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COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED
碧 桂 園 服 務 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 6098)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

— The revenue of the Group for the Year increased from approximately RMB4,675.3 million for the same period in 2018 to approximately RMB9,644.9 million, representing an increase of approximately 106.3%. Excluding the "Three Supplies and Property Management" business segment, the revenue for the Year would have been increased from approximately RMB4,675.3 million for the same period in 2018 to approximately RMB8,129.6 million, representing an increase of approximately 73.9%.

— The gross profit of the Group for the Year increased from approximately RMB1,761.6 million for the same period in 2018 to approximately RMB3,052.2 million, representing an increase of approximately 73.3%. Gross profit margin decreased by 6.1 percentage points to approximately 31.6% from approximately 37.7% for the same period in 2018. Excluding the "Three Supplies and Property Management" business segment, the gross profit margin for the Year would have been decreased from approximately 37.7% for the same period in 2018 to approximately 35.9%, representing a decrease of 1.8 percentage points.

— During the Year, the percentage of general and administrative expenses of the Group decreased by 3.7 percentage points to approximately 12.5% compared to approximately 16.2% for the same period in 2018.

— The net profit of the Group for the Year increased from approximately RMB934.2 million for the same period in 2018 to approximately RMB1,718.4 million, representing an increase of approximately 83.9%. Net profit margin decreased 2.2 percentage points from approximately 20.0% for the same period in 2018 to approximately 17.8%. If the RMB58.3 million of one-off reversal of the overprovision of income tax expense of a major subsidiary of the Group for 2018 and the "Three Supplies and Property Management" business segment were excluded, the net profit of the Company would have been increased from approximately RMB882.1 million for the same period in 2018 to approximately RMB1,671.1 million, representing an increase of approximately 89.4%. Net profit margin would have been increased 1.7 percentage points from approximately 18.9% for the same period in 2018 to approximately 20.6%.

— The profit attributable to the owners of the Company for the Year increased from approximately RMB923.2 million for the same period in 2018 to approximately RMB1,670.7 million, representing an increase of approximately 81.0%. Excluding the above reversal of the income tax expense, the profit attributable to the owners of the Company would have been increased from approximately RMB864.9 million for the same period in 2018 to approximately RMB1,670.7 million, representing an increase of approximately 93.2%.

— During the Year, the basic earnings per share increased from approximately RMB36.93 cents for the same period in 2018 to approximately RMB62.73 cents, representing an increase of approximately 69.9%. Excluding the above reversal of the income tax expense, the basic earnings per share would have been increased from approximately RMB34.59 cents for the same period in 2018 to approximately RMB62.73 cents, representing an increase of approximately 81.4%.

— During the Year, the diluted earnings per share increased from approximately RMB36.53 cents for the same period in 2018 to approximately RMB61.67 cents, representing an increase of approximately 68.8%. Excluding the above reversal of the income tax expense, the diluted earnings per share would have been increased from approximately RMB34.23 cents for the same period in 2018 to approximately RMB61.67 cents, representing an increase of approximately 80.2%.

— As at 31 December 2019, the total bank deposits and cash of the Group were approximately RMB6,926.0 million (31 December 2018: approximately RMB3,874.3 million). The net cash generated from operating activities of the Group increased to approximately RMB3,257.2 million from approximately RMB1,548.7 million for the same period in 2018, with an increase of approximately 110.3%. The net cash generated from operating activities for the Year was 1.9 times of the net profit for the Year (31 December 2018: 1.7 times).

— As at 31 December 2019, the revenue-bearing gross floor area ("**GFA**") of the property management services other than Three Supplies and Property Management businesses of the Group increased by approximately 94.6 million sq.m. to approximately 276.1 million sq.m. from approximately 181.5 million sq.m. as at 31 December 2018. The contracted GFA of the property management services other than Three Supplies and Property Management businesses of the Group increased by approximately 179.7 million sq.m. to approximately 684.7 million sq.m. from approximately 505.0 million sq.m. as at 31 December 2018. In addition, both of the revenue-bearing GFA and the contracted GFA of the property services of Three Supplies and Property Management businesses were 84.9 million sq.m. as at 31 December 2019.

— The Board recommended payment of a final dividend for 2019 of RMB15.14 cents per share (2018: RMB8.49 cents).

The board (the "**Board**") of directors (the "**Director(s)**") of Country Garden Services Holdings Company Limited (the "**Company**" or "**CG Services**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue	5	**9,644,947**	4,675,287
Cost of services	5, 7	**(6,592,706)**	(2,913,665)
Gross profit		**3,052,241**	1,761,622
Selling and marketing expenses	7	**(66,773)**	(26,639)
General and administrative expenses	7	**(1,207,591)**	(759,735)
Net impairment losses on financial assets	7	**(30,741)**	(13,392)
Other income		**51,144**	21,744
Other gains — net	6	**178,104**	28,549
Operating profit		**1,976,384**	1,012,149
Finance income	8	**94,253**	53,845
Finance costs	8	**(2,353)**	—
Finance income — net	8	**91,900**	53,845
Share of results of joint ventures and associates		**7,828**	3,393
Profit before income tax		**2,076,112**	1,069,387
Income tax expense	9	**(357,721)**	(135,177)
Profit for the year		**1,718,391**	934,210
Profit attributable to:			
— Owners of the Company		**1,670,664**	923,154
— Non-controlling interests		**47,727**	11,056
		1,718,391	934,210

	Note	Year ended 31 December **2019** **_RMB'000_**	2018 _RMB'000_
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Exchange differences on translation of foreign operations		**327**	—
Total other comprehensive income for the year, net of tax		**327**	—
Total comprehensive income for the year		**1,718,718**	934,210
Total comprehensive income attributable to:			
— Owners of the Company		**1,670,991**	923,154
— Non-controlling interests		**47,727**	11,056
		1,718,718	934,210
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
— Basic	10	**62.73**	36.93
— Diluted	10	**61.67**	36.53

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**311,873**	118,835
Right-of-use assets		**28,790**	—
Intangible assets	12	**1,603,853**	686,307
Investments in joint ventures		**73,522**	27,025
Investments in associates		**5,992**	—
Financial assets at fair value through other comprehensive income		**9,950**	15,558
Deferred income tax assets		**10,938**	3,363
		2,044,918	851,088
Current assets			
Inventories		**13,943**	8,460
Trade and other receivables	13	**2,003,770**	788,059
Financial assets at fair value through profit and loss	14	**1,280,682**	—
Restricted bank deposits		**11,861**	5,366
Cash and cash equivalents		**6,914,148**	3,868,921
		10,224,404	4,670,806
Total assets		**12,269,322**	5,521,894
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	15	**1,756,918**	1,584
Other reserves		**531,581**	601,003
Retained earnings		**3,084,657**	1,658,200
		5,373,156	2,260,787
Non-controlling interests		**306,370**	68,919
Total equity		**5,679,526**	2,329,706

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**19,418**	—
Deferred income tax liabilities		**143,079**	65,044
		162,497	65,044
Current liabilities			
Contract liabilities	5	**1,618,059**	1,000,156
Trade and other payables	16	**4,690,033**	2,060,176
Current income tax liabilities		**108,202**	66,812
Lease liabilities		**11,005**	—
		6,427,299	3,127,144
Total liabilities		**6,589,796**	3,192,188
Total equity and liabilities		**12,269,322**	5,521,894

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

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

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

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

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

These consolidated financial statements for the year ended 31 December 2019 are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2020.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at fair value through other comprehensive income ("**FVOCI**") and financial assets at fair value through profit or loss ("**FVPL**"), which are carried at fair value.

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.

3. Changes in accounting policy and disclosures

(a) The adoption of the amendments to HKFRSs effective for the financial year ending 31 December 2019 did not have a material impact to the Group, except for the adoption of HKFRS 16, 'Leases'.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption of the standard is disclosed in note (c).

(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
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised conceptual framework for financial reporting	Conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

These standards and amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4, 'Determining whether an Arrangement contains a Lease'.

(ii) Measurement of lease liabilities

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**10,366**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**9,251**
Less: short-term leases not recognised as a liability	**(596)**
Less: low-value leases not recognised as a liability	**(1,150)**
Lease liabilities recognised as at 1 January 2019	**7,505**
Of which are:	
Current lease liabilities	**1,885**
Non-current lease liabilities	**5,620**
	7,505

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	RMB'000
Increase in right-of-use assets	**7,505**
Increase in lease liabilities	**(7,505)**
Net impact on retained earnings on 1 January 2019	**—**

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

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.

