMB6,000,000, and disposed of its 15.1% equity interest in Shenzhen Wangshenghuo Internet Technology Company Limited to an independent third party at a cash consideration of RMB7,550,000, which resulted in an aggregate disposal gain of RMB12,579,000. The Group does not hold any interest in Guangdong Shunde Fenghuang Youxuan Commercial Company Limited after the disposal. The Group's remaining interest of 9.9% in Shenzhen Wangshenghuo Internet Technology Company Limited was reclassified to financial asset at fair value through other comprehensive income as the Group can no longer exercise significant influence over it after the disposal, thus the remaining interest was remeasured to fair value upon losing of significant influence which resulted in a revaluation gain of RMB4,313,000.

9. Expenses by nature

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	**2,433,798**	1,759,556
Cleaning expenses	**458,285**	266,476
Maintenance expenses	**199,989**	132,921
Utilities	**157,583**	120,836
Greening and gardening expenses	**77,547**	49,627
Office and communication expenses	**68,709**	38,570
Transportation expenses	**57,897**	48,419
Travelling and entertainment expenses	**52,803**	30,210
Depreciation and amortisation charges	**32,946**	19,056
Taxes and surcharges	**25,975**	19,801
Bank charges	**15,606**	10,270
Community activities expenses	**15,234**	9,302
Listing expenses excluding audit fees	**8,164**	—
Professional service fees	**9,212**	10,515
Employee uniform expenses	**7,317**	16,498
Impairment of intangible assets (Note 16)	**5,431**	—
Net impairment losses on financial assets	**13,392**	4,171
Auditor's remuneration		
— Audit services in relation to the Listing	**3,400**	—
— Annual audit and interim review services	**4,100**	253
— Non-audit services	**620**	—
Other expenses	**65,423**	18,579
Total	**3,713,431**	2,555,060

10. Employee benefit expenses

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,005,035**	1,448,249
Pension costs	**164,227**	125,036
Housing funds, medical insurances and other social security costs	**122,153**	90,273
Other benefits	**121,846**	95,998
Employee share schemes — value of employee services (Note 25)	**20,537**	—
	2,433,798	1,759,556

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors for the year ended 31 December 2018 (2017: 2 directors), whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining 3 individuals are as follows (2017: 3 individuals):

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**6,700**	6,440
Pension and other social security costs	**98**	87
Employee share schemes — value of employee services	**5,559**	—
	12,357	6,527

The emoluments fell within the following bands:

	Year ended 31 December	
	2018	2017
Emolument bands (in HKD)		
2,000,000–2,500,000	**—**	2
2,500,000–3,000,000	**—**	1
4,000,000–4,500,000	**1**	—
4,500,000–5,000,000	**1**	—
5,000,000–5,500,000	**1**	—
	3	3

11. Finance income

Finance income mainly represented the interest income derived from bank deposits.

12. Income tax expense

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax — PRC		
— Provision of current income tax	**169,631**	154,147
— Withholding income tax on profits distributed	**11,600**	—
— Overprovision in previous years (Note(c))	**(58,309)**	—
	122,922	154,147
Deferred income tax		
— Corporate income tax	**(1,788)**	1,987
— Withholding income tax on profits to be distributed in future	**14,043**	11,600
	12,255	13,587
	135,177	167,734

(a) Cayman Island income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the year.

12. Income tax expense *(Continued)*

(c) PRC corporate income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in the PRC are located in western cities or has been approved as High and New Technology Enterprise, and they are subject to a preferential income tax rate of 15% in certain years.

In May 2018, a principal subsidiary of the Group, CG Property Services received the certificate of "High and New Technology Enterprise" under which it is entitled to a preferential income tax rate of 15% for the three years from 1 January 2017 to 31 December 2019. In prior year, income tax expense of CG Property Services was provided at the then enacted tax rate of 25%, therefore, the overprovision of income tax expense for the year ended 31 December 2017 of RMB58,309,000 was reversed in the year ended 31 December 2018, the related balance of tax recoverable as at 31 December 2018 was RMB7,988,000.

(d) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

12. Income tax expense *(Continued)*

(e) The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 15%, being the tax rate of the major subsidiaries of the Group. The difference is analysed as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**1,069,387**	608,197
Add: Share of results of joint ventures	**(6,211)**	(991)
Share of results of associates	**2,818**	8,920
	1,065,994	616,126
Tax calculated at applicable corporate income tax rate of 25% (2017: 25%)	**266,499**	154,032
Effects of different tax rates applicable to different subsidiaries of the Group	**(106,392)**	(279)
Income not subject to tax	**(2,534)**	—
Expenses not deductible for taxation purposes	**4,804**	1,940
Unrecognised tax losses	**4,516**	441
Effects of tax rate change on deferred tax	**950**	—
Withholding income tax on profits distributed	**11,600**	—
Overprovision in previous years (Note (c) above)	**(58,309)**	—
	121,134	156,134
Withholding income tax on profits to be distributed in future	**14,043**	11,600
	135,177	167,734

13. 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 year.

	Year ended 31 December	
	2018	2017
Profit attributable to the owners of the Company (RMB'000)	**923,154**	401,743
Weighted average number of ordinary shares in issue (thousands shares)	**2,500,000**	2,500,000
Basic earnings per share (RMB cents)	**36.93**	16.07

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the pre-listing share option scheme, details of which are set out in Note 25. For the pre-listing share option scheme, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December	
	2018	2017
Profit attributable to the owners of the Company (RMB'000)	**923,154**	401,743
Weighted average number of ordinary shares in issue (thousands shares)	**2,500,000**	2,500,000
Adjustments — pre-listing share option schemes (thousands)	**26,870**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,526,870**	2,500,000
Diluted earnings per share (RMB cents)	**36.53**	16.07

14. Dividends

According to the shareholder's resolution of the Company dated 5 May 2018, a dividend of RMB3.76 cents per share totaling RMB93,900,000 was declared and paid to its then shareholder, Wise Fame in May 2018.

