碧桂園服務控股有限公司
Country Garden Services Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6098

2020 ANNUAL REPORT

Content

CORPORATE OVERVIEW

Country Garden Services Holdings Company Limited (stock code: 6098.HK) is a leading service provider in comprehensive property management in China with residential property as its major focus. We have won industry-leading customer satisfaction rate with outstanding service quality and service brands as well as gained high recognition in the industry. The Group has won authoritative awards including "No.1 in terms of Comprehensive Strength" (綜合實力第一), "No.1 in terms of Operational Performance" (經營績效第一) and "No.1 in terms of Service Scale" (服務規模第一) among the "Top 100 Property Management Companies in China in 2020" (2020年中國物業服務百強企業) granted by China Index Academy; "Top 1 among Property Management Companies in China in terms of Comprehensive Strength" (中國物業企業綜合實力Top 1), "Top 1 of the Top 10 in terms of Investment Value" (投資價值十強Top 1) and "Top 1 among Top 100 Listed Property Management Companies in China" (中國上市物業企業百強Top 1) in 2020 granted by YIHAN (億翰智庫).

Founded in 1992, the Group experienced 29 years of steady development. It always adheres to the service concepts of "Cater for property owners' urgent needs; address property owners' concerns" and "Property owner-oriented". With strong business capability and lean management, it has completed three major certifications of the British Standards Institution (BSI), being quality management system ISO, environmental management system ISO and occupational health and safety system. It has formed a comprehensive and efficient property management service system, and is committed to letting property owners experience the beauty of property services through strong offline service system and consolidation of community business resources. Furthermore, it provides full life-cycle services by focusing on preservation and appreciation of the value of owners' real estates.

Our major business sectors include: (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, (iv) the "Three Supplies and Property Management" businesses, and (v) city services, which constitute part of our comprehensive services we provide to customers that cover the full range of value chain in property management. As at 31 December 2020, apart from the "Three Supplies and Property Management" businesses, our contracted gross floor area ("GFA") was approximately 820.5 million sq.m., and our revenue-bearing GFA was approximately 377.3 million sq.m.. In addition, as at 31 December 2020, both of the contracted and revenue-bearing GFA of the property management services of "Three Supplies and Property Management" businesses were approximately 85.2 million sq.m. We managed a total of 3,277 property projects covering more than 360 cities across 31 provinces, municipalities, autonomous regions and the Hong Kong Special Administrative Region in China and overseas markets, providing quality services to approximately 4.24 million property owners and commercial tenants.

Property management services — We provide property owners, residents and property developers with a series of property management services, including security, cleaning, green landscaping, gardening, repair and maintenance, and other services. We have been optimizing our property management portfolio and enriching our forms of management. Currently, our property management portfolio covers residential properties, commercial properties, office buildings, industrial parks, multi-purpose complexes, government buildings, hospitals, schools and other public facilities, such as airport terminals, highway service stations, scenic areas and other non-residential properties.

Community value-added services — We are committed to becoming an "integrated whole-cycle community life services operator". By focusing on the family growth cycle of property owners, the property value cycle and the mature development cycle of communities, we strive to provide property owners with comprehensive community life services to meet their needs for asset preservation and appreciation and daily life needs. By integrating community business resources, we are dedicated to letting property owners experience the beauty of property services. Six major businesses have gradually formed in our community value-added services segment: (i) home services; (ii) home decoration services; (iii) community media services; (iv) value-added innovations services; (v) real estate brokerage services; and (vi) community area services.

Value-added services to non-property owners — The value-added services we provide to non-property owners mainly include (i) management consultancy services to property developers for their pre-sale activities, as well as consultancy services for properties managed by other property management companies, (ii) cleaning services, green landscaping, repair and maintenance services to property developers at the pre-delivery stage, and (iii) sales and leasing agency services of unsold parking spaces and properties.

"Three Supplies and Property Management" businesses — In 2018, we established a joint venture and began to enter the separation and transfer of property management and heat supply on "Three Supplies and Property Management" Reform. We successfully completed the full takeover of the projects during the Year. We will give full play to our successful experience in this benchmarking project and continue to further develop the "Three Supplies and Property Management" field, thus creating one of our future growth drivers.

City services — The Group is committed to becoming a leading provider of integrated city governance public services in the PRC. We adhere to our strategy of focusing on new urbanization. With "improving governance and environment to benefit business and people" as core value, we promote high-quality development of cities through its three core businesses, being city public service, city resource management and city digital governance. The "City Co-existence Programme" is a city service product launched by the Group by leveraging its development and 29 years of experience in providing new city services and combining its whole industrial chain advantage, with the core philosophy of "Making cities better with our services", driven by market demand and core technologies and on the basis of sharing ecological partners and resource platforms. Under the programme, the Group strives to achieve the balance between maximizing economic, social and environmental benefits, while maintaining the balance between the comprehensive and long-term benefits of city governance public services.

On 19 June 2018, the Company was listed on the Stock Exchange, indicating its formal entrance into the international capital market. Since the listing, its position in the international capital market was gradually enhanced — It was included as a constituent of MSCI China All Shares Index on 31 August 2018, and was included as a constituent of Hang Seng Composite LargeCap & MidCap Index and in the Hong Kong Stock Connect stock list on 10 September 2018. It was included as a constituent of Hang Seng China (Hong Kong-listed) 100 Index and Hang Seng China Enterprises Index on 9 December 2019 and 15 March 2021, respectively. For credit rating, the Company received Fitch's long-term foreign-currency issuer credit rating of investment grade BBB- with stable outlook on 20 March 2020. In addition, it received a rating of A in the MSCI ESG ratings assessment in November 2019 and has maintained such rating since then.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Changjiang *(President)*
Mr. Xiao Hua
Mr. Guo Zhanjun

Non-executive Directors

Ms. Yang Huiyan *(Chairman)*
Mr. Yang Zhicheng
Ms. Wu Bijun

Independent Non-executive Directors

Mr. Mei Wenjue
Mr. Rui Meng
Mr. Chen Weiru

AUDIT COMMITTEE

Mr. Rui Meng *(Chairman)*
Mr. Mei Wenjue
Mr. Chen Weiru

REMUNERATION COMMITTEE

Mr. Chen Weiru *(Chairman)*
Ms. Yang Huiyan
Mr. Mei Wenjue

NOMINATION COMMITTEE

Ms. Yang Huiyan *(Chairman)*
Mr. Rui Meng
Mr. Chen Weiru

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Li Changjiang *(Chairman)*
Mr. Xiao Hua
Mr. Guo Zhanjun

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Li Changjiang
Mr. Huang Peng

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building, Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong laws:
Woo Kwan Lee & Lo
26/F, Jardine House. 1 Connaught Place. Central, Hong Kong

As to PRC laws:
DeHeng Law Offices (Shenzhen)
11/F, Section B, Anlian Plaza No. 4018 Jintian Road,
Futian District Shenzhen, PRC

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited

COMPANY WEBSITE

www.bgyfw.com

STOCK CODE

6098

LISTING DATE

19 June 2018

Major Events

In 2020, Country Garden Life Services Group Co., Ltd. ("CG Life Services") conducted equity cooperation with Liyang Zhongli Elevator Engineering Co., Ltd. (溧陽中立電梯工程有限公司) ("Liyang Zhongli"), Evergrand Property Management Limited (菱基物業管理有限公司) ("Evergrand Property"), Wenjin International Insurance Broker Co., Ltd. (文津國際保險經紀有限公司) ("Wenjin Insurance"), City-Media (Shanghai) Corporation, Limited (城市縱橫（上海）文化傳媒股份有限公司(currently known as City-Media (Shanghai) Culture Media Co., Ltd.* (城市縱橫（上海）文化傳媒有限公司)), Shandong Manguo Kangjie Environmental Sanitation Group Co., Ltd. (山東滿國康潔環衛集團有限公司) ("Manguo Kangjie" or "Manguo") (currently known as Country Garden Manguo Environmental Technology Group Co., Ltd. (碧桂園滿國環境科技集團有限公司)) and Fujian Dongfei Environment Group Co., Ltd. (福建東飛環境集團有限公司) ("Fujian Dongfei" or "Dongfei").