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.

(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 the 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 margins, earnings before interest, tax, depreciation and amortisation ("**EBITDA**") margins, discount rates and expected useful lives of the property management contracts and customer relationships). See notes 12 and 17 for more details.

(d) ***Goodwill impairment assessment***

For the purposes of goodwill impairment assessment, management considered each of the acquired property management companies a separate group of cash-generated-units ("**CGU**") and goodwill has been allocated to each of the acquired property management companies. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include annual revenue growth rate, gross profit margin, EBITDA margin, terminal growth rate and pre-tax discount rate. See note 12 for more details.

5. Revenue and segment information

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

In previous years, the Group was principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. The CODM of the Company regarded that there was only one segment which was used to make strategic decisions. During the current year, the Group commenced the provision of heat supplies and property management services among the three supplies and property management businesses which comprise the provision of water, electricity and heat supplies and property management services under the state-owned enterprises separation and reform program (hereinafter referred to as "**Three Supplies and Property Management**"). The operating results of the Three Supplies and Property Management businesses is included in the reports reviewed by the CODM for performance evaluation and resources allocation purposes.

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

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

— Three Supplies and Property Management businesses, which currently include property management services and heat supply business

The CODM assesses the performance of the operating segments based on a measure of operating profit, adjusted by excluding realised and unrealised gains from financial assets at FVPL, and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, investments in joint ventures, investments in associates, inventories, receivables, and operating cash. They exclude deferred income tax assets, financial assets at FVOCI and financial assets at FVPL. Segment liabilities consist primarily of operating liabilities. They exclude current and deferred income tax liabilities.

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

Revenue mainly comprises of proceeds from provision of property management services, community value-added services, value-added services to non-property owners and heat supply services. An analysis of the Group's revenue and cost of services by category for the years ended 31 December 2019 and 2018 was as follows:

	Year ended 31 December			
	2019		**2018**	
	Revenue	**Cost of services**	**Revenue**	**Cost of services**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from customer and recognised over time:				
Property management and related services other than Three Supplies and Property Management				
— Property management services	**5,816,961**	**4,061,200**	3,445,489	2,347,831
— Value-added services to non-property owners	**1,422,058**	**839,088**	791,084	410,757
— Community value-added services	**865,187**	**292,260**	417,220	141,457
— Other services	**25,368**	**14,653**	21,494	13,620
	8,129,574	**5,207,201**	4,675,287	2,913,665
Three Supplies and Property Management				
— Heat supply services	**990,215**	**930,792**	—	—
— Property management services	**525,158**	**454,713**	—	—
	1,515,373	**1,385,505**	—	—
	9,644,947	**6,592,706**	4,675,287	2,913,665

For the year ended 31 December 2019, revenue from Country Garden Holdings Company Limited ("**CGH**") and its subsidiaries (together, the "**CGH Group**") contributed 13.2% (2018: 16.8%) 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 2019 and 2018.

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

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

(a) Contract liabilities

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities	**1,618,059**	1,000,156

(b) Segment information

The segment information provided to the CODM for the year ended 31 December 2019 is as follows:

	Year ended 31 December 2019		
	Property management and related services other than Three Supplies and Property Management	**Three Supplies and Property Management**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from contracts with customers			
Total segment revenue	**8,129,574**	**1,515,373**	**9,644,947**
Less: inter-segment revenue	**—**	**—**	**—**
Revenue from external customers	**8,129,574**	**1,515,373**	**9,644,947**
Timing of revenue recognition:			
Recognised over time	**8,129,574**	**1,515,373**	**9,644,947**
Segment results	**1,814,629**	**54,456**	**1,869,085**
Share of results of joint ventures and associates	**7,494**	**334**	**7,828**
Depreciation and amortisation charges	**94,614**	**54,315**	**148,929**
Net impairment losses on financial assets	**27,710**	**3,031**	**30,741**
Capital expenditure	**98,454**	**26,219**	**124,673**

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

The segment information provided to CODM for the year ended 31 December 2018 is as follows:

	Year ended 31 December 2018		
	Property management and related services other than Three Supplies and Property Management	Three Supplies and Property Management	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Total segment revenue	4,675,287	—	4,675,287
Less: inter-segment revenue	—	—	—
Revenue from external customers	4,675,287	—	4,675,287
Timing of revenue recognition:			
Recognised over time	4,675,287	—	4,675,287
Segment results	1,019,192	(13,018)	1,006,174
Share of results of joint ventures and associates	3,393	—	3,393
Depreciation and amortisation charges	32,719	227	32,946
Net impairment losses on financial assets	13,391	1	13,392
Impairment charges on intangible assets	5,431	—	5,431
Capital expenditure	84,127	1,759	85,886

	As at 31 December 2018		
	Property management and related services other than Three Supplies and Property Management	Three Supplies and Property Management	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	5,107,686	395,287	5,502,973
Investments in joint ventures	27,025	—	27,025
Segment liabilities	3,058,849	1,483	3,060,332

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Segment results	**1,869,085**	1,006,174
Realised and unrealised gains from financial assets at FVPL	**115,127**	9,368
Finance income — net	**91,900**	53,845
Profit before income tax	**2,076,112**	1,069,387

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Segment assets	**10,967,752**	5,502,973
Deferred income tax assets	**10,938**	3,363
Financial assets at FVOCI	**9,950**	15,558
Financial assets at FVPL	**1,280,682**	—
Total assets	**12,269,322**	5,521,894

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Segment liabilities	**6,338,515**	3,060,332
Deferred income tax liabilities	**143,079**	65,044
Current income tax liabilities	**108,202**	66,812
Total liabilities	**6,589,796**	3,192,188

6. Other gains — net

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Realised and unrealised gains from financial assets at FVPL	**115,127**	9,368
Net foreign exchange gains	**56,315**	—
Gains on disposal of property, plant and equipment	**30**	121
Gains on early termination of lease contracts	**19**	—
Gains on disposal of investments in associates	**—**	12,579
Loss on disposal of a subsidiary	**(122)**	—
Others	**6,735**	6,481
	178,104	28,549

7. 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	
	2019	2018
	RMB'000	*RMB'000*
Employee benefit expenses	**4,041,604**	2,433,798
Cleaning expenses	**1,356,233**	458,285
Heat supply costs	**845,500**	—
Maintenance expenses	**380,443**	199,989
Utilities	**309,578**	157,583
Greening and gardening expenses	**153,595**	77,547
Security expenses	**148,505**	18,562
Depreciation and amortisation charges	**148,929**	32,946
Office and communication expenses	**90,806**	68,709
Transportation expenses	**84,572**	57,897
Travelling and entertainment expenses	**80,187**	52,803
Taxes and surcharges	**46,517**	25,975
Professional service fees	**34,497**	9,212
Net impairment losses on financial assets	**30,741**	13,392
Community activities expenses	**24,803**	15,234
Employee uniform expenses	**12,529**	7,317
Bank charges	**11,737**	15,606
Listing expenses excluding audit fees	**—**	8,164
Impairment of intangible assets	**—**	5,431
Auditor's remuneration		
— Audit services in relation to the listing	**—**	3,400
— Annual audit and interim review services	**4,800**	4,100
— Non-audit services	**1,650**	620
Other expenses	**90,585**	46,861
Total	**7,897,811**	3,713,431

8. Finance income — net

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income:		
Interest income on bank deposits	**94,253**	53,845
Finance cost:		
Interest expense on lease liabilities	**(2,353)**	—
Finance income — net	**91,900**	53,845

9. Income tax expense

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax — PRC		
— Provision of current income tax	**335,335**	169,631
— Withholding income tax on profits distributed	**—**	11,600
— Overprovision in previous years	**—**	(58,309)
	335,335	122,922
Deferred income tax		
— Corporate income tax	**(13,762)**	(1,788)
— Withholding income tax on profits to be distributed in future	**36,148**	14,043
	22,386	12,255
	357,721	135,177

10. Earnings per share

(a) Basic

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

	Year ended 31 December	
	2019	2018
Profit attributable to the owners of the Company *(RMB'000)*	**1,670,664**	923,154
Weighted average number of ordinary shares in issue *(thousands shares)*	**2,663,090**	2,500,000
Basic earnings per share *(RMB cents)*	**62.73**	36.93

(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. 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	
	2019	2018
Profit attributable to the owners of the Company *(RMB'000)*	**1,670,664**	923,154
Weighted average number of ordinary shares in issue *(thousands shares)*	**2,663,090**	2,500,000
Adjustments — pre-listing share option schemes *(thousands shares)*	**46,039**	26,870
Weighted average number of ordinary shares for diluted earnings per share *(thousands shares)*	**2,709,129**	2,526,870
Diluted earnings per share *(RMB cents)*	**61.67**	36.53

11. Dividends

The final dividend in respect of 2018 of RMB8.49 cents (equivalent to HKD9.66 cents) per share, totalling RMB226,309,000, has been approved at the Annual General Meeting on 20 May 2019 and paid in cash in July 2019.