The Board of Directors recommended the payment of a 2018 final dividend of RMB8.49 cents per share, totaling RMB230,790,000, which has taken into account the effects of placing of the Company's shares in January 2019 and the expected exercise of share options as of the record date for the eligible shareholders. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

15. Property, plant and equipment

	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Total RMB'000
At 1 January 2017					
Cost	8,225	57,172	35,271	11,624	112,292
Accumulated depreciation	(3,971)	(35,496)	(22,118)	(7,650)	(69,235)
Net book amount	4,254	21,676	13,153	3,974	43,057
Year ended 31 December 2017					
Opening net book amount	4,254	21,676	13,153	3,974	43,057
Acquisition of subsidiaries	62	31	68	412	573
Other additions	26,598	11,709	12,851	3,595	54,753
Disposals	(372)	(1,229)	(430)	(273)	(2,304)
Depreciation	(1,406)	(9,034)	(5,677)	(1,387)	(17,504)
Closing net book amount	29,136	23,153	19,965	6,321	78,575
At 31 December 2017					
Cost	34,411	61,717	46,136	15,205	157,469
Accumulated depreciation	(5,275)	(38,564)	(26,171)	(8,884)	(78,894)
Net book amount	29,136	23,153	19,965	6,321	78,575
Year ended 31 December 2018					
Opening net book amount	**29,136**	**23,153**	**19,965**	**6,321**	**78,575**
Acquisition of subsidiaries (Note 31)	**797**	**1,821**	**2,642**	**1,058**	**6,318**
Other additions	**25,617**	**11,861**	**19,644**	**4,865**	**61,987**
Disposals	**(664)**	**(1,533)**	**(4,804)**	**(1,171)**	**(8,172)**
Depreciation	**(5,621)**	**(12,058)**	**(4,721)**	**(3,327)**	**(25,727)**
Closing net book amount	**49,265**	**23,244**	**32,726**	**7,746**	**112,981**
At 31 December 2018					
Cost	**59,801**	**66,305**	**60,345**	**19,310**	**205,761**
Accumulated depreciation	**(10,536)**	**(43,061)**	**(27,619)**	**(11,564)**	**(92,780)**
Net book amount	**49,265**	**23,244**	**32,726**	**7,746**	**112,981**

15. Property, plant and equipment *(Continued)*

Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cost of services	**21,382**	14,139
General and administrative expenses	**4,345**	3,365
	25,727	17,504

16. Intangible assets

	Software RMB'000	Property management contracts and customer relationships RMB'000 (i)	Goodwill RMB'000 (ii) & (iii)	Total RMB'000
At 1 January 2017				
Cost	3,382	—	—	3,382
Accumulated amortisation	(1,343)	—	—	(1,343)
Net book amount	2,039	—	—	2,039
Year ended 31 December 2017				
Opening net book amount	2,039	—	—	2,039
Acquisition of subsidiaries	—	11,980	2,570	14,550
Other additions	5,821	—	—	5,821
Amortisation	(997)	(555)	—	(1,552)
Closing net book amount	6,863	11,425	2,570	20,858
At 31 December 2017				
Cost	9,203	11,980	2,570	23,753
Accumulated amortisation	(2,340)	(555)	—	(2,895)
Net book amount	6,863	11,425	2,570	20,858

16. Intangible assets *(Continued)*

	Software RMB'000	Property management contracts and customer relationships RMB'000 (i)	Goodwill RMB'000 (ii) & (iii)	Total RMB'000
Year ended 31 December 2018				
Opening net book amount	6,863	11,425	2,570	20,858
Acquisition of subsidiaries (Note 31)	3	154,689	505,362	660,054
Other additions	16,325	—	—	16,325
Amortisation	(2,049)	(3,450)	—	(5,499)
Impairment	—	(2,861)	(2,570)	(5,431)
Closing net book amount	21,142	159,803	505,362	686,307
At 31 December 2018				
Cost	25,531	166,669	507,932	700,132
Accumulated amortisation	(4,389)	(4,005)	—	(8,394)
Accumulated impairment	—	(2,861)	(2,570)	(5,431)
Net book amount	21,142	159,803	505,362	686,307

Amortisation of intangible assets were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of services	3,450	555
General and administrative expenses	2,049	997
	5,499	1,552

(i) Property management contracts and customer relationships

During the year ended 31 December 2018, a subsidiary of the Group acquired several companies (Note 31). Total identifiable net assets of these entities acquired as at their respective acquisition dates were amounted to RMB203,455,000, including identified property management contracts and customer relationships of RMB154,689,000 recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

16. Intangible assets *(Continued)*

(i) Property management contracts and customer relationships *(Continued)*

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

Gross profit margin	20.5%–32.5%
EBITDA margin	6.8%–11.4%
Post-tax discount rate	14.2%

(ii) Impairment tests for goodwill arising from business combinations in prior year

Goodwill of RMB2,570,000 has been allocated to the cash-generating units ("CGUs") of the subsidiaries acquired last year for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2018. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

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

Revenue growth rate during the projection period	3.0%
Gross profit margin during the projection period	27.2%
EBITDA margin during the projection period	12.4%
Terminal growth rate	3.0%
Pre-tax discount rate	19.4%

Based on management's assessment on the recoverable amounts of the subsidiaries acquired in prior year, full impairment provision of RMB2,570,000 on goodwill and a further impairment of RMB2,861,000 on the property management contracts and customer relationships acquired were made as at 31 December 2018.