In January 2020, the annual dinner of CG Services with the theme of "2020, nothing incredible" was held at Country Garden Holiday Resort.

Mergers and acquisitions

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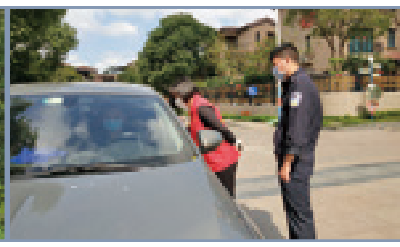
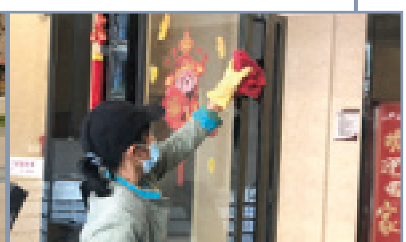


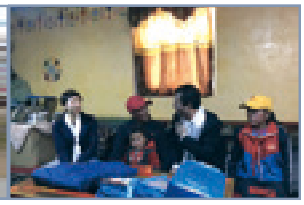


Since the outbreak of COVID-19, all units within CG Services promptly issued emergency notices for property projects in February 2020, specifying the goal of "holding first line of defense through property management services, with first line of treatment in hospitals". They put the life safety and health of property owners first and fought a health defense war through various methods including cleaning and disinfection, community inspection and epidemic prevention publicity.

CG Services quickly initiated an emergency plan, issued a series of guidance documents, and launched the fight against COVID-19 in thousands of communities in China. Starting with four aspects including epidemic prevention and control, disinfection in public areas, epidemic prevention publicity and community security, it swiftly implemented a series of epidemic prevention measures to protect the health and safety of property owners, including closed-off community management, full-coverage high-frequency disinfection, recycling and destroying masks at designated locations, procuring protective supplies and door-to-door security check. The epidemic prevention measures and considerate services provided by CG Services were praised and reported by many authoritative media including CCTV.

In March 2020, CG Services held its 2019 annual results conference.

In May 2020, CG Services formally joined the special project "Join Hands with Tibetan Children" jointly organised by China Property Management Institute, China Poverty-alleviation Promotion of Volunteer Service, the Social Participation in Poverty Alleviation and Development of China and E-house China. It donated a total of RMB265,200 to 39 students in Class 1, Grade 5 of Qudang Township Central Primary School, Dingri County, Xigaze City, Tibet Autonomous Region.



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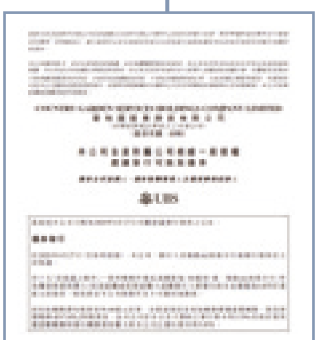


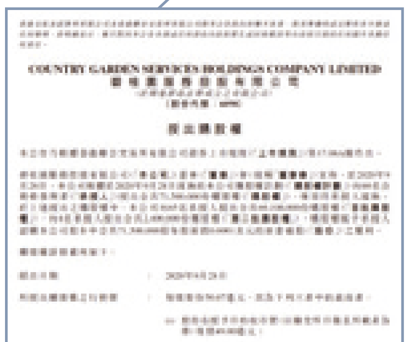
In April 2020, CG Services, Best Path Global Limited (the "**Issuer**", a wholly-owned subsidiary of the Company) and UBS AG Hong Kong Branch (as sole lead manager) entered into an agreement in relation to the issue of convertible bonds under general mandate (the "**Bonds**"), pursuant to which UBS AG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

In June 2020, the "Skills for a Better Life — CG Services Housekeeping Academy Launching Ceremony" was successfully held in the Country Garden headquarters building in Foshan. It was guided by Guangdong Provincial Poverty Alleviation and Development Office, the Department of Human Resources and Social Security of Guangdong Province and the Home Service Association of Guangdong Province, supported by Guangdong Women's Federation and Guangdong Foundation for Poverty Alleviation, jointly sponsored by Country Garden Holdings Company Limited, Guangdong Guoqiang Foundation and CG Life Services, and held by Guangdong Country Garden Business Etiquette Training Co., Ltd.

Major Events

In August 2020, a showroom of the Company with the theme of "Digital-driven and wisdom-led future" was opened at Guangzhou (China) Smart Property Management Expo 2020, in which its Tianshi Cloud digital products and services were exhibited.

In September 2020, in order to motivate eligible participants to work hard for the future development of the Group by providing them with the opportunities for acquiring the shares of the Company so as to promote the long-term steady growth of the Group, the shareholders of the Company (the "**Shareholders**") approved and adopted a share option scheme at the extraordinary general meeting of the Company held on 28 September 2020.


COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

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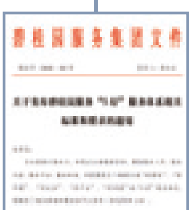

In July 2020, the Company issued the Standards and Requirements for CG Services 5-good Service System (Wu Ye Zi [2020] No. 183), aiming to build a 5-good service system of good housekeeper, good environment, good life, good platform and good neighborhood from 5 dimensions including service personnel, service content, service platform, service standards and neighborhood circles, so as to comprehensively improve services and achieve the goal of property owner satisfaction.

1. Good housekeeper: Comprehensively enhancing the core competitiveness of housekeeper services to become property owners' favorite all-round housekeeper.

2. Good environment: Meeting the service needs of property owners in the post-epidemic era, and establishing the community public safety and health service system most trusted by property owners.

3. Good life: Breaking the market competition barrier of service homogeneity by providing 100+ small and considerate services with Country Garden characteristics most popular among property owners.

4. Good platform: Making adjustments according to the process visualization requirements for the service industry in the post-epidemic era and the needs of property owners for interaction, establishing the fastest service request response system in the industry with which property owners are most satisfied and the most convenient property service and property owner interaction platform.

5. Good neighborhood: Coping with the community autonomy and grid trend, establishing a friendly and harmonious community ecology and neighborhood circle.

In November 2020, CG Services held a “Hello, new property!” new brand launch at Canton Tower, at which it formally announced its new corporate vision, brand vision and brand mission and officially released its new brand colour of “wisdom blue” and new logo of “wisdom tree”, signaling its march into a new property era.

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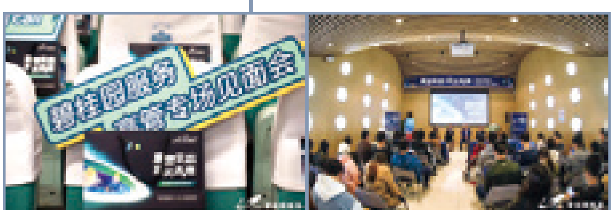
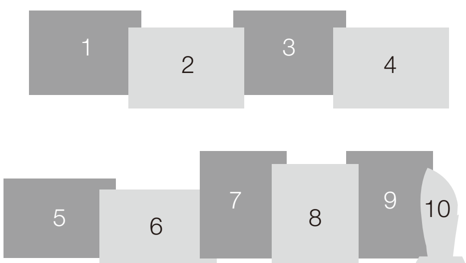


In October 2020, CG Services made campus recruitment executives presentations for 2021 with the theme of “Reshaping the ecology, defining the future” at four universities including Tsinghua University, Fudan University, Wuhan University and Sun Yat-sen University, with the aim of injecting core power for its sustainable development with high-caliber talents while providing them with a development platform for fast growth.

In December 2020, the “2020 (Fourth Session) China Real Estate New Era Grand Ceremony” and “Better Life Service Innovation Summit” jointly sponsored by China Property Management Research Institution, Leju Finance and China Real Estate Appraisal Center of Shanghai E-House Real Estate Research Institute was successfully held in Shanghai, during which a series of high-profile awards were unveiled. CG Services received the honour of “Leading Company in Smart Property Services in 2020”, and CG Services Tianshi Cloud (天石雲) was recognised as a “Preferred Service Provider Brand by Top 500 Property Management Companies in 2020 — Smart Community Brand”.