The Board of Directors recommended the payment of a 2019 final dividend of RMB15.14 cents per share, totalling RMB417,670,000, which has taken into account 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.

12. Intangible assets

	Software	**Property management contracts and customer relationships**	**Goodwill**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(i)	*(ii) & (iii)*	
At 1 January 2018				
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
Year ended 31 December 2018				
Opening net book amount	6,863	11,425	2,570	20,858
Acquisition of subsidiaries	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
Year ended 31 December 2019				
Opening net book amount	**21,142**	**159,803**	**505,362**	**686,307**
Acquisition of subsidiaries *(Note 17)*	**1,153**	**222,749**	**711,973**	**935,875**
Other additions	**26,060**	**—**	**—**	**26,060**
Amortisation	**(3,403)**	**(40,986)**	**—**	**(44,389)**
Closing net book amount	**44,952**	**341,566**	**1,217,335**	**1,603,853**
At 31 December 2019				
Cost	**52,744**	**389,418**	**1,219,905**	**1,662,067**
Accumulated amortisation	**(7,792)**	**(44,991)**	**—**	**(52,783)**
Accumulated impairment	**—**	**(2,861)**	**(2,570)**	**(5,431)**
Net book amount	**44,952**	**341,566**	**1,217,335**	**1,603,853**

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of services	**40,986**	3,450
General and administrative expenses	**3,403**	2,049
	44,389	5,499

(i) Property management contracts and customer relationships

During the year ended 31 December 2019, the Group acquired several companies (Note 17). Total identifiable net assets of these companies as at their respective acquisition dates amounted to approximately RMB310,038,000, including identified property management contracts and customer relationships of RMB222,749,000 recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

Gross profit margin	15.0%–19.8%
Earnings before interest, taxes, depreciation and amortisation margin ("**EBITDA margin**")	5.1%–14.4%
Post-tax discount rate	14.0%–15.6%

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

Goodwill of RMB505,362,000 has been allocated to the CGUs acquired in prior years for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2019. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation. 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 forecast period	1.5%–5.0%
Gross profit margin during the forecast period	27.9%–41.5%
EBITDA margin during the forecast period	15.8%–26.5%
Terminal growth rate	3.0%
Pre-tax discount rate	15.6%–18.5%

Based on management's assessment on the recoverable amounts of the subsidiaries acquired in prior year, no impairment provision was considered necessary to provide as at 31 December 2019.

The recoverable amount of these CGUs would equal its carrying amount if the key assumptions were to change as follows:

	2019	
	From	**To**
Revenue growth rate during the forecast period	**1.5%–5.0%**	**nil–4.7%**
Gross profit margin during the forecast period	**27.9%–41.5%**	**22.6%–37.9%**
EBITDA margin during the forecast period	**15.8%–26.5%**	**3.8%–22.9%**
Terminal growth rate	**3.0%**	**nil–2.4%**
Pre-tax discount rate	**15.6%–18.5%**	**17.3%–78.3%**

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

Goodwill of RMB711,973,000 has been allocated to the CGUs 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 calculation.

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 forecast period	3.0%–15.0%
Gross profit margin during the forecast period	15.0%–20.2%
EBITDA margin during the forecast period	7.6%–14.4%
Terminal growth rate	3.0%
Pre-tax discount rate	14.2%–24.5%

Based on management's assessment on the recoverable amounts of the subsidiaries acquired during the year, no impairment provision was considered necessary to provide as at 31 December 2019.

13. Trade and other receivables

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables (a)		
— Related parties	**115,237**	66,844
— Third parties	**1,516,618**	533,806
	1,631,855	600,650
Less: allowance for impairment of trade receivables	**(57,868)**	(33,166)
	1,573,987	567,484
Other receivables		
— Payments on behalf of property owners	**153,197**	105,845
— Deposits	**65,647**	33,786
— Tax recoverable	**—**	7,988
— Others	**158,419**	47,866
	377,263	195,485
Less: allowance for impairment of other receivables	**(10,072)**	(4,976)
	367,191	190,509
Prepayments to suppliers	**56,670**	25,164
Prepayments for tax	**5,922**	4,902
	2,003,770	788,059

As at 31 December 2019, 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, value-added services to non-property owners and heat supply services.

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

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

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0-180 days	**1,333,903**	376,969
181-365 days	**97,389**	75,563
1 to 2 years	**113,267**	82,430
2 to 3 years	**46,661**	38,305
Over 3 years	**40,635**	27,383
	1,631,855	600,650

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB57,868,000 (2018: RMB33,166,000) was made against the gross amounts of trade receivables.

14. Financial assets at fair value through profit or loss

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Wealth management products (i)	**1,000,052**	—
Investment in a close-ended fund (ii)	**280,630**	—
	1,280,682	—

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

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

15. Share capital and share premium

	Note	Number of shares	Nominal value of shares	Equivalent nominal value of shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Authorised						
Upon incorporation at 24 January 2018, HKD0.10 per share		3,800,000	380,000			
Cancellation of ordinary shares of HKD0.10 each		(3,800,000)	(380,000)			
Increase in authorised share capital of USD0.0001 each		10,000,000,000	1,000,000			
At 31 December 2018 and 31 December 2019		10,000,000,000	1,000,000			
Issued and fully paid						
At 1 January 2018		—	—	—	—	—
At 6 March 2018, issue of shares at HKD0.10 each		2	—	—	—	—
At 13 March 2018, issue of shares at HKD0.10 each		76	8	—	—	—
At 13 March 2019, repurchase of shares at HKD0.10 each		(78)	(8)	—	—	—
At 13 March 2018, issue of shares at USD0.0001 each		10,000	1	—	—	—
At 13 March 2018, issue of shares at USD0.0001 each		2,499,990,000	249,999	1,584	—	1,584
At 31 December 2018		2,500,000,000	250,000	1,584	—	1,584
At 1 January 2019		2,500,000,000	250,000	1,584	—	1,584
Issue of shares on 11 January 2019	(a)	168,761,000	16,876	114	1,679,321	1,679,435
Exercise of options	(b)	42,132,800	4,213	30	75,869	75,899
At 31 December 2019		2,710,893,800	271,089	1,728	1,755,190	1,756,918

(a) On 11 January 2019, the Company entered into a placing and subscription agreement with Concrete Win Limited, a company wholly-owned by the ultimate controlling shareholder, and a placing agent (the "**Agreement**"). Pursuant to the Agreement, the placing agent conditionally agreed to place, on a fully underwritten basis, 168,761,000 existing shares at the placing price of HKD11.61 per share; Concrete Win Limited 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. On 24 January 2019, the Company issued 168,761,000 shares at a subscription price of HKD11.61 per share and raised net proceeds of approximately HKD1,943,098,000 (equivalent to approximately RMB1,679,435,000).

(b) On 14 November 2019, the Company issued 14,155,600 and 27,977,200 shares pursuant to the exercise of share options by directors and other eligible participants, respectively, which were granted under the pre-listing share option scheme adopted by the Company in 2018, and raised net proceeds of approximately HKD39,605,000 (equivalent to approximately RMB35,449,000) in total; in addition, the related share-based payments reserve of RMB40,450,000 was transferred to the share premium account as a result of the above exercise of the options.

16. Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables (a)		
— Related parties	**14,240**	8,782
— Third parties	**1,465,991**	341,893
	1,480,231	350,675
Other payables		
— Deposits	**608,731**	382,652
— Temporary receipts from properties owners	**804,851**	460,159
— Outstanding considerations payable for business combinations	**293,177**	132,569
— Accruals and others	**306,055**	96,625
	2,012,814	1,072,005
Payroll payables	**1,038,683**	553,354
Other taxes payables	**158,305**	84,142
	4,690,033	2,060,176

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

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 1 year	**1,445,228**	328,465
1 to 2 years	**22,410**	13,779
2 to 3 years	**6,053**	3,121
Over 3 years	**6,540**	5,310
	1,480,231	350,675

17. Business combinations

In July 2019, the Group acquired 100% equity interest in Asia Asset Real Estate Services (China) Co., Ltd. ("**Asia Asset**") from third parties at a fixed cash consideration of RMB259,000,000 and a contingent cash consideration not exceeding RMB116,400,000. In September 2019, the Group acquired 100% equity interest in Calxon Group Property Services Company Limited ("**Calxon**") from a third party at a fixed cash consideration of RMB173,000,000. The Group also acquired several other property management companies from third parties during the current year at an aggregate fixed cash considerations of RMB360,625,000 and a contingent cash consideration of not exceeding RMB92,860,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

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

	Asia Asset	**Calxon**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total purchase considerations				
— Fixed cash considerations	259,000	173,000	360,625	792,625
Settled in 2019	259,000	133,000	282,532	674,532
Outstanding as at 31 December 2019	—	40,000	78,093	118,093
— Estimated contingent cash consideration	108,565	—	86,544	195,109
Settled in 2019	—	—	20,025	20,025
Outstanding as at 31 December 2019	108,565	—	66,519	175,084
	367,565	173,000	447,169	987,734

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

	Asia Asset	**Calxon**	**Others**	**Total**
— Property, plant and equipment	21,599	640	5,180	27,419
— Right-of-use assets	14,738	—	580	15,318
— Property management contracts and customer relationships (Note 12)	71,087	23,184	128,478	222,749
— Other intangible assets (Note 12)	—	140	1,013	1,153
— Investments in joint ventures	224	—	—	224
— Investments in associates	490	—	—	490
— Deferred income tax assets	68	2,800	506	3,374
— Inventories	—	194	277	471
— Trade and other receivables	123,642	71,170	101,573	296,385
— Financial assets at FVPL	12,000	—	—	12,000
— Restricted bank deposits	—	—	4,795	4,795
— Cash and cash equivalents	188,846	73,183	141,198	403,227
— Trade and other payables	(351,621)	(63,820)	(146,474)	(561,915)
— Lease liabilities	(15,012)	—	(594)	(15,606)
— Deferred income tax liabilities	(15,136)	(5,796)	(30,500)	(51,432)
— Contract liabilities	(1,286)	(17,180)	(19,986)	(38,452)
— Current income tax liabilities	(1,590)	(2,878)	(5,694)	(10,162)
Total identifiable net assets	48,049	81,637	180,352	310,038
Non-controlling interests	—	(8,914)	(25,363)	(34,277)
Goodwill	319,516	100,277	292,180	711,973
	367,565	173,000	447,169	987,734

Outflow of cash to acquire business, net of cash acquired:

	Asia Asset	**Calxon**	**Others**	**Total**
Partial settlement of cash considerations	259,000	133,000	302,557	694,557
Less: Cash and cash equivalents in the subsidiaries acquired	(188,846)	(73,183)	(141,198)	(403,227)
Net cash outflow on acquisitions	70,154	59,817	161,359	291,330

(a) Intangible assets including identified property management contracts and customer relationships of RMB222,749,000 in relation to the acquisitions have been recognised by the Group (Note 12).

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

(c) The acquired businesses contributed total revenues of RMB415,992,000 and net profits of RMB30,889,000 to the Group for the period from their respective acquisition dates to 31 December 2019. Had these companies been consolidated from 1 January 2019, the consolidated statements of comprehensive income would show pro-forma revenue of RMB10,356,911,000 and net profit of RMB1,754,631,000.

MANAGEMENT DISCUSSION AND ANALYSIS — BUSINESS REVIEW

Business Overview

The Group is a leading service provider in comprehensive property management in China with residential property as its major focus. Due to our excellent service quality and service brands, we have earned high customer satisfaction rate as well as high recognition in the industry. During the year, we were rated top 3 in terms of overall evaluation and No. 1 in terms of operating performance among the Top 100 Property Management Companies in China, according to China Index Academy and No. 1 among Chinese Community Service Providers in 2019 according to YIHAN (億翰智庫) and ranked top 10 in "2019 Listed Property Management Service Enterprise" according to China Property Management Association.

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

Property Management Services

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

We own a large-scale property management portfolio. As at 31 December 2019, apart from the property services of the "Three Supplies and Property Management" businesses, our contracted GFA recorded approximately 684.7 million sq.m., while our revenue-bearing GFA was approximately 276.1 million sq.m.. In addition, both of the revenue-bearing and contracted GFA of the property services of "Three Supplies and Property Management" businesses were 84.9 million sq.m. as at 31 December 2019. Our projects cover more than 350 cities in 31 provinces, municipalities and autonomous regions across China and overseas markets, with a focus on four key economically developed city clusters, including the Greater Bay Area, the Yangtze River Delta, the middle reaches of the Yangtze River and Beijing-Tianjin-Hebei areas in China. We manage a total of 2,405 properties and provide property management services to approximately 3.46 million local and overseas property owners and commercial tenants. During the year, our collection rate continued to remain high and reached 95.2%.

Community Value-added Services

In community value-added service sector, we are committed to becoming an "integrated whole cycle community life services operator" by focusing on 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 the past few years, the Group has vigorously promoted the community value-added services. We started from providing the basic living needs for the property owners with butler services, and smoothly achieved a merging of sales and marketing and channel developments, which enables us to link up external business resources with the property owners' needs. As such, we are able to provide a wide range of community value-added services, that specifically include: 1) housekeeping services 2) turnkey furnishing and move-in services 3) community media services 4) value-added innovations services 5) real estate brokerage services 6) community area services

During the year, the revenue generated from community value-added services was approximately RMB865.2 million, representing an increase of 107.4% compared to the corresponding period last year; which accounted for 9.0% of the Company's total revenue, representing an increase of 0.1 percentage point compared to the corresponding period last year.

During the year, we intensively explored into the markets of community housekeeping services and community media services, whereby, we experimented with pilot programmes to discover the preferred service contents and feasible income sources. Also, we initiated scale-up operations in our established communities. Both community housekeeping services and community media services recorded outstanding performance, with the revenue of RMB274.6 million and RMB93.8 million respectively, representing an increase of 207.8% and 218.0% as compared to that of the same period of 2018 respectively. We promote the traffic flow business within the community value-added services. Along with the fact that the business model and profit model have become more evident and defined, the four major branded business segments have gradually taken shape: "Phoenix Home-furnishing", specific branded services for one-stop turnkey home furnishing services; "Phoenix Home Services", for safe, convenient, professional and attentive housekeeping services; community media services, a portal that reaches for the full-range of media matrix that helps promote close-tie link-up between consumers and various branded products; real estate brokerage services, a portal that serves as the property owners' exclusive property consultant to help boost and preserve the owners' asset value.

The "Phoenix Club" App is an online portal we developed specially for the promotion of community value-added products and services. Besides, this App helps improve the accessibility of our services, as well as to enhance customers' satisfaction rate and loyalty. During the year, we actively promoted the use of the "Phoenix Club" App among the property owners. As at 31 December 2019, the number of registered users has exceeded 4.28 million, and monthly active users exceeded 1.59 million. Due to our serious effort to integrate premium resources drawn from both online and offline channels, our platform products and services can precisely accommodate the consumption needs of property owners.

Value-added Services for Non-property Owners

During the year, the revenue from our value-added services for non-property owners was approximately RMB1,422.1 million, representing an increase of 79.8%, as compared with the corresponding period in 2018 and accounting for 14.7% of the total revenue of the Company. The value-added services we provide to non-property owners 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, and (ii) cleaning services, green landscaping, repair and maintenance services to property developers at the pre-delivery stage, and (iii) sales and leasing agency services of unsold parking spaces and properties.