(iii) Impairment tests for goodwill arising from business combinations in current year

Goodwill of RMB505,362,000 has been allocated to the CGUs of the subsidiaries acquired during the year for impairment testing. Management performed an impairment assessment on the goodwill prior to the year end. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

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

Revenue growth rates during the projection period	1.5%–8.0%
Gross profit margins during the projection period	24.5%–37.5%
EBITDA margins during the projection period	10.6%–20.5%
Terminal growth rate	3.0%
Pre-tax discount rates	16.8%–18.0%

Based on management's assessment on the recoverable amounts of subsidiaries acquired during the year, no impairment provision was considered necessary to provide as at 31 December 2018.

17. Subsidiaries

The following is a list of principal subsidiaries at 31 December 2018, all of these are limited liability companies:

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in Mainland China:					
United Gain (集裕集團)	28 March 2006	USD200	100%	–	Investment holding
Ornate Forest (繁森有限公司)	7 July 2017	USD50,000	100%	–	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
CG Property Services HK (碧桂園物業香港控股有限公司)	5 February 2018	HKD1	100%	–	Investment holding
Established and operates in Mainland China:					
CG Property Services (廣東碧桂園物業服務股份有限公司)	19 April 2004	RMB360,000,000	100%	–	Property management and related services
Country Garden Jinyang Property Services Company Limited (碧桂園金陽物業服務有限公司)	15 December 1998	RMB5,000,000	51%	49%	Property management and related services
Zunyi Country Garden Property City Services Company Limited (遵義碧桂園物業城市服務有限公司)	19 January 2017	RMB10,000,000	51%	49%	Property management and related services
Hengshui Country Garden City Services Company Limited (衡水碧桂園城市服務有限公司)	23 March 2017	RMB5,000,000	60%	40%	Property management and related services

17. Subsidiaries *(Continued)*

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Baoshihua Home Investment management Company Limited (寶石花家園投資管理有限公司)	12 September 2018	RMB500,000,000	80%	20%	Property management and related services
Beijing Shengshi Property Service Company Limited ("Shengshi") (北京盛世物業服務有限公司)	24 April 1994	RMB7,000,000	70%	30%	Property management and related services
Nanchang Jiejiang Property Service Company Limited (南昌市潔佳物業有限公司)	18 February 1993	RMB10,000,000	100%	–	Property management and related services
Shanghai Ruijing Industrial Company Limited ("Ruijing") (上海睿靖實業有限公司)	15 January 2018	RMB88,226,000	100%	–	Property management and related services
Hainan Sailai Borui Property Services Company Limited (海南賽萊柏瑞物業服務有限公司)	12 April 2012	RMB5,000,000	100%	–	Property management and related services
Guangdong Country Garden Huimin Property Services Company Limited (廣東碧桂園惠民物業服務有限公司)	9 January 2017	RMB10,000,000	75%	25%	Property management and related services
Guangdong Happy Life Family Services Company Limited (廣東樂享生活家庭服務有限公司)	30 April 2015	RMB10,000,000	100%	–	Property management and related services
Xizang Country Garden Property City Services Company Limited (西藏碧桂園物業城市服務有限公司)	12 December 2017	RMB10,000,000	51%	49%	Property management and related services
Qingyuan Country Garden City Services Company Limited (清遠碧桂園城市服務有限公司)	6 September 2017	RMB5,000,000	55%	45%	Property management and related services

17. Subsidiaries *(Continued)*

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Baoding Country Garden Xusheng City Services Company Limited (保定碧桂園旭晟城市服務有限公司)	21 May 2018	RMB20,010,000	55%	45%	Property management and related services
Fenghuanghui Information technology Company Limited (鳳凰匯信息科技有限公司)	18 January 2018	RMB50,000,000	64%	36%	E-commerce
Hebei Country Garden Huangcheng Property Services Company Limited (河北碧桂園環城物業服務有限公司)	18 January 2018	RMB5,000,000	51%	49%	Property management and related services
Foshan Biju Property Company Limited (佛山市碧居房地產有限公司)	21 April 2017	RMB5,000,000	100%	–	Property Intermediary services
Shanxi Country Garden City Services Company Limited (山西碧桂園城市服務有限公司)	12 July 2018	RMB5,000,000	55%	45%	Property management and related services
Bicheng (Shenzhen) City Service Group Company Limited (碧城(深圳)城市服務集團有限公司)	20 December 2018	RMB50,000,000	100%	–	Property management and related services
Bihe Holdings (Shenzhen) Company Limited (碧合控股(深圳)有限公司)	18 December 2018	RMB50,000,000	100%	–	Business Development
Guangdong Yingsheng Equity Investment Fund Management Company Limited (廣東盈盛股權投資基金管理有限公司)	4 May 2015	RMB10,000,000	67%	33%	Investment Management

The English names of the joint ventures represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries was significant to the Group and thus the individual financial information of these subsidiaries were not disclosed.

18. Investments in joint ventures

	Year ended 31 December 2018 RMB'000	2017 RMB'000
At 1 January	**13,834**	12,343
Additions	**6,000**	500
Acquisition of subsidiaries (Note 31)	**980**	—
Share of results	**6,211**	991
At 31 December	**27,025**	13,834

Set out below are the particulars of the joint ventures as at 31 December 2018:

	Place of incorporation and operation	Principle activities	Proportion of equity interest held by the Group
Huahui Jinfu Information Technology (Beijing) Company Limited 華惠金服信息科技(北京)有限公司 ("Huahui Jinfu") (i)	**Beijing, PRC**	**Community financial services**	**30%**
Hubei Qingneng Country Garden Property Services Company Limited 湖北清能碧桂園物業服務有限公司	**Wuhan, PRC**	**Property management**	**50%**
Chongqing Rongbi Property Services Company Limited 重慶融碧物業服務有限公司	**Chongqing, PRC**	**Property management**	**50%**
Jiangxi Shengyu Property Services Company Limited 江西盛裕物業管理有限公司 ("Jiangxi Shengyu") (i)	**Nanchang, PRC**	**Property management**	**49%**

* The English names of the joint ventures represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

(i) According to the Articles of Huahui Jinfu and Jiangxi Shengyu, all significant and relevant matters of the entity require unanimous consent by all shareholders, Huahui Jinfu and Jiangxi Shengyu are therefore accounted for as a joint venture of the Group.