AWARDS AND HONOURS



1 Top 1 of the Top 10 Property Management Companies in terms of Comprehensive Strength in 2020

2 Top 1 of the Top 100 Property Management Companies in China in 2020

3 Top 1 Property Management Company in China in terms of Comprehensive Strength in 2020

4 Top 1 Listed Property Management Company in China in terms of Comprehensive Strength in 2020

5 Top 1 of the Top 100 Listed Property Management Companies in China in 2020

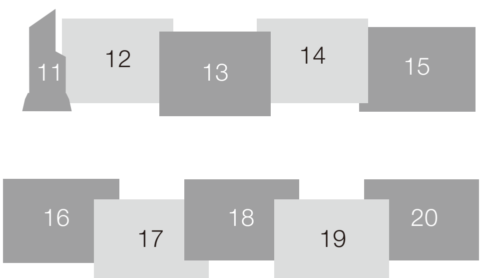
6 Top 100 Blue Chip Property Management Companies in 2020

7 Top 100 Blue Chip Property Management Companies Summit in 2020 — Comprehensive Value Company

8 Top 100 Blue Chip Property Management Companies in 2020 — Outstanding Smart Technology Innovation Company

9 Smart City Summit in 2020 — Outstanding Smart City Ecological Service Provider

10 Gold Kirin Hong Kong Stock Value List in 2020 — Listed Company with the Most Investment Value



11 Valuable Property Management Company of the Year in the Billboard of the Most Valuable Real Estate Enterprises in China for 2020

12 Leading Company in Residential Property Services in 2020

13 Leading Company in City Services in 2020

14 Distinctive Property Management Service Brand Company in 2020 — Phoenix Home

15 Preferred Service Provider Brand by Top 500 Property Management Companies in 2020 — Smart Community — Information Management System

16 Leading Company in Smart Property Services in 2020

17 Top 1 of the Top 100 Property Management Companies in China in terms of Operating Performance in 2020

18 Top 1 of the Top 100 Property Management Companies in China in terms of Service Scale in 2020

19 Leading Property Management Company in China in terms of Technology Empowerment in 2020

20 Leading Property Management Company in China in terms of Diversified Operation in 2020

CHAIRMAN'S STATEMENT

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

Dear Shareholders,

The board (the "Board") of directors (the "Directors") of the Company is pleased to report that the Group recorded revenue of approximately RMB15,600.4 million for the year ended 31 December 2020, representing an increase of 61.7% as compared to that of 2019, and gross profit of approximately RMB5,299.8 million, representing an increase of 73.6% as compared to that of 2019. The net profit for the year was approximately RMB2,781.7 million, representing an increase of 61.9% as compared to that of 2019. The profit attributable to the owners of the Company increased from approximately RMB1,670.7 million for the same period in 2019 to approximately RMB2,686.1 million, representing an increase of approximately 60.8%. The basic earnings per share were RMB97.62 cents, representing an increase of approximately 55.6%. The Board recommended the payment of a final dividend for 2020 of RMB21.87 cents (2019: RMB15.14 cents) per share.

The scale and nationwide geographical coverage of our property management business were further expanded. As at 31 December 2020, apart from the "Three Supplies and Property Management" businesses, our contracted gross floor area ("GFA") was approximately 820.5 million sq.m., representing an increase of 135.8 million sq.m. as compared to that as at the end of 2019, and our revenue-bearing GFA was approximately 377.3 million sq.m., representing an increase of 101.2 million sq.m. as compared to that as at the end of 2019. In addition, both of the revenue-bearing and contracted GFA of the property management services of the "Three Supplies and Property Management" businesses were 85.2 million sq.m..

In 2020, we moved forward while staying true to our original aspiration, and once again won many honours in the industry. The Group has won authoritative awards including "No.1 in terms of Comprehensive Strength" (綜合實力第一), "No.1 in terms of Operational Performance" (經營績效第一) and "No.1 in terms of Service Scale" (服務規模第一) among the "Top 100 Property Management Companies in China in 2020" (2020年中國物業服務百強企業) granted by China Index Academy; "Top 1 among Property Management Companies in China in terms of Comprehensive Strength" (中國物業企業綜合實力Top 1), "Top 1 of the Top 10 in terms of Investment Value" (投資價值十強Top 1) and "Top 1 among Top 100 Listed Property Management Companies in China" (中國上市物業企業百強Top 1) in 2020 granted by YIHAN (億翰智庫); and "Leading Company in City Services and Smart Property Services" (城市服務領先企業、智慧物業服務領先企業) in 2020 granted by China Property Management Research Institution.

The year 2020 was destined to be extraordinary. Community service people survived the tests of the COVID-19. The front line of treatment lies in hospitals, and the front line of epidemic prevention and control lies in communities. Millions of property service people took the responsibility of epidemic prevention and control by providing uninterrupted daily services and security for community residents.

Following the COVID-19 outbreak, over 50,000 employees of CG Services stayed on the front line and quickly developed and implemented a set of effective epidemic prevention standards. They helped property owners stay at home with relief by providing attentive services including purchasing fruit and vegetables on behalf of property owners and collaborating with professional platforms to offer free online diagnosis, and launching AI applications in community epidemic prevention scenarios, in order to build a "contact-free" intelligent protection system and fight the epidemic with intelligent, efficient and effective means. Under the tests of the pandemic, we submitted the following answer sheet to the society: There was no case of infection in public areas of the communities under our management, and there was no confirmed or suspected case of infection among our frontline service staff. This war of epidemic prevention and control demonstrated the "hard core" heroic quality of the employees at CG Services, and also protected the health and safety of millions of property owners in the communities they serve.

Protecting and serving people without hesitation, they are heroes in this era. Thank you to all of our frontline employees who built the first line of defense in the communities. The strong recognition of property owners comes from your firm protection and dedication in the difficult situation. Following the war of epidemic prevention and control, the 24/7 professional service capabilities of property management companies were revealed. The value of property management services became more prominent, and property management companies will have a broader market prospect.

In the past year, many national favourable policies were successively introduced. The property management industry received the support from a number of important documents issued by the central government, which have become a footnote for the upgrading and development of the property management industry. In late 2020, six ministries and commissions in the PRC including the Ministry of Housing and Urban-Rural Development jointly issued a circular, proposing to facilitate property management companies to accelerate the development of online and offline life services to enhance people's sense of gain, happiness and security. By outlining a blueprint for the development of the industry, it injected a "booster" into the rapidly developing property management industry and reinforced the striving pace of leading property management companies. In early 2021, ten ministries and commissions in the PRC including the Ministry of Housing and Urban-Rural Development jointly issued a circular, encouraging capable property management companies to explore the model of "property management services + life services" in meeting the diversified and multi-level living needs of residents. By providing a comprehensive guidance on the high-quality development of the residential property market, and creating the imagination of service upgrading and innovative development for leading property management companies which provide high-quality services through a talented workforce, and expanding the boundary and depth of services, it will lead the industry in achieving prosperous development.

In the foreseeable future, property services will not be limited to traditional property management services only. The service boundary will be further expanded, and the roles of "new property management companies" will become more common. More value-added services in the areas of life service, city service and old community renovation will be created for city and community residents. In addition, the service content will be further enhanced, and the appearance of the "new property management companies" will become clearer. With the support of favourable national policies and leveraging artificial intelligence tools including the Internet of Things, cloud computing and big data, the services will be extended to the areas of elderly care, nursery, housekeeping, health, real estate brokerage and express delivery, and more diversified services will be provided.

In the meantime, with the support from the government and the industry, property management companies will continue to improve their internal strengths, including continuing to strengthen workforce development to further improve the quality of employees, and continuing to upgrade customer-oriented service capabilities to meet property owners' pursuit of quality life and consolidate the cornerstone of service reputation. Through high-quality mergers and acquisitions to promote the scale and brand operation of property management services and improve the overall service standards and concentration of the industry, the environment for competition in the property service market will be optimized, which will create opportunities for the faster and stronger development of leading property management companies.