The "Three Supplies and Property Management" Businesses

The Group established a joint venture in 2018 and began to enter the separation and transfer of property management and heat supply on "Three Supplies and Property Management" Reform. During the year, we have completed the smooth and transitional takeover of the "Three Supplies and Property Management" reform on the property management and heat supply businesses. We signed the commission agreements for 955 projects in 53 cities of 11 provinces across the country, and drafted and formulated service standards and service unit prices for project-based undertakings, among which, the recognised revenue-bearing GFA of the property management projects that we took over was approximately 84.9 million sq.m., and the revenue generated amounted to RMB525.2 million. The recognised revenue-bearing GFA of heat supply projects that we took over was approximately 40.8 million sq.m., and the revenue generated was approximately RMB990.2 million.

We follow a three-year plan, where we set "to solidify the fundamentals in the first year; to establish the smooth development in the second year, and to consolidate the progress in the third year" as our objective. We will continue to put our effort to promote the long-term collaboration between the parties and are committed to strengthening quality control and improving service standards; we will continue to promote technology empowerment and construct smart community platforms; continue to explore the potential market growth for community value-added services, as well as to build the business resource platforms; we will optimise our existing manpower structure and system, and undertake project-based talent training sessions.

Fighting Novel Coronavirus (COVID-19) Pneumonia

Since the epidemic outbreak of COVID-19, property service companies, being the basic unit of grid-type governance, have taken the initiative to assume social responsibilities, and have fought together with all sectors in the forefront of the epidemic. Its role has transformed from a living service provider to a guardian of customers and employees as well as a stabilizer of social operations. "The frontline treatment is in hospitals, and the frontline protection is in property management services" — property management companies have formed a government-enterprise linkage mechanism with local governments to implement work deployments and have undertaken epidemic prevention work that the residents' committees assigned due to insufficient staff, including: personnel inspection, vehicle recording, providing access statistics to communities, temperature measurements of residents, providing advice on wearing masks, isolation and quarantine of suspected cases, publicity on epidemic prevention and control in communities, frequent sanitization and disinfection in public areas, distribution of masks to property owners, and purchasing and delivering supplies (such as vegetables) for property owners under quarantine which provides strong protection for residents' livelihood and epidemic prevention and control.

On the other hand, the epidemic has a certain impact on the daily operations of property companies in the short term, but in the long term, it will be an opportunity for the Company and the industry. This is mainly reflected in that: 1) the property management service industry will be respected by society and the government, and its exposure and sense of presence will be significantly improved than before; 2) high-quality property management services can provide property owners with an intuitive experience, therefore enhance owners' trust on property management companies and demand for quality properties, which has a positive impact on the collection rate of subsequent property management fees; 3) it will facilitate the building of good service reputation and brand. The reputation and brand building of property management services usually take time, and such outbreak may help high-quality property management companies build a good service reputation and brand image faster. Property owners will be inclined to choose leading companies with reputation, ability and good services. The integration of small and medium-sized property management companies will also be strengthened, which may accelerate the improvement of industry consolidation; 4) the impact on the future development of the industry will be reflected in the further deployments of technology to replace labor. Leading companies with high-technology can empower other small and medium-sized companies and output complete set of solutions. In terms of new business, new value-added service models and businesses will be developed; 5) governments at all levels have successively introduced supportive policies applicable to property management companies to alleviate the short-term adverse effects arising from the epidemic.

PROSPECTS AND FUTURE PLANS

Maintain high-quality scale expansion, while intensively develop the community value-added services to benefit from potential market growth

The large-scale effect has been the key to facilitate our sustainable growth in business. Due to our extensive geographical coverage, and project operation scale, which is higher than industry average, we are able to reduce our operating costs and reap the maximum values from platform operations. In the future, we will continue to leverage project-based resource advantages brought by the steady development of affiliated companies, undertake premium projects and speed up expansion. Meanwhile, we plan to continue to enhance marketing expansion capabilities and to promote low-cost brand development, which includes seeking new businesses from (among others) small-and-medium-sized property developers, governments, industrial parks and schools, and that we will contribute to the "Three Supplies and Property Management" Reform of state-owned enterprises, and expand GFA from third-party developers. We will closely follow government policies, explore market opportunities and cautiously proceed with high-quality mergers and acquisitions, so as to achieve efficient and quality scale expansion.

We will persist to build up our capabilities in channels and investment to provide a comprehensive portfolio of community value-added services, so as to explore the potential market growth for community value-added services. We intend to achieve full-coverage of community media hub at low-tier cities through integrating and merging online and offline channel resources at community level and formulation of a community-based scenario that allows an integrated marketing and communication portal. We will continue to build up precise and prudent investment capabilities. To this end, we will establish professional team and set up investment funds that cater for facility management, asset management and greater community living services sectors, among others. Such development will further refine our corporate business portfolio and ecological framework, as well as to allow for a full-launch of offline channels that facilitates a close matching between the needs of property owners and services provided by commercial operators, which in turn has enabled an optimal allocation of resources among diverse needs. In addition, the high population density conjured up by large-scale projects has helped generate more value-added service needs and this becomes a natural competitive edge for us to develop community value-added services. Due to the enormous loyalty and recognition we earned from property owners through our provision of excellent services for longstanding years, we have laid a solid ground for developing our community value-added services. We will leverage the core coverage advantages of population, assets, and channels to reap benefits from the potential growth in the business of community value-added services.

“Urban Co-existence Programme” shows positive results; apply “Amazing Plus (美好+)” operation model in expressway service area

In 2018, we launched the city service product system “Urban Co-existence Programme” of CG Services, while in 2019, we officially entered Kaiyuan City in Liaoning Province. We provided integrated smart services to the aforesaid city, and have made impressive progresses in various aspects, including urban environmental improvement, and public disaster contingency support services. All along, we have steadily developed and implemented value-added service models. In the future, we will serve as a pioneer in providing brand new public services oriented to theme of city-governance. By taking gradual steps in applying city-based digitalised operation and maintenance platform, the Company will provide a wide spectrum of municipal public services that covers infrastructure, parks and scenic spots, cultural and sports centers, transportation hubs, hospitals, schools, commercial office buildings, residential communities, among others, with all such facilities in multi-faceted sectors all operated under an integrated city-based on big property management model.

Moreover, we innovatively initiate the strategic blueprint, themed “Amazing Plus” as our services provision catered for expressway areas. Our Company aims to create a “professional expressway service brand in China”, that will enable commuters to have the privilege to attentive service system, as well as to effectively utilise the assets’ values within the expressway service areas. In the future, we will base on expressway as a hub, applying the smart operation model, “Urban Co-existence Programme” to expressway service areas. Our business operation will stretch from commercial operation services to monetizing data analysis of commuters in transit. We also intend to initiate AI smart maintenance on facilities and environment, that will allow us to promote the betterment for cities along the same line of traffic. We will also contribute to the high-quality environmental development for cities by making them the best suitable for living, business, tourism and healthcare.

Promote the applications of smart community and lead the trend in “AI plus Community” development in the industry

Applying digitalization and smart technology has become the key to enhance efficiency as well as to reduce costs in property management services industry. More importantly, with the help of technology enhancement, we are able to standardize our service by the automation of AI technology. By doing so, we will save labour and time cost so that our staff will have more opportunities to contact property owners directly to deliver attentive services and more user-friendly and personalised premium services.

We launched the first “AI + IoT based” artificial intelligence integrated solution product system in the industry, including all products in the CLOUD, EDGE, END structures, providing a complete solution for smart communities, to achieve an integrated solution of cloud-based data and decision-making with community scenarios via edge servers. Such solution has the four advantages of “all-scenario, all-intelligence; full-integration, and full-chain" operation, that facilitates an overall smart city development. During the fight to contain COVID-19, we innovatively initiated community barriers that include infrared thermographs to achieve highly efficient access control, drone disinfection and ultraviolet germicidal lamps to achieve a wider coverage of three-dimensional sanitation and termination impact. This testifies the empowerment of science and technology to promote community epidemic prevention and control. In the future, we will continue to develop smart applications, as well as to share and integrate digitalised and smart solutions and products in the industry. We will base on technological capacities offered by AI, cloud computing, big data, and IoT, to intensify penetrative strategic collaborative efforts with Tencent and Alibaba Cloud, Baidu, Hikvision, Bright Dream Robotics (博智林機器人) and other competitive affiliated partners. Ultimately, we aim to facilitate the implementation of "AI plus Community" initiative, that will not only benefit small and medium-sized property enterprises, but also improve the service effectiveness and efficiency in property management, and, therefore, more property owners will be offered with a more attentive and premium service system.