The directors of the Company consider that none of the joint ventures as at 31 December 2018 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed.

As at 31 December 2018, there were no significant contingent liabilities and commitments relating to the Group's interests in the joint ventures.

18. Investments in joint ventures *(Continued)*

The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amounts in the consolidated financial statements	**27,025**	13,834
Share of results	**6,211**	991
Share of total comprehensive income	**6,211**	991

19. Financial instruments by category

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Financial assets at amortised cost:		
Trade and other receivables excluding prepayments and tax recoverable	**750,005**	694,234
Cash and cash equivalents	**3,868,921**	2,634,297
Restricted bank deposits	**5,366**	2,797
	4,624,292	3,331,328
Financial assets at fair value through other comprehensive income	**15,558**	174
	4,639,850	3,331,502
Financial liabilities at amortised cost:		
Trade and other payables excluding non-financial liabilities	**1,422,680**	865,038

20. Trade and other receivables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables (a)		
— Related parties (Note 32)	**66,844**	16,474
— Third parties	**533,806**	378,685
	600,650	395,159
Less: allowance for impairment of trade receivables	**(33,166)**	(23,550)
	567,484	371,609
Other receivables		
— Related parties (Note 32)	**—**	233,489
— Payments on behalf of property owners	**105,845**	59,493
— Tax recoverable (Note 12)	**7,988**	—
— Others	**81,652**	32,268
	195,485	325,250
Less: allowance for impairment of other receivables	**(4,976)**	(2,625)
	190,509	322,625
Prepayments to suppliers	**25,164**	7,314
Prepayments for tax	**4,902**	10,786
	788,059	712,334

As at 31 December 2018, most of the trade and other receivables were denominated in RMB, and the fair value of trade and other receivables approximated their carrying amounts.

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

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

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

20. Trade and other receivables *(Continued)*

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
0–180 days	**376,969**	190,479
181–365 days	**75,563**	95,038
1 to 2 years	**82,430**	67,379
2 to 3 years	**38,305**	23,365
Over 3 years	**27,383**	18,898
	600,650	395,159

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB33,166,000 (2017: RMB23,550,000) was made against the gross amounts of trade receivables (Note 3.1).

21. Cash and cash equivalents and restricted bank deposits

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at banks	**3,874,287**	2,637,094
Less: Restricted bank deposits (b)	**(5,366)**	(2,797)
Cash and cash equivalents	**3,868,921**	2,634,297

As at 31 December 2018, cash and cash equivalents did not include housing maintenance funds of RMB4,476,000 (2017: RMB293,000) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**3,867,602**	2,637,070
Other currencies	**6,685**	24
	3,874,287	2,637,094

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

22. Share capital

		Number of shares	Nominal value of shares	Equivalent nominal value of shares RMB'000
Authorised				
Ordinary share of HKD0.10 each upon incorporation	(a)	3,800,000	380,000	
Cancellation of ordinary share of HKD0.10 each	(b)	(3,800,000)	(380,000)	
Increase in authorised share capital of USD0.0001 each	(b)	10,000,000,000	1,000,000	
		10,000,000,000	1,000,000	
Issued and fully paid				
At 6 March 2018, issue of HKD0.10 each		2	–	–
At 13 March 2018, issue of HKD0.10 each	(b)	76	8	–
At 13 March 2018, repurchase of HKD0.10 each	(b)	(78)	(8)	–
At 13 March 2018, issue of USD0.0001 each	(b)	10,000	1	–
At 13 March 2018, issue of USD0.0001 each	(c)	2,499,990,000	249,999	1,584
At 31 December 2018		2,500,000,000	250,000	1,584

(a) The Company was incorporated in the Cayman Islands on 24 January 2018 with authorised and issued share capital of HKD380,000 divided into 3,800,000 ordinary shares of HKD0.10 each, among which one nil-paid share was issued and held by Wise Fame.

(b) On 13 March 2018, a written resolution was passed by the Company's shareholders, approving (i) the application for 76 Shares of HKD0.10 each, issued as fully paid at par, from Wise Fame; (ii) the increase of the authorised share capital to USD1,000,000.00 divided into 10,000,000,000 shares of a par value of USD0.0001 each (the "Increase of the Authorised Share Capital"); (iii) the allotment of 10,000 Shares of USD0.0001 each, issued as fully paid at par, to Wise Fame (the "Allotment of US Shares"), which was the funding for the Repurchase (as defined below); (iv) that the Company repurchased the 78 fully-paid shares of a par value of HKD0.10 each (the "HK Shares") in the share capital of the Company in issue immediately prior to the Increase of the Authorised Share Capital at a price of HKD0.10 per HK Share which was paid out of the proceeds of the Allotment of US Shares mentioned above (the "Repurchase") and the HK Shares were cancelled; and (v) that upon completion of the Repurchase, all authorised but unissued shares of HKD0.10 each of the Company were diminished by the cancellation of all the 3,800,000 unissued shares of a par value of HKD0.10 each in the share capital of the Company.

(c) On 13 March 2018, a written resolution was passed by the Company's shareholders, approving the Company's allotting and issuing of a total of 2,499,990,000 shares credited as fully paid at a par value of USD0.0001 each to Wise Fame. Upon completion, the total issued capital of the Company was USD250,000 divided into 2,500,000,000 shares of USD0.0001 each.