We strengthened people-oriented high-quality services to improve professional operation and management. Providing high-quality basic services are undoubtedly the foundation for the long-term development in the industry. We always put people first. We continued to understand and meet the growing service needs of property owners and residents through conducting 365-day uninterrupted survey with 400 hotline to improve property owners' daily satisfaction. We established a customer experience institute to gain insights into customer needs and further optimize service plans and innovate service designs. In providing basic services, we continued to improve our professional operation and management. By leveraging our digital operation platforms + Internet of Things + service robots, as well as our online management terminal and offline service terminal with full coverage of property management services, a complete closed loop of services has been formed to optimize service efficiency and service experience. By adhering to the philosophy of "property owner-oriented", we provide people with worry-free services and help upgrade the community life quality of millions of property owners.

We have in-depth planning for community life services and strive to build a "customer-oriented" ecological consortium of property services. Basic property services are the first growth curve of property management companies, and community life services are the second growth curve of vast room for future strong growth. By expanding our ability to integrate resources and collaborating with high-quality partners in various industries, we strive to build a "customer-oriented" service ecological system and develop "new economy" around community life services. Our community life services are mainly provided around two core areas, being assets and property owners' life. For their needs for asset appreciation and preservation, we will provide asset operation, community insurance and home decoration services. For their daily life needs, we will provide local life, home services, community media and other services covering the whole cycle of community life. We expanded service content around people's needs and entered new areas with growth potential, in order to achieve new growth, to meet the diversified needs of property owners and customers, and to create a situation of symbiosis, sharing and co-creation.

We actively optimized market expansion to explore diversified products and models for city services. We have rich experience in service management for different types of properties, from community service management to city public services, and from managing city public facilities to transforming old communities. We actively expanded non-residential projects and made major breakthroughs. During the Year, we undertook airport terminal facilities and equipment management projects and city rail transit building projects. Amid increasingly fierce market competition, we obtained more projects from the existing markets in which we have established presence than from the incremental markets for the first time, and made a breakthrough in obtaining a number of projects in core areas of first-tier cities, which signalled our core competitiveness in the market. As a pioneer in providing public services oriented to the theme of new city-governance in the PRC, we carried out diversified exploration in city services. In particular, we have made solid progress in the optimization and upgrading of city service products, long-term management of old communities, specialized operation of municipal sanitation and city big-property model verification. In the future, with our comprehensive all-scenario digital solutions including city living environment renewal, digital integration of public services, refined and efficient city governance, business environment optimization, and appreciation in the value of city public assets, we are always committed to facilitating the shift of city development model to achieve high-quality development and make cities better with our services.

We redefined the digital community and are committed to providing property owners with personalized services to enhance their service experience. In terms of property management, we continued to promote the space-based digital development. We deployed a large number of smart devices and artificial intelligence backends to improve the management efficiency of standard services. On the other hand, we provided standard technological service experience with higher quality by promoting the application of service robots. Based on our community scenario data, we developed the models in various scenarios of community services, which were applied in intelligent parking, community security and intelligent equipment monitoring. For property owner services, we promoted the digitalization of service contacts to provide "flexible services". Through big data analysis for community scenarios and system suggestions on customization, our property management staff provides property owners with attentive one-on-one services, which enhanced customer experience through technologies.

We always spare no effort to fulfill our social responsibilities and actively participate in various social welfare and poverty alleviation undertakings. We actively responded to the call of the party and the government and carried out various explorations in public welfare and poverty alleviation in view of our own characteristics. During the pandemic, we took the initiative to donate 40,000 liters of disinfectant fluid, other anti-epidemic disinfection materials and 400 tonnes of community life supplies to our industry peers in Hubei Province, and established a total of 1,183 volunteer service teams of party members to actively participate in community anti-epidemic work. During the post-pandemic period, we launched the "Enterprise Assistance Program" to help small and medium-sized enterprises around the communities with our scenario-based community resources. We actively carried out the "Power of Community" campaigns on the fight against poverty through consumption to promote poverty alleviation products including Guiqi mangos from Guangxi, Jinggangshan yellow peaches and Dongxiang sheep from Gansu. We ranked first among property management companies in the PRC in terms of the sales of the promoted products, and were recognised as "Power of Community" Top 1 Consumption-based Poverty alleviation Pioneer by China Property Association. We paired up with 33 villages to help them actively explore the road to rural revitalization and empowerment through party building, and contributed to the promotion of common prosperity and social progress.

In 2020, we officially introduced our new corporate vision. We aim to become a "world-leading group providing new property management services". Focusing on people's needs for architectural space, we engage in customer-oriented horizontal and vertical development, exploring new services, developing new technologies, building new ecological systems, and creating new value. Based on the development model of "Service + Technology" and "Service + Ecology", we focus on the business portfolio strategy of "Big Property Management" and "Big Community Services" to strengthen our four core capabilities, namely, service capabilities, technological capabilities, channel capabilities and investment capabilities, and to further promote the implementation of the strategies.

We have enhanced our service capabilities and technological capabilities under the business strategy of "Big Property Management".

We have enhanced our professional service capabilities. With new models, new tools and new methods, we realized the breakthrough and improvement of professional management from version 1.0 manual operation to version 2.0 manual + mechanical operation and to version 3.0 intelligent operation. By combining years of service experience in diverse types of properties and the consolidation of our basic services, we have acquired professional capabilities for facility management. We have carried out professional operation and improved our standardized system of basic services. We are committed to introducing AI technology and mechanical tools into basic property management services, creating a smart management platform, promoting the mechanization, intelligentization and intensification of services, and becoming an industry-leading service company.

We have enhanced the application of our technological capabilities and comprehensively promoted digital transformation. We disaggregated the standard operating procedures for traditional property management work and realized the automatic dispatch of work orders through information system using massive service data, environmental data and third-party data and our 32 types of self-developed core algorithms and real-time understanding of service sites through the Internet of Things sensors. As a result, we realized the automation of work arrangement and results inspection, which significantly improved service efficiency and liberated our employees from repetitive and inefficient labour. We accelerated the promotion of the Internet of Everything and intelligent operation, and realized intelligent perception of the living contacts and rhythm of property owners, equipment and environment as well as automatic decision-making and processing. In the future, we will realize the intelligent operation of space services and platform-based product operation, create a full-chain smart service system, and continuously improve people-efficiency ratio and service experience.

We have enhanced our channel capabilities and investment capabilities under the business strategy of "Big Community Services".

We have enhanced our channel capabilities. We created a unique integrated community marketing model of "Advertising + Group Purchase", which was further verified through our major cooperation with the Fenjiu Group in 2020. In the future, we will continue to enhance our channel capabilities and seek to export such capabilities and empower more small and medium-sized property management companies to build their channel capabilities.

We have enhanced our investment capabilities. We are committed to the realization of professional and corporate development of community value-added services through internal incubation, business cooperation and mergers and acquisitions. In 2020, we completed an acquisition in the community life service area, being the acquisition of City-Media, a leading elevator advertising media company. In the future, we plan to build a leading enterprise in community communication by leveraging our unique advantages in such areas as a property management company.

The perseverance travels far, accumulates and develops. Finally, on behalf of the Board, I would like to express my appreciation to all staff and the management team for their consistent dedication to the Company, and extend my heartfelt gratitude and highest respect to our front-line colleagues, who have stayed at position in pandemic prevention during the Chinese New Year holiday. I would also like to express my sincere appreciation to all shareholders and stakeholders for their trust and support. In the first year of the 14th Five-Year Plan period, we will keep pace with the times and work tirelessly, in order to lead the property management industry towards the future of "new property service" and create good living with our services.

We wish to create a better society with our existence.

We are determined to shape a prosperous future through our conscience and social responsibility awareness.