Center on "Big Property Management"; expand service mode both vertically and horizontally to enhance service quality

We are in the grand era of property management, there is huge space for the expansion of property management companies both in the horizontal and vertical dimensions within the context of "Big Property Management. We have completed the equity cooperation with Liyang Zhongli Elevators and Escalators (溧陽中立電梯), a professional elevator company, to further promote the elevator management and standardised services to our managed communities. Based on the business ethic of safety first, we are poised to develop a deeper market penetration with our professional services. In the future, on the basis of providing security, cleaning, green landscaping, maintenance and repair, and butler services, we will vertically explore more professional services, including professional maintenance services for elevators, pest control, and professional security services.

We will continue to make full use of our advantages in terms of population, assets, channels in virtue of the large scale of our property management portfolio to develop more extensive and diversified value-added services; providing high-tech and digital facilities and equipments management services on the basis of the integrated property services through intensive management and technology empowerment; realizing the full coverage of asset facilities operation and asset value management through the upgrading of professional capabilities. At the same time, we will further promote the horizontal extension of service types to extend the services to the ends of living and assets. In the space of "Big Property Management", we will open up more room for development by means of cooperation, merger and acquisition, self-development to drive the Group to fulfill the corporate vision of becoming an international leading technology-based integrated services group.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, (iv) Three Supplies and Property Management businesses. For the year ended 31 December 2019, the total revenue increased by approximately 106.3% to approximately RMB9,644.9 million from approximately RMB4,675.3 million for the year ended 31 December 2018.

(1) Property management services

During the Year, the revenue from property management services increased by approximately 68.8% to approximately RMB5,817.0 million from approximately RMB3,445.5 million for the year ended 31 December 2018, accounting for approximately 60.3% of the total revenue (for the corresponding period in 2018: approximately 73.7%).

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

	Year ended 31 December			
	2019		2018	
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Properties developed by the CGH Group	**4,349,499**	**74.8**	3,054,342	88.6
Properties developed by independent third-party property developers	**1,467,462**	**25.2**	391,147	11.4
Total	**5,816,961**	**100.0**	3,445,489	100.0

The revenue-bearing GFA increased by approximately 94.6 million sq.m. from approximately 181.5 million sq.m. for the same period in 2018 to approximately 276.1 million sq.m.; this was mainly due to the significant effect of market expansion, diversification of property management services which focuses on residential communities, discovery of new profit growth points, addition of non-residential property management service areas such as hospital and industry parks, commercial buildings and schools, and the continuing promotion of scale development of enterprises to provide professional integrated city operation services.

(2) Community value-added services

During the Year, the revenue from community value-added services increased by approximately 107.4% to approximately RMB865.2 million from approximately RMB417.2 million for the year ended 31 December 2018, accounting for approximately 9.0% of the total revenue (for the corresponding period in 2018: approximately 8.9%).

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

(a) During the Year, the revenue from housekeeping services increased by approximately 207.8% to approximately RMB274.6 million from approximately RMB89.2 million for the year ended 31 December 2018.

(b) During the Year, the revenue from turn-key furnishing and move-in services increased by approximately 70.4% to approximately RMB97.8 million from approximately RMB57.4 million for the year ended 31 December 2018.

(c) During the Year, the revenue from community media services increased by approximately 218.0% to approximately RMB93.8 million from approximately RMB29.5 million for the year ended 31 December 2018.

(d) During the Year, the revenue from value-added innovations services increased by approximately 92.8% to approximately RMB144.8 million from approximately RMB75.1 million for the year ended 31 December 2018.

(e) During the Year, the revenue from real estate brokerage services increased by approximately 30.3% to approximately RMB138.1 million from approximately RMB106.0 million for the year ended 31 December 2018.

(f) During the Year, the revenue from community area services increased by approximately 93.5% to approximately RMB116.1 million from approximately RMB60.0 million for the year ended 31 December 2018.

As discussed above, we provided property owners with a full range of community value-added services. With the continuous expansion of the management area and the number of customers covered by our property management service business, and by building a community value-added service system with high reach, good experience and strong trust through service innovation, precision marketing, increased penetration, external cooperation, brand creation and other methods, the Group further provided property owners with rich, affordable and convenient livelihood services and also brought rapid growth to the community value-added services.

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

During the Year, the revenue from value-added services to non-property owners increased by approximately 79.8% to approximately RMB1,422.1 million from approximately RMB791.1 million for the same period in 2018, accounting for approximately 14.7% of the total revenue (for the corresponding period in 2018: approximately 16.9%).

The increase in value-added services to non-property owners was mainly due to the fact that: (i) the Group's consultancy services for pre-sale business management saw a decline in service income of individual cases, but the significant increase in the number of projects brought about revenue growth; (ii) pre-delivery cleaning and other services achieved growth; (iii) since the second half of 2018, the Group has been commissioned by CGH Group to collect agency fees for the sales and leasing agency services of unsold parking spaces and properties. Revenue for this period had higher growth when compared to the same period of last year, increased to approximately RMB195.2 million from approximately RMB66.7 million for the same period of 2018.

(4) Three Supplies and Property Management Businesses

During the Year, the Group has successfully taken over the "Three Supplies and Property Management" businesses. The revenue from "Three Supplies and Property Management" businesses currently include of the revenue arising from property management services and heat supply services.

Among which, the revenue from property management services was approximately RMB525.2 million, the revenue-bearing GFA of the property management services was 84.9 million sq.m. as of 31 December 2019; the revenue from heat supply services was approximately RMB990.2 million, the revenue-bearing GFA of the heat supply services was 40.8 million sq.m. as of 31 December 2019.

Cost of Services

The Group's cost of services includes (i) staff cost, (ii) cleaning cost, (iii) heat supply cost, (iv) maintenance cost, (v) utilities, (vi) greening and gardening cost, (vii) transportation cost, (viii) office and communication cost, (ix) taxes and surcharges, (x) security expenses, (xi) depreciation and amortisation charges, (xii) community activities cost, (xiii) travelling and entertainment cost, (xiv) others. During the Year, the cost of services was approximately RMB6,592.7 million, representing an increase of approximately 126.3% as compared to approximately RMB2,913.7 million for the year ended 31 December 2018.

Such increase was mainly reflected in the increase in labour cost and various costs as a result of continuous expansion of the revenue-bearing GFA of the Group.

Gross Profit and Gross Profit Margin

During the Year, the overall gross profit increased by approximately RMB1,290.6 million to approximately RMB3,052.2 million from approximately RMB1,761.6 million for the year ended 31 December 2018, representing an increase of approximately 73.3%.

During the Year, the overall gross profit margin decreased by 6.1 percentage points to approximately 31.6% from approximately 37.7% for the year ended 31 December 2018, and the overall gross profit margin decreased was mainly due to that the gross profit margin of new projects and the "Three Supplies and Property Management" businesses was lower than the average gross profit margin of the Group.

(i) Property management services

During the Year, the gross profit margin of property management services decreased by 1.7 percentage points to approximately 30.2% from approximately 31.9% for the year ended 31 December 2018.

The decrease in the gross profit margin of property management services was mainly due to the Group's acquisition of various property management companies in the second half of the year and the active increase of external market expansion projects. The above mentioned new projects lowered the gross profit margin of property management services to a certain extent.

(ii) Community value-added services

During the Year, the gross profit margin of community value-added services increased by 0.1 percentage points to approximately 66.2% from approximately 66.1% for the year ended 31 December 2018.

The gross profit margin of community value-added services was relatively stably, business structure optimization, the community value-added service system was further improved.

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

During the Year, the gross profit margin of value-added services to non-property owners decreased by 7.1 percentage points to approximately 41.0% from approximately 48.1% for the year ended 31 December 2018.

The decrease in the gross profit margin of value-added services to non-property owners was mainly due to (i) the provision of consultancy services for pre-sale business management saw a decline in service income of individual cases; (ii) the business of pre-delivery cleaning and other services with low gross profit margin further increased, resulting in a decrease in gross profit margin.

(iv) Three Supplies and Property Management Business

During the Year, for the "Three Supplies and Property Management" business, the gross profit margin of its property management services was 13.4%, and the gross profit margin of heat supply services was 6.0%.