23. Other reserves

	Statutory Reserves RMB'000[(a)]	Share-based payments RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	61,457	—	393,457	454,914
Appropriation to statutory reserves	45,228	—	—	45,228
At 31 December 2017	106,685	—	393,457	500,142
At 1 January 2018	**106,685**	**—**	**393,457**	**500,142**
Effect of the Reorganisation (Note 1.2)	**—**	**—**	**(2)**	**(2)**
Acquisition of non-controlling interests (Note 30)	**—**	**—**	**(11,759)**	**(11,759)**
Employee share schemes — value of employee services (Note 25)	**—**	**47,918**	**(27,381)**	**20,537**
Appropriation to statutory reserves	**92,085**	**—**	**—**	**92,085**
At 31 December 2018	**198,770**	**47,918**	**354,315**	**601,003**

(a) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

24. Retained earnings

	Year ended 31 December 2018 RMB'000	2017 RMB'000
At 1 January	**921,031**	564,516
Profit for the year	**923,154**	401,743
Transfer to statutory reserves (Note 23(a))	**(92,085)**	(45,228)
Dividends (Note 14)	**(93,900)**	—
At 31 December	**1,658,200**	921,031

25. Share-based payments

In March 2018, the Company adopted the pre-listing share option scheme to provide incentive or reward to eligible persons who are important to the long-term growth and profitability of the Group, which include certain directors, senior management and employees of the Group and CGH. In May 2018, the Company granted share options under the pre-listing share option scheme under which the option holders are entitled to acquire an aggregate of 132,948,000 shares of the Company.

Pursuant to the terms of pre-listing share option scheme, the options granted are subject to certain performance conditions.

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

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

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

	Average exercise price in HKD	Number of share options
At 1 January 2018	–	–
Granted	0.94	132,948,000
At 31 December 2018	0.94	132,948,000

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options outstanding 31 December 2018
21 May 2018	20 May 2023	HKD0.94	132,948,000

The weighted average remaining contractual life of options outstanding at the end of year is approximately 4.4 years.

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

25. Share-based payments *(continued)*

The fair value of share options granted is HKD0.82 (equivalent to RMB0.66) per option, which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs. These inputs include:

Description	Fair value of share options granted	Unobservable inputs	Range of unobservable inputs	Relationship of Unobservable inputs to fair value
Pre-listing share options	HKD108,375,000 (equivalent to RMB86,667,000)	Suboptimal exercise factor	2.5	The higher the suboptimal exercise factor, the higher the fair value
		Volatility	44%	The higher the volatility, the higher the fair value
		Risk-free interest rate	1.6%	The higher the risk-free interest rate, the higher the fair value
		Dividend yield	2.9%	The lower the dividend yield, the higher the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The Group recognised the share-based compensation expenses in “General and administrative expenses” for the share options granted to the directors, senior management and employees of the Group and recognised as a deemed distribution to the shareholders in equity (recorded in “Other reserves”) for the share options granted to the directors and senior management of CGH, who did not provide significant services to the Group.

26. Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables (a)		
— Related parties (Note 32)	**8,782**	18,468
— Third parties	**341,893**	220,532
	350,675	239,000
Other payables		
— Related parties (Note 32)	**—**	439
— Deposits	**382,652**	274,249
— Temporary receipts from properties owners	**460,159**	314,763
— Accruals and others	**277,160**	64,606
	1,119,971	654,057
Payroll payables	**553,354**	402,234
Other taxes payables	**36,176**	19,614
	2,060,176	1,314,905

As at 31 December 2018, the carrying amounts of trade and other payables approximated their fair values.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Up to 1 year	**328,465**	228,629
1 to 2 years	**13,779**	5,080
2 to 3 years	**3,121**	1,479
Over 3 years	**5,310**	3,812
	350,675	239,000

27. Deferred income tax

The analysis of deferred tax assets and liabilities in the consolidated balance sheet was as follows:

	As at 31 December 2018 RMB'000	2017 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**162**	1,480
— to be recovered over 12 months	**3,201**	2,222
	3,363	3,702
Deferred income tax liabilities:		
— to be recovered within 12 months	**26,088**	11,932
— to be recovered over 12 months	**38,956**	2,524
	65,044	14,456

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred income tax assets:

	Allowance for impairment of receivables RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2017	5,639	—	5,639
Acquisition of subsidiaries	—	1,621	1,621
Credited/(charged) to profit or loss	905	(397)	508
At 31 December 2017	6,544	1,224	7,768
At 1 January 2018	**6,544**	**1,224**	**7,768**
Credited/(charged) to profit or loss	**330**	**(1,224)**	**(894)**
At 31 December 2018	**6,874**	**—**	**6,874**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. For the years ended 31 December 2018, the Group did not recognise deferred income tax assets in respect of losses amounting to RMB21,908,000 (2017: RMB1,981,000) that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years. These tax losses will expire up to year 2023 (2017: 2022).

27. Deferred income tax *(continued)*

Deferred income tax liabilities:

	Differences on recognition of depreciation RMB'000	Fair value gain from business combination RMB'000	Withholding income tax on profits to be distributed in future RMB'000	Total RMB'000
At 1 January 2017	(1,432)	—	—	(1,432)
Acquisition of subsidiaries	—	(2,995)	—	(2,995)
(Charged)/credited to profit or loss	(2,634)	139	(11,600)	(14,095)
At 31 December 2017	(4,066)	(2,856)	(11,600)	(18,522)
At 1 January 2018	**(4,066)**	**(2,856)**	**(11,600)**	**(18,522)**
Acquisition of subsidiaries (Note 31)	**—**	**(38,672)**	**—**	**(38,672)**
Credited/(charged) to profit or loss	**463**	**2,219**	**(14,043)**	**(11,361)**
At 31 December 2018	**(3,603)**	**(39,309)**	**(25,643)**	**(68,555)**

As at 31 December 2018, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB1,165,454,000 (2017: RMB804,187,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