Yang Huiyan
Chairman of the Board

Foshan, China, 22 March 2021

Financial Summary

Consolidated Results

	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Revenue	2,358,449	3,121,852	4,675,287	9,644,947	**15,600,421**
Profit before income tax	486,332	608,197	1,069,387	2,076,112	**3,714,727**
Income tax expense	(133,804)	(167,734)	(135,177)	(357,721)	**(933,070)**
Profit for the year	352,528	440,463	934,210	1,718,391	**2,781,657**
Profit attributable to:					
Owners of the Company	324,181	401,743	923,154	1,670,664	**2,686,128**
Non-controlling interests	28,347	38,720	11,056	47,727	**95,529**
	352,528	440,463	934,210	1,718,391	**2,781,657**
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)					
Basic		16.07	36.93	62.73	**97.62**
Diluted		16.07	36.53	61.67	**96.32**

Consolidated Financial Position

	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Non-current assets	70,084	121,569	851,088	2,044,918	**7,915,834**
Current assets	2,397,878	3,355,551	4,670,806	10,224,404	**23,288,043**
Current liabilities	1,384,619	1,920,558	3,127,144	6,427,299	**14,232,797**
Net current assets	1,013,259	1,434,993	1,543,662	3,797,105	**9,055,246**
Total assets less current liabilities	1,083,343	1,556,562	2,394,750	5,842,023	**16,971,080**
Non-current liabilities	—	14,456	65,044	162,497	**812,042**
Equity attributable to owners of the Company	1,019,430	1,421,173	2,260,787	5,373,156	**14,565,740**
Non-controlling interests	63,913	120,933	68,919	306,370	**1,593,298**
Total equity	1,083,343	1,542,106	2,329,706	5,679,526	**16,159,038**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Property Management Services

We provide property owners, residents and property developers with a series of property management services, including security, cleaning, green landscaping, gardening, repair and maintenance, and other services. During the Year, the revenue from property management services was approximately RMB8,606.7 million, representing a year-on-year growth of approximately 49.7% as compared with 2019 and a decrease in total revenue contribution to approximately 55.2%. Gross profit margin increased by 4.5 percentage points to approximately 34.6%.

The scale and nationwide geographical coverage of our property management business were further expanded. As at 31 December 2020, apart from the "Three Supplies and Property Management" businesses, our contracted GFA

was approximately 820.5 million sq.m., representing an increase of approximately 135.8 million sq.m. compared to the end of 2019, while our revenue-bearing GFA was approximately 377.3 million sq.m., representing an increase of approximately 101.2 million sq.m. compared to the end of 2019. In addition, both of the revenue-bearing and contracted GFA of the property management services of the "Three Supplies and Property Management" businesses were 85.2 million sq.m.. Our projects cover more than 360 cities in 31 provinces, municipalities, autonomous regions and Hong Kong Special Administrative Region across China and overseas markets, with a focus on five key economically developed city clusters, including the Pearl River Delta, the Yangtze River Delta, the middle reaches of the Yangtze River, Beijing-Tianjin-Hebei Region and Chengdu-Chongqing Region in China. We manage a total of 3,277 properties and provide property management services to approximately 4.24 million local and overseas property owners and commercial tenants.

Our core competitiveness was highlighted in the increasingly fierce market competition, and our market expansion efforts were strengthened and effective. The sources and business types of our property management portfolio have also become more diversified. During the Year, the revenue and GFA contribution of the property projects developed by independent third-party property developers further increased. We obtained more projects through bidding from the existing markets in which we have established presence than from the incremental markets, and made a breakthrough in obtaining a number of projects in core areas of first-tier cities. The non-residential property projects we manage also became further diversified, covering commercial properties, office buildings, industrial parks, multi-purpose complexes, government buildings, hospitals, schools and other public facilities, such as airport terminals, highway service stations and scenic spots etc.

Community Value-added Services

We are committed to becoming an "integrated whole-cycle community life services operator". By focusing on the family growth cycle of property owners, the property value cycle and the mature development cycle of communities, we strive to provide property owners with comprehensive community life services to meet their needs for asset preservation and appreciation and daily life needs. By integrating community business resources, we are dedicated to letting property owners experience the beauty of property management services. Six major business lines have

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

During the Year, the revenue from community value-added services was approximately RMB1,731.3 million, representing a year-on-year growth of approximately 100.1% as compared with 2019, with its percentage of revenue contribution increasing to approximately 11.1% and its percentage of contribution to the gross profit of the Group increasing to approximately 21.3%. Gross profit margin was approximately 65.1%.

The revenue from community media business increased by approximately 273.6% year-on-year from 2019 to approximately RMB350.4 million. During the Year, we acquired City-Media, a leading elevator advertising service provider in China. Following the acquisition, we promoted the integration of resources and teams of both parties to develop integrated community marketing plans and accelerate the allocation of community media resources. The revenue from value-added innovations services increased by approximately 268.6% year-on-year to approximately RMB533.7 million as compared with 2019. Based on the development model of "service + ecology", we made full use of the "last 100-meter" location advantage in communities to connect to thousands of merchants, and build the "Phoenix Club" online platform for business operation and the exhibition and interaction of offline community pop-up stalls (社區生活驛站), which has developed into a complete service sales channel and improved the consumption experience in community group purchase, and through which we provide property owners with affordable products and high-quality services. The revenue from home decoration services recorded a year-on-year growth of approximately 145.0% to approximately RMB239.6 million as compared with 2019. We took advantage of our access to new property owners by carrying out marketing on project sites in advance. We also developed the existing community market and carried out whole home renovation and partial decoration through targeted marketing to property owners. In addition, we fully upgraded our real estate brokerage service by introducing the new brand "Youwa (有瓦)" for property rental and sales business, building a professional team and expanding our presence in offline rental and sales stores.

Value-added Services to Non-Property Owners

During the Year, the revenue from value-added services to non-property owners was approximately RMB1,369.7 million, with its percentage of revenue contribution to the Group further decreasing to approximately 8.8%. The

value-added services we provide to non-property owners mainly include (i) management consultancy services to property developers for their pre-sale activities, as well as consultancy services for properties managed by other property management companies, and (ii) cleaning services, green landscaping, repair and maintenance services to property developers at the pre-delivery stage, and (iii) sales and leasing agency services of unsold parking spaces and properties.

"Three Supplies and Property Management" Businesses

The Group established a joint venture in 2018 and began to enter the separation and transfer of property management and heat supply on "Three Supplies and Property Management" Reform. We have successfully completed the full takeover of the projects during the Year. As at 31 December 2020, the revenue-bearing GFA and contracted GFA from the property management services of the "Three Supplies and Property Management" businesses were both approximately 85.2 million sq.m.. The revenue-bearing GFA from the heat supply business was approximately 42.3 million sq.m.. During the Year, the revenue from property management business was approximately RMB1,540.2 million, and the revenue from heat supply business was approximately RMB1,159.1 million.

2020 was a "year of strengthening the fundamentals in management" for the "Three Supplies and Property Management" businesses. During the Year, together with our partners, we strived to promote the construction of management system, refined quality management and control, and launched butler service to improve our operation management and service quality. We carried out professional team training for community value-added services, and promoted the introduction of community value-added services such as community media and group purchase. We adopted an open cooperation and sharing model to strengthen market expansion and strategic cooperation; launched a smart operation platform and integrated an Internet of Things system to improve operational management efficiency; and comprehensively promoted the in-depth integration of our teams and partners in order to establish a talent training mechanism with internal driving force.

City Services

The Group is committed to becoming a leading provider of integrated city governance public services in the PRC. We adhere to our strategy of focusing on new urbanization. With "improving governance and environment to benefit business and people" as core value, we promote high-quality development of cities through its three core business, being city public service, city resource management and city digital governance. The "City Co-existence Programme" is a city service product launched by the Group by leveraging its development and 29 years of experience in providing new city services and combining its whole industrial chain advantage, with the core philosophy of "Making cities better with our services", driven by market demand and core technologies and on the basis of sharing ecological partners and resource platforms. Under the programme, the Group strives to achieve the balance between maximizing economic, social and environmental benefits, while maintaining the balance between the comprehensive and long-term benefits of city governance public services.