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

Selling and Marketing Expenses

During the Year, selling and marketing expenses were approximately RMB66.8 million, representing an increase of approximately 151.1% as compared with approximately RMB26.6 million for the year ended 31 December 2018.

The increase in selling and marketing expenses was mainly due to the expansion of staff costs and professional consultancy fees incurred by the Group during its search for better business targets and continuing mergers and acquisitions to expand third-party properties, resulting in an increase of selling and marketing expenses compared to the same period in 2018.

General and Administrative Expenses

During the Year, general and administrative expenses were RMB1,207.6 million, representing an increase of approximately 59.0% as compared with approximately RMB759.7 million for the year ended 31 December 2018.

The increase in general and administrative expenses was mainly due to the expansion of the Group's business scale with the increase in its total revenue-bearing GFA. In 2019, the Group's organizational structure went through adjustments with the merging of certain segments, its management was streamlined by implementing "one post with multi-functions" policy, resulting in improvement in per capita efficiency. Of which, the share-based compensation expenses was 14.4 million.

Other Income

During the Year, other income was approximately RMB51.1 million, representing an increase of approximately 135.5% as compared with approximately RMB21.7 million for the year ended 31 December 2018.

The increase in other income was mainly due to (i) increase in employment, tax refund and other relevant government subsidies compared to the same period of last year as the Group expanded its business; (ii) increase in other income of RMB12.0 million for the Year arising from the taxation benefit of 10% on deductible input tax enjoyed by the Group as a taxpayer in the industries of living services from 1 April 2019 to 31 December 2021 with the implementation of the policies on substantial reduction of value added tax in mainland China.

Other Gains — Net

During the Year, other gains — net were approximately RMB178.1 million, representing an increase of approximately RMB149.6 million as compared with approximately RMB28.5 million for the year ended 31 December 2018.

The increase was mainly due to investment return from financial assets at fair value through profit and loss of RMB115.1 million.

Finance Income — Net

During the Year, the finance income — net was approximately RMB91.9 million, representing an increase of approximately 70.8% compared with approximately RMB53.8 million for the year ended 31 December 2018.

On the one hand, the increase of the finance income — net was mainly 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; on the other hand, exchange gains was generated on bank deposits that dominated in Hong Kong dollar that received by the Group from the issue of shares at the beginning of this year as a result of depreciation of RMB.

Income Tax Expense

During the Year, income tax expense was approximately RMB357.7 million, representing an increase of approximately 164.6% compared to approximately RMB135.2 million for the year ended 31 December 2018.

The increase was mainly due to (i) the overprovision for income tax expense of approximately RMB58.3 million for the year ended 31 December 2017 of our major subsidiary, Country Garden Intellectual Property Services Group Co., Ltd (碧桂園智慧物業服務集團股份有限公司) (a wholly-owned subsidiary of the Company, **"CG Property Services"**), was reversed in 2018, while there was no such impact during the Year; (ii) the increase of the Group's profit before income tax as a result of income tax expense increased.

Profit for the Year

During the Year, the net profit of the Group was approximately RMB1,718.4 million, representing an increase of approximately 83.9% compared to approximately RMB934.2 million for the year ended 31 December 2018.

During the Year, the profit attributable to the owners of the Company increased from approximately RMB923.2 million for year ended 31 December 2018 to approximately RMB1,670.7 million, representing an increase of approximately 81.0%.

During the Year, the profit attributable to the non-controlling interests of the Company increased by approximately 329.7% from approximately RMB11.1 million for the year ended 31 December 2018 to approximately RMB47.7 million.

Property, Plant and Equipment

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

As at 31 December 2019, the property, plant and equipment of the Group was approximately RMB311.9 million, representing an increase of approximately RMB193.1 million from approximately RMB118.8 million as at 31 December 2018, mainly due to (i) an increase in tangible assets injected by non-controlling shareholders as capital; (ii) an increase in the purchase of transportation equipment, machinery equipment, electronic equipment etc. 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 arising from equity acquisitions, property management contracts and customer relationships and software assets.

As at 31 December 2019, the intangible assets of the Group were approximately RMB1,603.9 million, representing an increase of RMB917.6 million compared to approximately RMB686.3 million as at 31 December 2018, which was mainly due to several equity acquisitions completed by the Group during the Year, resulting in goodwill of approximately RMB712.0 million and property management contracts and customer relationships of approximately RMB222.7 million. Besides, the amortization of property contracts and customer relationships arising from the acquisitions during the Year was approximately RMB41.0 million.

Trade and Other Receivables

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

As at 31 December 2019, the Group recorded net trade receivables of approximately RMB1,574.0 million, representing an increase of approximately RMB1,006.5 million compared to approximately RMB567.5 million as at 31 December 2018, mainly due to the significant increase in the total revenue of the Group.

The net other receivable increased by 92.8% from approximately RMB190.5 million as at 31 December 2018 to approximately RMB367.2 million as at 31 December 2019, mainly due to the increase in security deposits, utilities, garbage and other fees collected and paid for property owners when compared with 2018.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include wealth management products and investments in closed-end funds. On 31 December 2019, the balance of financial assets at fair value through profit or loss of the Group amounted to RMB1,280.7 million. All the applicable percentages for such transactions calculated under the Listing Rules are less than 5%, therefore, related transactions do not constitute disclosable transactions.

Contract Liabilities

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

The contract liabilities increased from approximately RMB1,000.2 million as at 31 December 2018 to approximately RMB1,618.1 million as at 31 December 2019, representing an increase of approximately RMB617.9 million, which was mainly due to an increase in prepayment for property services as a result of an increase in the revenue-bearing GFA.

Trade and Other Payables

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

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

As at 31 December 2019, trade payables of the Group were approximately RMB1,480.2 million, representing an increase of approximately RMB1,129.5 million compared to approximately RMB350.7 million as at 31 December 2018, primarily due to the Group's business expansion resulting in an increase in material procurement costs, labor outsourcing costs and utility fees.

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

Other payables increased from approximately RMB1,072.0 million as at 31 December 2018 to approximately RMB2,012.8 million as at 31 December 2019, primarily due to the impact of an increase in outstanding considerations payable for business combinations, 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 2019, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB6,926.0 million, representing an increase of approximately RMB3,051.7 million as compared with approximately RMB3,874.3 million as at 31 December 2018. Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB11.9 million (as at 31 December 2018: approximately RMB5.4 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of the local government authorities.

As at 31 December 2019, the net current assets of the Group were approximately RMB3,797.1 million (31 December 2018: approximately RMB1,543.7 million). The current ratio (current assets/current liabilities) of the Group was 1.6 times (31 December 2018: 1.5 times).

For the year ended 31 December 2019, the Group did not have any loan or borrowing.

Key Risk Factors and Uncertainties

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

Industry Risk

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

Business Risk

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

Foreign Exchange Risk

The Group principally focuses on its business in the PRC. Except for bank deposits and trade receivables denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. During the 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 2019, the Group had 54,085 employees (31 December 2018: 33,609 employees). During the Year, the total staff costs were approximately RMB4,041.6 million.

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

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

Employee Training and Development

The Group organized various special talent training camps, quality development training, cross-district exchange and learning, video conferences, 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-time and a total of tens of thousands of training hours, of which 16 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.

Dividends

The final dividend in respect of 2018 of RMB8.49 cents (equivalent to HKD9.66 cents) per share, totalling RMB226,309,000, has been approved at the Annual General Meeting on 20 May 2019 and paid in cash in July 2019.

The Board of Directors recommended the payment of a 2019 final dividend of RMB15.14 cents per share, totalling RMB417,670,000, which has taken into account 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 2019, the Group did not have any charges on its assets.

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities.

AUDITOR

The Company has not changed its auditor during any of the past three years.

EVENTS SUBSEQUENT TO THE YEAR

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2019 as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

AUDIT COMMITTEE

The audit committee of the Company assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, and overseeing the audit process. The Audit Committee of the Company currently comprises three independent non-executive Directors, namely Mr. Rui Meng, Mr. Mei Wenjue and Mr. Chen Weiru. Mr. Rui Meng is the chairman of the Audit Committee. The Audit Committee and the management have discussed and reviewed the annual results and consolidated accounts of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the code provisions in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of corporate governance.

During the year ended 31 December 2019, the Company has adopted and complied with all applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules, except for the deviation as specified and explained below with considered reasons.