28. Cash flow information

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**1,069,387**	608,197
Adjustments for		
— Depreciation of property, plant and equipment (Note 15)	**25,727**	17,504
— Amortisation of intangible assets (Note 16)	**5,499**	1,552
— Amortisation of non-current assets	**1,720**	—
— Impairment of other intangible assets	**5,431**	—
— Revaluation gains on reclassification from investments in associates to financial assets at fair value through other comprehensive income (Note 8)	**(4,313)**	—
— (Gains)/losses on disposal of property, plant and equipment (Note 8)	**(121)**	43
— Investment income from financial assets at fair value through profit or loss (Note 7)	**(9,368)**	—
— Employee share schemes — value of employee services (Note 10)	**20,537**	—
— Share of results of joint ventures	**(6,211)**	(991)
— Share of results of associates	**2,818**	8,920
— Gains on disposal of investments in associates (Note 8)	**(12,579)**	—
— Finance income — net (Note 11)	**(53,845)**	(34,995)
Changes in working capital (excluding the effects of acquisition of subsidiaries):		
— Restricted bank deposits	**(2,569)**	(1,740)
— Inventories	**(881)**	(649)
— Trade and other receivables	**(59,726)**	(74,277)
— Contract liabilities	**344,392**	154,660
— Trade and other payables	**335,649**	357,648
	1,661,547	1,035,872

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net book amount (Note 15)	**8,172**	2,304
Gains/(losses) on disposals	**121**	(43)
Proceeds from disposals	**8,293**	2,261

29. Commitments

(a) Operating lease commitments

The Group leases offices and staff dormitories under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years. The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**6,019**	3,306
Later than 1 year and no later than 5 years	**4,325**	2,138
Later than 5 years	**22**	—
	10,366	5,444

30. Transaction with non-controlling interests

Acquisition of additional interests in subsidiaries

As disclosed in Note 1.2(2), on 24 January 2018, Tibet Shunqi transferred its 4% and 4% equity interest in CG Property Services to CG Management Services and CG Management Consultation at a consideration of RMB57,600,000 and RMB57,600,000, respectively. The considerations were fully paid in February 2018. The Group recognised a decrease in non-controlling interests of RMB103,441,000 and a decrease in equity attributable to owners of the Company of RMB11,759,000. The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	Year ended 31 December 2018 RMB'000
Consideration paid to non-controlling interests	**115,200**
Carrying amount of non-controlling interests acquired	**(103,441)**
Difference recorded within equity	**11,759**

31. Business combinations

In November 2018, the Group acquired 70% equity interest in Shengshi and 100% equity interest in Ruijing from third parties at a fixed cash consideration of RMB252,000,000 and RMB218,520,000, respectively. The Group also acquired several other property management companies from third parties during the current year at an aggregate fixed cash considerations of RMB197,375,000 and a contingent cash consideration of not more than RMB18,000,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

31. Business combinations *(continued)*

The acquired companies' principal activities are property management and related services in the PRC. Details of the purchase considerations, the net assets acquired and goodwill are as follows:

	Shengshi RMB'000	Ruijing RMB'000	Others RMB'000	Total RMB'000
Total purchase considerations	252,000	218,520	197,375	667,895
— Fixed cash considerations				
Settled in 2018	252,000	152,964	138,043	543,007
Outstanding as at 31 December 2018	—	65,556	59,332	124,888
— Estimated contingent cash consideration	—	—	7,681	7,681
	252,000	218,520	205,056	675,576
Total recognised amounts of identifiable assets acquired and liabilities assumed are as follows:				
— Property, plant and equipment (Note 15)	4,167	617	1,534	6,318
— Property management contracts and customer relationships (Note 16)	80,026	36,576	38,087	154,689
— Other intangible assets (Note 16)	—	—	3	3
— Investment in a joint venture (Note 18)	—	—	980	980
— Trade and other receivables	126,551	61,734	53,215	241,500
— Inventories	714	346	396	1,456
— Financial assets at fair value through profit and loss	65,000	1,949	7,000	73,949
— Cash and cash equivalents	90,020	29,730	19,417	139,167
— Contract liabilities	(80,267)	(11,149)	(7,468)	(98,884)
— Trade and other payables	(160,904)	(60,423)	(55,724)	(277,051)
— Deferred income tax liabilities	(20,007)	(9,144)	(9,521)	(38,672)
Total identifiable net assets	105,300	50,236	47,919	203,455
Non-controlling interests	(31,590)	—	(1,651)	(33,241)
Goodwill	178,290	168,284	158,788	505,362
	252,000	218,520	205,056	675,576
Outflow of cash to acquire business, net of cash acquired:				
— Partial settlement of cash considerations	252,000	152,964	138,043	543,007
— Cash and cash equivalents in the subsidiaries acquired	(90,020)	(29,730)	(19,417)	(139,167)
Net cash outflow on acquisitions	161,980	123,234	118,626	403,840

31. Business combinations *(continued)*

(a) Intangible assets including identified property management contracts and customer relationships of RMB154,689,000 in relation to the acquisitions have been recognised by the Group (Note 16).

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

(c) The acquired businesses contributed total revenues of RMB72,304,000 and net profits of RMB2,389,000 to the Group for the period from their respective acquisition dates to 31 December 2018.

(d) The total revenues and net profits of these acquired companies for the year ended 31 December 2018 were RMB772,169,000 and RMB82,571,000 respectively. Had these companies been consolidated from 1 January 2018, the consolidated statements of comprehensive income would show pro-forma revenue of RMB5,375,152,000 and net profit of RMB1,014,392,000.