During the Year, we made progress in the optimization and upgrading of city service products, long-term management of old communities, specialized operation of municipal sanitation and city big-property model verification. The smart city and big property service model represented by the Junliangcheng project in Tianjin, the integrated county sanitation model represented by the Shouyang County project in Shanxi and the industry collaboration integration service model represented by the Xiaoyaowan project in Dalian were all put into practice and taking shape.

In 2020, our city service business expansion was accelerated, and we reached strategic cooperation with Shouyang County of Shanxi Province, Junliangcheng of Tianjin, Jinpu New District of Dalian, Cenxi of Guangxi Province and Yingde of Guangdong Province. In addition, the acquisition and integration of Manguo and Dongfei, both leading companies in the sanitation industry, will further strengthen the Group's municipal sanitation expertise in the field of city services and expand its market share. During the Year, the revenue from city services was approximately RMB884.1 million.

PROSPECTS AND FUTURE PLANS

Continue to upgrade services to deliver new property value through "humanity + technology"

As we enter the era of value service, the means, contents and objects of property services are constantly extending. As an industry pioneer, CG Services always adheres to people-oriented service essence by improving service quality, upgrading services with technologies and expanding ecological service capacity to cater to customer needs. At the same time, in order to meet the needs for property management and people's growing spiritual needs, it moves with the times to deliver innovative service value and is committed to becoming a leading international new property service group.

In the future, CG Services will guide its services with AI algorithms. First, we will use AI algorithms to better understand the needs of property owners. We will review online and offline service contacts and analyze the changes in the needs of property owners in terms of timing and space using the data collected. Second, we will use AI algorithms to provide personalized services. We will match all data contacts with the algorithms to provide customized services and track, measure and optimize such services. Third, we will use AI algorithms to create the ultimate experience. We will fully upgrade the 400-survey system and customer data analysis system and arrange a large number of algorithm engineers for research in order to provide personalized intelligent matching services, with the process from perception to response completed in just 100 milliseconds. These will further enable its service capacity upgrading. At the same time, we will continue to advance the market development of the Tianshi Cloud (天石雲) platform, our digital property service brand, and promote the intelligent upgrading of the property management industry, so that more property owners and users can have better experience brought by intelligent technologies and services.

Build a “customer-oriented” ecological conglomerate to expand ecological service capacity

In the new era of property, we are not just a property management company, but more an ecological conglomerate of property services to develop “new economy” around community life services. We will further develop community life services. By building a professional team, expanding resource integration capability, collaborating with strong partners from various industries and leveraging our natural advantage as a property service provider of close proximity to community scenes and huge private traffic, we will provide diversified services covering the whole-cycle community life of property owners to meet their two major needs. For their needs for asset preservation and appreciation, we will provide asset operation, community insurance and home decoration services, etc. For their daily life needs, we will provide community media, local life, home services and community elderly care services, etc.

We are also committed to building a new ecosystem of industry services. Together with strong partners from various industries, we will establish an industrial strategic alliance platform and make full use of the advantages in market, channels and services to complement each other, so as to achieve mutual benefits and expand brand influence and market share. The building of a new ecosystem will give us stronger resource integration ability and enable us to create a diversified model of life and business cooperation as well as a situation of symbiosis, sharing and co-creation through cross-industry integration to meet the needs of property owners, merchants and urban residents.

Improve city service strategy to build a diversified city service brand

With the acceleration of urbanization in China and the growing marketization rate of the sanitation industry, the sanitation industry showed a trend of steady growth under the favourable policy environment. CG Services expanded into city services by acquiring Manguo and Dongfei, two leading companies in the sanitation industry, to carry out municipal public service business and establish strategic presence. On the basis of successful business cooperation with various government authorities, Manguo and Dongfei will make full use of their advantages in brands, qualifications, industry reputation, professional teams, management experience, vehicles and equipment.

In the future, we will continue to promote the full integration with acquired companies through resource sharing, business collaboration and capital integration to achieve the large-scale development of city services. On one hand, we will firmly implement a comprehensive city big property service model, gradually expand the coverage of our existing mature municipal project business horizontally, seek business with high added value including professional facility operation and maintenance, ecological environment inspection, security and emergency response, and further strengthen our core competitiveness in integrated operation of city services. On the other hand, we will actively seize the market opportunities arising from the needs for digital integration governance of city public services during the 14th Five-Year Plan period. While expanding business scale, we will drive and guide the in-depth application of data element resources with all-scenario service technologies to provide service support for the digital transformation of city governance, facilitate the shift of city development model to achieve high-quality development, and make cities better with our services.

Focus on "big property management" + "big community services" strategy to promote the expansion of the connotation and boundary of services

The property management industry has ushered in the era of value service 4.0, with expanding connotation and boundary of services and upgrading industry models, which has imposed stricter requirements and challenges to property management companies. Diversified and professional services, technical capability and innovative business models will become the core competitiveness of property management companies. CG Services has established strategic presence in specialized areas including city public services, community media, community insurance, professional pest control and elimination and elevator maintenance. In the future, we will vertically explore more professional services, deeply integrate and synergize our resources, and strive to introduce our professional services into a more extensive market. We will provide high-tech and digital facilities and equipment management services and expand horizontally into city services on the basis of the integrated property services through intensive management and technology empowerment; realize the full coverage of asset facilities operation and asset value management through the upgrading of professional capabilities.

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

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, and (v) city services businesses. For the year ended 31 December 2020, the total revenue increased by approximately 61.7% to approximately RMB15,600.4 million from approximately RMB9,644.9 million for the year ended 31 December 2019.

(1) Property management services

During the Year, the revenue from property management services increased by approximately 49.7% to approximately RMB8,606.7 million from approximately RMB5,748.6 million for the year ended 31 December 2019, accounting for approximately 55.2% of the total revenue (for the corresponding period in 2019: approximately 59.6%).

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

	For the year ended/ As at 31 December 2020				For the year ended/ As at 31 December 2019			
	Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Properties developed by the CGH Group	**6,194,744**	**72.0**	**274,006**	**72.6**	4,349,499	75.7	203,924	73.9
Properties developed by independent third-party property developers	**2,411,958**	**28.0**	**103,304**	**27.4**	1,399,057	24.3	72,176	26.1
Total	**8,606,702**	**100.0**	**377,310**	**100.0**	5,748,556	100.0	276,100	100.0

The revenue-bearing GFA increased by approximately 101.2 million sq.m. from approximately 276.1 million sq.m. for the same period in 2019 to approximately 377.3 million sq.m., among which, the revenue-bearing GFA from management of properties developed by independent third-party property developers increased by approximately 43.1%, and its percentage of the total revenue-bearing GFA increased by 1.3 percentage points from approximately 26.1% for the same period in 2019 to approximately 27.4%, mainly due to the conversion of reserved GFA of the Group into revenue-bearing GFA during the Year.

(2) Community value-added services

During the Year, the revenue from community value-added services increased by approximately 100.1% to approximately RMB1,731.3 million from approximately RMB865.2 million for the year ended 31 December 2019, accounting for approximately 11.1% of the total revenue (for the corresponding period in 2019: approximately 9.0%).

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

(a) During the Year, the revenue from home services increased by approximately 9.6% to approximately RMB300.9 million from approximately RMB274.6 million for the year ended 31 December 2019.

(b) During the Year, the revenue from home decoration services increased by approximately 145.0% to approximately RMB239.6 million from approximately RMB97.8 million for the year ended 31 December 2019.

(c) During the Year, the revenue from community media services increased by approximately 273.6% to approximately RMB350.4 million from approximately RMB93.8 million for the year ended 31 December 2019.

(d) During the Year, the revenue from value-added innovations services increased by approximately 268.6% to approximately RMB533.7 million from approximately RMB144.8 million for the year ended 31 December 2019.

(e) During the Year, the revenue from real estate brokerage services increased by approximately 27.1% to approximately RMB175.5 million from approximately RMB138.1 million for the year ended 31 December 2019.

(f) During the Year, the revenue from community area services increased by approximately 13.0% to approximately RMB131.2 million from approximately RMB116.1 million for the year ended 31 December 2019.