Code provision E.1.2 of the Corporate Governance Code stipulates that the chairman of the board should attend the annual general meeting. Ms. Yang Huiyan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 20 May 2019 due to other important engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by its Directors and employees (the "**Securities Dealing Code**").

The Company has made specific enquiry to all Directors on whether the Directors have complied with the required standard as set out in the Model Code during the year ended 31 December 2019 and all Directors have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said year. The Company did not spot any non-compliance incidents during the year ended 31 December 2019. 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.

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

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares of the Company ("**Shares**"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the "**SFO**"), which were required to be entered in the register pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares and underlying shares of the Company

Name of Director	Capacity	Number of Shares held	Number of interests in underlying shares held under equity derivatives	Total	% of total Shares in issue as at 31 December 2019	Number of debentures held
Ms.Yang Huiyan	Interest of controlled corporations	1,451,120,428[(1)]	—	1,451,120,428	53.53%	—
Ms. Wu Bijun	Beneficial owner	5,418,790[(3)(4)]	7,778,400[(2)]	13,197,190	0.49%	—
Mr. Li Changjiang	Beneficial owner	5,185,600[(3)]	7,778,400[(2)]	12,964,000	0.48%	—
Mr. Xiao Hua	Beneficial owner	1,904,837[(3)(5)]	2,857,200[(2)]	4,762,037	0.18%	—
Mr. Guo Zhanjun	Beneficial owner	1,879,600[(3)]	2,819,400[(2)]	4,699,000	0.17%	—

Notes:

(1) As at 31 December 2019, Concrete Win and Fortune Warrior held 1,326,120,428 Shares and 125,000,000 Shares, respectively. Concrete Win and Fortune Warrior are beneficially wholly-owned by Ms. Yang Huiyan. By virtue of the SFO, Ms. Yang Huiyan is deemed to be interested in the same number of Shares in which Concrete Win and Fortune Warrior were interested.

(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 the relevant Directors.

(3) Shares were allotted and issued by the Company on 14 November 2019 pursuant to the exercise of share options granted under the Pre-Listing Share Option Scheme by the grantees.

(4) 56,190 Shares were distributed to Ms. Wu Bijun by virtue of the shares of CGH held by her prior to the spin-off and separate listing of the Shares of the Company on the Main Board of the Stock Exchange and 177,000 Shares were purchased by Ms.Wu Bijun from the secondary market.

(5) 37 Shares were distributed to Mr. Xiao Hua by virtue of the shares of CGH held by him prior to the spin-off and separate listing of the Shares of the Company on the Main Board of the Stock Exchange.

Save as disclosed above, as at 31 December 2019, 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 2019, 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
Concrete Win	Beneficial owner	1,326,120,428(L)	48.92%
Mr. Chen Chong[(1)]	Interest of spouse	1,451,120,428(L)	53.53%
JPMorgan Chase & Co.[(2)]	Interest of controlled corporation	14,428,640(L) 5,258,724(S)	0.53% 0.19%
	Investment manager	39,664,141(L)	1.46%
	Person having a security interest in shares	4,748,800(L)	0.18%
	Approved lending agent	89,423,830(L)	3.30%

Notes:

L — long position, S — short position

(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 Position in Shares, Underlying Shares and Debentures of the Company".

(2) JPMorgan Chase & Co. is interested in 148,265,411 Shares (long position, of which 89,423,830 Shares are in a lending pool) and 5,258,724 Shares (short position), accounting for approximately 5.47% and 0.19% of Shares in issue, respectively. As shown in the Disclosure of Interests, these Shares are held by JF Asset Management Limited (a corporation held indirectly by JPMorgan Chase & Co. as to 99.99% control), China International Fund Management Co., Ltd (a corporation held indirectly by JPMorgan Chase & Co. as to 49% control) and by other corporations held directly or indirectly by JPMorgan Chase & Co. as to 100% control. Among which, 2,733,908 Shares (long position) and 2,804,404 Shares (short position) are derivatives interests, including 14,000 Shares (short position) as cash-settled listed derivatives, 2,733,908 Shares (long position) and 189,118 Shares (short position) as cash-settled unlisted derivatives, and 2,601,286 Shares (short position) as physically settled unlisted derivatives.

Save as disclosed above, as at 31 December 2019, 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, the Pre-Listing Share Option Scheme was adopted by the then shareholders of the Company. It was subsequently amended by a resolution passed at the extraordinary general meeting held on 7 November 2019 (for details of the amendment, please refer to the announcement of the Company dated 16 October 2019 and the circular of the Company dated 22 October 2019). A summary of the principal terms of the Pre-Listing Share Option Scheme is set out as follows:

(i) Purpose

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

(ii) Participants

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

- any full-time employee, executive and senior staff of the Group;
- any director (including non-executive director and independent non-executive director) of the Group;
- any other eligible individual whom the Board or person(s) authorized by it may in their sole discretion consider to have contributed or will contribute to the Company.

(iii) Maximum number of shares available for subscription

The maximum number of Shares which may be issued pursuant to the Pre-Listing Share Option Scheme will be 132,948,000 Shares, representing approximately 4.8970% of the issued share capital of the Company as at the date of this announcement and approximately 4.7452% of the enlarged issued share capital of the Company as at the date of this announcement assuming all options granted under the Pre-Listing Share Option Scheme are fully exercised.

(iv) Maximum entitlement of Shares of each participant

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

(v) Option period

The period for which the grantee may exercise the option under the Pre-Listing Share Option Scheme shall not exceed 5 years from the date of grant.

(vi) Payment on acceptance of option offer

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

(vii) Basis of determining the exercise price

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

(viii) Remaining life of the scheme

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

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.

On 14 November 2019, 42,132,800 Shares were allotted and issued pursuant to the exercise of share options by several grantees. The closing price of the Shares immediately before 14 November 2019 was HK$26.9 per Share.

During the year ended 31 December 2019, details of movements in the share options under the Pre-Listing Share Option Scheme are as follows:

	Options to subscribe for Shares								
Category and name of grantee	Outstanding as at 1 January 2019	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2019	Exercise price per Share (HK$)	Date of grant	Exercise period
Directors									
Ms. Wu Bijun	12,964,000	—	5,185,600	—	—	7,778,400	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Mr. Li Changjiang	12,964,000	—	5,185,600	—	—	7,778,400	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Mr. Xiao Hua	4,762,000	—	1,904,800	—	—	2,857,200	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Mr. Guo Zhanjun	4,699,000	—	1,879,600	—	—	2,819,400	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Sub-total	35,389,000	—	14,155,600	—	—	21,233,400			
Other participants	97,559,000	—	27,977,200	—	—	69,581,800	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Sub-total	97,559,000	—	27,977,200	—	—	69,581,800			
Total	132,948,000	—	42,132,800	—	—	90,815,200			

Notes:

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

(2) The closing price of the Shares 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 2019 was approximately RMB14.4 million (2018: RMB20.5 million). The relevant accounting policy is depicted in Note 2.20 'Share-based payments' of the notes to the consolidated financial statements of the 2018 annual report of the Company published on 11 April 2019.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of RMB15.14 cents per Share in the form of cash (2018: RMB8.49 cents per Share) for the year ended 31 December 2019 to shareholders whose names appear on the register of members of the Company on Wednesday, 24 June 2020 (record date) ("**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 Thursday, 18 June 2020 to Wednesday, 24 June 2020. It is expected that the final dividend warrants will be despatched to the Eligible Shareholders on or around Thursday, 6 August 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend, speak and vote at the forthcoming annual general meeting of the Company (the "**2020 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 2020 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 Wednesday, 10 June 2020
Record Date	Wednesday, 10 June 2020
Closure of the register of members of the Company	Thursday, 11 June 2020 to Tuesday, 16 June 2020 (both days inclusive)

(ii) Subject to the passing of the proposal of distributing the final dividend at the 2020 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 Monday, 22 June 2020
Closure of the register of members of the Company	Tuesday, 23 June 2020 to Wednesday, 24 June 2020 (both days inclusive)
Record Date	Wednesday, 24 June 2020

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

PUBLICATION OF ANNUAL RESULTS

The annual results announcement has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.bgyfw.com). The Company's 2019 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company on or before 30 April 2020.

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

Hong Kong, 18 March 2020

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