32. 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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Provision of services		
— Entities controlled by the Ultimate Controlling Shareholder	**785,327**	439,621
— Entities jointly controlled by the Ultimate Controlling Shareholder	**108,300**	37,722
— Entities over which the Ultimate Controlling Shareholder has significant influence	**53,419**	17,941
— Entities controlled by the close relatives of the Ultimate Controlling Shareholder	**832**	844
— Key management and their close relatives	**1,333**	736
	949,211	496,864
Purchase of goods and services		
— Entities controlled by the Ultimate Controlling Shareholder	**53,501**	35,163
— Entities controlled by the close relatives of the Ultimate Controlling Shareholder	**4,291**	2,561
— Associates of the Group	**—**	47
	57,792	37,771
Rental expenses		
— Entities controlled by the Ultimate Controlling Shareholder	**1,268**	605
Purchase of financial assets at fair value through other comprehensive income		
— Entity controlled by the Ultimate Controlling Shareholder	**5,000**	—
Disposal of associates		
— Entity controlled by the Ultimate Controlling Shareholder	**6,000**	—

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

32. Related party transactions *(continued)*

(c) Free trademark license agreement

A trademark licencing agreement was entered into between the Group and a subsidiary of CGH, Foshan Shunde Country Garden Property Development Company Limited (佛山區順德碧桂園物業發展有限公司) ("Foshan Shunde") and a deed of trademark licencing was entered into between the Group 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:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**22,800**	15,760
Share-based payments	**15,864**	—
Fees	**520**	120
Contributions to retirement benefits and other social security costs	**332**	190
	39,516	16,070

32. Related party transactions *(continued)*

(e) Balances with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Receivables from related parties		
Trade receivables		
— Entities controlled by the Ultimate Controlling Shareholder	**63,754**	13,820
— Entities jointly controlled by the Ultimate Controlling Shareholder	**1,777**	—
— Entities over which the Ultimate Controlling Shareholder has significant influence	**1,313**	2,654
	66,844	16,474
Other receivables		
— Entities controlled by the Ultimate Controlling Shareholder	**—**	233,489
	66,844	249,963

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Payables to related parties		
Trade payables		
— Entities controlled by the Ultimate Controlling Shareholder	**6,136**	15,238
— Entities controlled by the close relatives of the Ultimate Controlling Shareholder	**2,646**	3,226
— Entities over which the Ultimate Controlling Shareholder has significant influence	**—**	4
	8,782	18,468
Other payables		
— Entities controlled by the Ultimate Controlling Shareholder	**—**	439
	8,782	18,907

33. Balance sheet and reserve movement of the Company

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		940	–
Current assets			
Cash and cash equivalents		434	–
Dividend receivable		233,790	–
Other receivable		13	–
		234,237	–
Total assets		235,177	–
EQUITY			
Share capital		1,584	–
Retained earnings	(a)	231,574	–
Total equity		233,158	–
LIABILITIES			
Current liabilities			
Other payables		2,019	–
Total liabilities		2,019	–
Total equity and liabilities		235,177	–

The balance sheet of the Company was approved by the Board of Directors on 19 March 2019 and was signed on its behalf.

LI Changjiang	**GUO Zhanjun**
Director	Director

33. Balance sheet and reserve movement of the Company *(continued)*

(a) Movement of retained earnings of the Company

	Retained earnings RMB'000
At 1 January 2017 and 31 December 2017	—
Profit for the year	325,474
Dividend paid	(93,900)
At 31 December 2018	**231,574**

34. Directors' benefits and interests

In March 2018, the following directors were appointed:

Chairman and Non-executive Director

Ms. Yang Huiyan (Note (a)(i))

Executive Director

Mr. Li Changjiang, General Manager
Mr. Xiao Hua
Mr. Guo Zhanjun (Note (a)(ii))

Non-executive Directors

Mr. Yang Zhicheng (Note (a)(i))
Ms. Wu Bijun (Note (a)(i))

In May 2018, the following directors were appointed:

Independent Non-executive Directors

Mr. Mei Wenjue (Note (a)(iii))
Mr. Rui Meng (Note (a)(iii))
Mr. Chen Weiru (Note (a)(iv))

34. Directors' benefits and interests *(continued)*

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors) for the year ended 31 December 2018 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes — value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	6,030	36	4,978	11,044
Mr. Xiao Hua	–	2,200	27	1,829	4,056
Mr. Guo Zhanjun	–	1,620	27	1,804	3,451
Independent non-executive directors					
Mr. Chen Weiru	187	–	–	–	187
Mr. Mei Wenyu	167	–	–	–	167
Mr. Rui Meng	167	–	–	–	167
	521	9,850	90	8,611	19,072

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors) for the year ended 31 December 2017 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes — value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	5,580	34	–	5,614
Mr. Xiao Hua	–	2,040	24	–	2,064
Mr. Guo Zhanjun	–	750	11	–	761
Independent non-executive directors					
Mr. Chen Weiru	120	–	–	–	120
	120	8,370	69	–	8,559

34. Directors' benefits and interests *(continued)*

(a) Directors' emoluments *(Continued)*

(i) The non-executive directors, Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun did not receive any emoluments from the Group during the years ended 31 December 2018 and 2017. Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun have respectively made arrangements with the Company under which they have waived or agreed to waive their emoluments.

(ii) The director, Mr. Guo Zhanjun joined the Group in August 2017.

(iii) The independent non-executive directors, Mr. Mei Wenjue and Mr. Rui Meng were appointed as directors of the Company in May 2018.

(iv) The independent non-executive director, Mr. Chen Weiru, was appointed as director of CG Property Services in May 2016 and director of the Company in May 2018.

(b) Directors' retirement benefits

There were no retirement benefits was paid to or receivable by directors during the year by defined benefit pension plans operated by the Group.

(c) Directors' termination benefits

There were no director's termination benefits subsisted during the year.

(d) Consideration provided to third parties for making available directors' services

There was no consideration provided to third parties for making available directors' services subsisted during the year.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted during the year.

(f) Directors' material interests in transactions, arrangements or contracts

The Chairman and non-executive director, Ms. Yang Huiyan, is an executive director of CGH. The Group's transactions with CGH and related entities are set out in Note 32.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year.