As discussed above, firstly, the increase in the number of projects under the management of the Group resulted in the increase in the basic resources for the operation of community value-added services; secondly, the Group comprehensively improved the coverage of its traditional business model, optimized the operation model of its community value-added services, activated and consolidated the resources of communities and surrounding areas; at last, the acquisition of City-Media during the Year led to the further increase in the revenue from community media services. All these factors resulted in the overall increase in the revenue from 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 decreased by approximately 3.7% to approximately RMB1,369.7 million from approximately RMB1,422.1 million for the year ended 31 December 2019, accounting for approximately 8.8% of the total revenue (for the corresponding period in 2019: approximately 14.7%).

The decrease in the revenue from value-added services to non-property owners was mainly due to the change of consulting service business model.

(4) Three Supplies and Property Management Businesses

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

Among which, the revenue from property management services increased from approximately RMB525.2 million for the year ended 31 December 2019 to approximately RMB1,540.2 million, and the revenue-bearing GFA of the property management services was approximately 85.2 million sq.m. as at 31 December 2020;

The revenue from heat supply services increased from approximately RMB990.2 million for the year ended 31 December 2019 to approximately RMB1,159.1 million, and the revenue-bearing GFA of the heat supply services was approximately 42.3 million sq.m. as at 31 December 2020.

The increase in the revenue from the "Three Supplies and Property Management" business was mainly due to our successful transition to a stage of total control over it from a stage of gradual takeover in 2019.

(5) City Services

During the Year, the revenue from city services increased from approximately RMB68.4 million for the year ended 31 December 2019 to approximately RMB884.1 million, representing an increase of approximately 1,192.5% and accounting for approximately 5.7% of total revenue (for the corresponding period in 2019: approximately 0.7%). The increase in the revenue from city services was mainly due to the significant business growth arising from the acquisition of Manguo and Dongfei during the Year.

Costs

The Group's costs include (i) staff cost, (ii) cleaning cost, (iii) heat supply cost, (iv) maintenance cost, (v) utilities, (vi) greening and gardening cost, (vii) security expenses, (viii) cost of goods sold, (ix) transportation cost, (x) office and communication cost, (xi) taxes and surcharges, (xii) employee uniform expenses, (xiii) depreciation and amortisation charges, (xiv) community activities cost, (xv) travelling and entertainment cost, (xvi) cleaning cost, (xvii) cost of information technology hardwares, and (xviii) others. During the Year, the costs were approximately RMB10,300.7 million, representing an increase of approximately 56.2% as compared to approximately RMB6,592.7 million for the year ended 31 December 2019. The increase in costs was mainly due to the continuous expansion of the revenue-bearing GFA of the Group and business diversification, resulting in an increase of various costs.

Gross Profit and Gross Profit Margin

During the Year, the overall gross profit increased by approximately RMB2,247.6 million to approximately RMB5,299.8 million from approximately RMB3,052.2 million for the year ended 31 December 2019, representing an increase of approximately 73.6%.

During the Year, the overall gross profit margin increased by 2.4 percentage points to approximately 34.0% from approximately 31.6% for the year ended 31 December 2019, and the overall gross profit margin increased mainly due to the increase in the gross profit margins of property management services and value-added services to non-property owners.

(i) Property management services

During the Year, the gross profit margin of property management services increased by 4.5 percentage points to approximately 34.6% from approximately 30.1% for the year ended 31 December 2019.

The increase in the gross profit margin of property management services was mainly due to (i) the reduction and exemption of social security contributions for enterprises by the State Council and the Ministry of Human Resources and Social Security due to the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**"), which lowered our property management service costs; and (ii) further adjustment to the organizational structure of the Group during the Year, which improved our per capita efficiency and lowered the cost of our property management personnel.

(ii) Community value-added services

During the Year, the gross profit margin of community value-added services decreased by 1.1 percentage points to approximately 65.1% from approximately 66.2% for the year ended 31 December 2019.

The decrease in the gross profit margin of community value-added services was mainly due to the increase in the goods purchase and sale business in the value-added and innovative services which has a relatively low gross profit margin during the Year.

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

During the Year, the gross profit margin of value-added services to non-property owners increased by 4.5 percentage points to approximately 45.5% from approximately 41.0% for the year ended 31 December 2019.

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

(iv) Three Supplies and Property Management Businesses

During the Year, for the "Three Supplies and Property Management" businesses, the gross profit margin of property management services decreased from approximately 13.4% for the year ended 31 December 2019 to approximately 7.0%, representing a decrease of 6.4 percentage points. The decrease in the gross profit margin of the property management services under the "Three Supplies and Property Management" business was mainly due to the higher cost of facilities maintenance during the Year as a result of old equipment of the properties under the management of the "Three Supplies and Property Management" business.

During the Year, for the "Three Supplies and Property Management" businesses, the gross profit margin of heat supply services increased from approximately 6.0% for the year ended 31 December 2019 to approximately 8.6%, representing an increase of 2.6 percentage points. The increase in the gross profit margin of the heat supply services was mainly due to the improved efficiency of raw materials following the equipment renewal and upgrade.

(v) City Services

During the Year, the gross profit margin of the city services decreased from approximately 38.7% for the year ended 31 December 2019 to approximately 32.5%, representing a decrease of 6.2 percentage points. The decrease in the gross profit margin of the city services was mainly due to the acquisition of Manguo and Dongfei, which have relatively low gross profit margins during the Year.

Selling and Marketing Expenses

During the Year, selling and marketing expenses were approximately RMB135.8 million, representing an increase of approximately 103.3% as compared with approximately RMB66.8 million for the year ended 31 December 2019.

The increase in selling and marketing expenses was mainly due to the increase in the cost of marketing incurred by the Group during its search for better business and project targets, as well as the increase in the marketing expenses for media business arising from the acquisition of City-Media, a subsidiary, during the Year.

General and Administrative Expenses

During the Year, general and administrative expenses were approximately RMB1,950.5 million, representing an increase of approximately 61.5% as compared with approximately RMB1,207.6 million for the year ended 31 December 2019.

The increase in general and administrative expenses was mainly due to the expansion of the Group's business scale with the increase in its total revenue-bearing GFA, and share based payment expenses of approximately RMB227.0 million arising from the share option scheme adopted during the Year. Share based payment expense increased to approximately RMB233.7 million compared to approximately RMB14.37 million for the same period in 2019. The percentage of general and administrative expenses was approximately 12.5%, consistent with that for the same period in 2019. Excluding the aforesaid share based payment expense factor, the percentage of general and administrative expenses would decrease by 1.4 percentage points to approximately 11.0% compared to approximately 12.4% for the same period in 2019, mainly due to (i) the decrease in the labour cost of management personnel as a result of the reduction and exemption of social security contributions by the State Council and the Ministry of Human Resources and Social Security due to the COVID-19 outbreak; (ii) the fact that the Group continued to innovate organizational and management model and advance regional consolidation measures to lower the percentage of general and administrative expenses.

Other Income

During the Year, other income was approximately RMB121.1 million, representing an increase of approximately 137.0% as compared with approximately RMB51.1 million for the year ended 31 December 2019.

The increase in other income was mainly due to (i) an increase in employment, anti-epidemic subsidies, tax refund and other relevant government subsidies compared to the same period of last year as the Group expanded its business scale; (ii) 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 RMB394.0 million, representing an increase of approximately RMB215.9 million as compared with approximately RMB178.1 million for the year ended 31 December 2019.

The increase in other gains — net was mainly because the realised and unrealised investment return from financial assets at fair value through profit and loss increased by approximately RMB227.5 million as compared with the same period last year.

Finance Income — Net

During the Year, finance income — net was approximately RMB43.7 million, representing a decrease of approximately 52.4% compared with approximately RMB91.9 million for the year ended 31 December 2019.

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

Income Tax Expense

During the Year, income tax expense was approximately RMB933.1 million, representing an increase of approximately 160.9% compared to approximately RMB357.7 million for the year ended 31 December 2019.