35. Events occurred after the reporting period

On 11 January 2019, the Company entered into a placing and subscription agreement with Concrete Win Limited ("Concrete Win"), a company wholly-owned by Ms. Yang Huiyan, and a placing agent (the "Agreement") (the "Placing"). The placing agent had conditionally agreed to place, on a fully underwritten basis, 168,761,000 existing shares at the placing price of HKD11.61 per Share. Pursuant to the Agreement, Concrete Win conditionally agreed to subscribe at the placing price for the same number of new shares as the placing shares that have been placed by the placing agent. The placing was completed in January 2019 and the net proceeds received by the Company, after deducting relating fees and expenses, were approximately HKD1,939 million.

In January 2019, the Group entered into equity transfer agreements with certain third parties to acquire 100% equity interest in each of Shanghai Lianyuan Property Development Company Limited ("Shanghai Lianyuan") and Guangdong Yuanhai Asset Property Investment Management Company Limited ("Guangdong Yuanhai") at a cash consideration of RMB136 million and RMB100 million, respectively (the "Acquisitions"). The Acquisitions have not been completed as of the date of these financial statements. Shanghai Lianyuan and Guangdong Yuanhai will become subsidiaries of the Group upon the completion of the Acquisitions.

On 19 March 2019, the Group entered into an equity transfer agreement with a connected person (the "Vendor"), pursuant to which the Group has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the remaining 30% equity interest in Shengshi at a cash consideration of RMB90,000,000. Shengshi will become a wholly-owned subsidiary of the Group upon the completion of the equity transfer.

GLOSSARY

The Company

"Board"	the board of Directors
"Bright Scholar"	Bright Scholar Education Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed in the form of American Depository Shares representing Class A Ordinary shares on the New York Stock Exchange (NYSE ticker: BEDU)
"Bright Scholar Group"	Bright Scholar, its subsidiaries and its variable interest entities
"Company" or "CG Service"	Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 6098)
"China Index Academy"	China Index Academy (中國指數研究院), an independent global market research and consulting company, which was established in 1994 in the PRC
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"Chief Financial Officer"	the chief financial officer of the Company
"CG Property Services"	Guangdong Country Garden Property Services Co., Ltd.* (廣東碧桂園物業服務股份有限公司), a company established under the laws of the PRC with limited liability and our wholly-owned subsidiary
"CG Business Management"	Guangzhou Country Garden Business Management Company Limited (廣州碧桂園商業管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CG Holdings
"CG Holdings" or "CGH"	Country Garden Holdings Company Limited (碧桂園控股有限公司), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2007)
"CGH Group"	CGH and its subsidiaries
"Concrete Win"	Concrete Win Limited, a limited liability company incorporated in the BVI on 7 April 2006, one of our Controlling Shareholders and is beneficially wholly-owned by Ms. Yang Huiyan
"Directors"	the directors of the Company
"Deed of Non-competition"	the deed of non-competition dated 29 May 2018 entered into by Ms. Yang Huiyan in favour of our Company
"YIHAN"	EH Consulting (億翰智庫), a consulting firm specializing in the PRC real estate industry and listed on the NEEQ (stock code: 837350)

"Fenghuang Youxuan"	Guangdong Shunde Fenghuang Youxuan Commercial Company Limited* (廣東順德鳳凰優選商業有限公司), a limited liability company established in the PRC on 24 January 2017 and an indirect wholly-owned subsidiary of CGH
"Group"	the Company and its subsidiaries
"Genesis Capital"	Genesis Capital Global Limited, a limited liability company incorporated in the BVI on 28 July 2014, one of our Controlling Shareholders and is beneficially wholly-owned by Ms. Yang Huiyan
"Golden Value"	Golden Value Investments Limited, a limited liability company incorporated in the BVI on 10 August 2012, one of our Controlling Shareholders and is beneficially wholly-owned by Ms. Yang Huiyan
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Date"	19 June 2018, the date on which our Shares are first listed and from which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Pre-Listing Share Option Scheme"	a pre-listing share option scheme adopted by the then shareholders of the Company on 13 March 2018
"PRC"	the People's Republic of China
"Qualified Shareholders"	the Shareholders whose names appear on the register of members of the Company on Tuesday, 28 May 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Shunbi Property"	Foshan Shunde Country Garden Property Development Company Limited* (佛山市順德區碧桂園物業發展有限公司), a limited liability company established in the PRC on 2 April 1997 and an indirect wholly-owned subsidiary of CGH
"Sure Brilliant"	Sure Brilliant Global Limited, a limited liability company incorporated in the BVI on 8 November 2018, one of our Controlling Shareholders and is beneficially wholly-owned by Ms. Yang Huiyan

"Shareholders"	shareholders of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Three Supplies and Property Management"	water, electricity, heat supply and property management
"The Year"	The year ended 31 December 2018
"Wangshenghuo"	Shenshen Wangshenghuo Internet Technology Company Limited (深圳市旺生活互聯網科技有限公司), a limited liability company established in the PRC on 23 September 2015 and owned as to 9.9% by CG Property Services, 71.1% by Foshan Jingde Investment Management Company Limited* (佛山市敬德投資管理有限公司), an independent third party and 19% by Tianjin Wangwuxian Business Management Consultation Partnership (Limited Partnership)(天津市旺無限企業管理諮詢合夥企業(有限合夥)), an independent third party
"Zengcheng Qingyuan"	Zengcheng Qingyuan Waterworks Company Limited* (增城市清源自來水廠有限公司) , a company established under the laws of the PRC
"2018 EGM"	the extraordinary general meeting of the Company held on Thursday, 22 November 2018
"2019 AGM"	the annual general meeting of the Company to be held on Monday, 20 May 2019
"%"	per cent

* For identification purpose only