The increase in income tax expense was mainly due to (i) the income tax rate of a major subsidiary of the Company was changed to 25% from the preferential tax rate of 15% for the same period last year; and (ii) the increase in income tax expense due to the increase in total profit before tax of the Group for the year ended 31 December 2020.

Profit for the Year

During the Year, the net profit of the Group was approximately RMB2,781.7 million, representing an increase of approximately 61.9% compared to approximately RMB1,718.4 million for the year ended 31 December 2019.

During the Year, the profit attributable to the owners of the Company increased from approximately RMB1,670.7 million for the year ended 31 December 2019 to approximately RMB2,686.1 million, representing an increase of approximately 60.8%.

During the Year, the profit attributable to the non-controlling interests of the Company increased by approximately 100.2% from approximately RMB47.7 million for the year ended 31 December 2019 to approximately RMB95.5 million.

Property, Plant and Equipment

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

As at 31 December 2020, the property, plant and equipment of the Group was approximately RMB1,249.1 million, representing an increase of approximately RMB937.2 million from approximately RMB311.9 million as at 31

December 2019, mainly due to an increase in procurement of transportation equipment, machinery equipment, electronic equipment and others to meet its business development needs as well as the increase in fixed assets arising from newly acquired companies.

Intangible Assets

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

As at 31 December 2020, the intangible assets of the Group were approximately RMB6,176.3 million, representing an increase of approximately RMB4,572.4 million compared to approximately RMB1,603.9 million as at 31 December 2019, which was mainly due to several equity acquisitions completed by the Group during the Year, resulting in goodwill of approximately RMB3,144.6 million, property management contracts and customer relationships of approximately RMB1,191.9 million, insurance brokerage license of approximately RMB28.7 million, brands of approximately RMB193.4 million and concession intangible assets of approximately RMB93.7 million. Besides, the amortization of property contracts, customer relationships, insurance brokerage license, brands and concession intangible assets arising from the acquisitions during the Year was approximately RMB106.9 million.

Trade and Other Receivables

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

As at 31 December 2020, the Group recorded net trade receivables of approximately RMB4,236.4 million, representing an increase of approximately RMB2,662.4 million compared to approximately RMB1,574.0 million as at 31 December 2019, mainly due to the significant increase in the total revenue of the Group and the increase in receivables arising from newly acquired companies.

The net other receivable increased by approximately 67.3% from approximately RMB367.2 million as at 31 December 2019 to approximately RMB614.3 million as at 31 December 2020, mainly due to the increase in security deposits and utilities, garbage fee paid for property owners and other receivables arising from newly acquired companies.

Financial Assets at Fair Value through Profit or Loss

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

As at 31 December 2020, the balance of financial assets at fair value through profit or loss of the Group amounted to approximately RMB2,566.1 million, increased by approximately RMB1,285.4 million as compared with approximately RMB1,280.7 million at 31 December 2019. Such increase was mainly due to the Group's purchase of new wealth management products for providing yields for its idle funds, the increase in the fair value of investments in closed-end funds at the end of last year, and its acquisition of approximately 3.53% equity interest in Hopefluent Group Holdings Limited during the Year.

Contract Liabilities

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

The contract liabilities increased from approximately RMB1,618.1 million as at 31 December 2019 to approximately RMB2,581.9 million as at 31 December 2020, representing an increase of approximately RMB963.8 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 payable.

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

As at 31 December 2020, trade payables of the Group were approximately RMB2,173.1 million, representing an increase of approximately RMB692.9 million compared to approximately RMB1,480.2 million as at 31 December 2019, primarily due to the Group's business expansion resulting in an increase in material procurement costs, labor outsourcing costs and utility fees.

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

Other payables increased from approximately RMB2,012.8 million as at 31 December 2019 to approximately RMB3,549.3 million as at 31 December 2020, primarily due to (i) the impact of an increase in deposits from property owners for interior decorations and the income generated from community area services that belong to properties owners; and (ii) the increase in the outstanding consideration payable for business combinations during the Year.

Capital management

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

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

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

On 20 May 2020, Best Path Global Limited, a wholly-owned subsidiary of the Company, issued convertible bonds in a principal amount of HKD3,875.0 million, part of which were converted into shares in 2021. As at the date of this report, the principal amount of the convertible bonds converted into shares amounted to HKD814.0 million, accounting for 21.0%.

As at 31 December 2020, the bank and other borrowings of the Group amounted to approximately RMB609.4 million (for the corresponding period in 2019: nil), and the balance of its convertible bonds was approximately RMB3,202.5 million.

As at 31 December 2020 and 2019, the gearing ratio of the Group maintained at net cash position.

Liquidity, Financial and Capital Resources

As at 31 December 2020, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB15,341.5 million, representing an increase of approximately RMB8,415.5 million as compared with approximately RMB6,926.0 million as at 31 December 2019. Total bank deposits and cash were denominated in the following currencies:

	31 December 2020		31 December 2019	
	(RMB'000)	**(%)**	(RMB'000)	(%)
RMB	**6,492,134**	**42.3**	5,822,749	84.1
HKD	**8,799,390**	**57.4**	1,082,229	15.6
Other currencies	**49,971**	**0.3**	21,031	0.3
	15,341,495	**100.0**	6,926,009	100.0

Among which the increase in the percentage of the amounts denominated in HKD was mainly due to the issuance of the HKD settled convertible bonds and the placing of new shares during the Year, with net proceeds of approximately HKD3,875.0 million and HKD7,745.0 million, respectively.

Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB126.3 million (as at 31 December 2019: approximately RMB11.9 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of the local government authorities and the deposits made as performance security for business contracts of newly acquired Manguo and Dongfei.

As at 31 December 2020, the net current assets of the Group were approximately RMB9,055.2 million (31 December 2019: approximately RMB3,797.1 million). The current ratio (current assets/current liabilities) of the Group was 1.4 times (31 December 2019: 1.6 times).

Key Risk Factors and Uncertainties

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

Industry Risk

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

Business Risk

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

Foreign Exchange Risk

The Group's businesses were principally located in the PRC. Except for bank deposits and trade receivables denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. The management will continue to monitor the foreign exchange exposure, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

Employees and Remuneration Policies

As at 31 December 2020, the Group had 153,585 employees (31 December 2019: 54,085 employees). The significant increase in the number of employees was mainly due to the acquisition of Manguo and Dongfei in October 2020. During the Year, the total staff costs were approximately RMB5,131.6 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 adopted a share option scheme during the Year, details of which are disclosed in the paragraph headed "Share Option Schemes" of this report.

Employee Training and Development

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

Due to the COVID-19 outbreak, the Company organized online training on various subjects in 2020, with approximately 1,100,000 participants and tens of thousands of training hours in total. Such measures ensured the general employees' ability in performing their duties and increased the management level of management cadres at all levels, thus provided timely and effective support for the Company's business development.

Charge on Assets

As at 31 December 2020, as Manguo and Dongfei, both newly acquired subsidiaries of the Group, carried out borrowing and sale and leaseback financing loan business with banks and financial leasing companies to meet the operational needs of certain city service projects, they had mainly secured by several city service projects, certain equipment and trade receivables.

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Impact of the COVID-19 Outbreak

Following the outbreak of coronavirus disease 2019 (the "**COVID-19 Outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China and in the world. During the reporting period, the COVID-19 Outbreak had not caused any material adverse impact on the operations, financial performance and financial position of the Group. The Group will pay close attention to the development of the COVID-19 Outbreak and assess its impact on the future financial position and operating results of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yang Huiyan (楊惠妍), aged 39, was appointed as a Non-executive Director and the chairman of the Board on 9 March 2018 and is responsible for the formulation and provision of guidance and development strategies for the overall development of the Group. Ms. Yang is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Ms. Yang is a controlling shareholder of the Company indirectly holding the shares of the Company through Concrete Win and Fortune Warrior (both of which are beneficially wholly-owned by Ms. Yang with Ms. Yang as a director).

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

Ms. Yang was appointed as a director of the board and the chairman of Bright Scholar Education Holdings Limited (the shares of which are listed on the New York Stock Exchange (stock code: BEDU)) since December 2016.

Ms. Yang graduated from Ohio State University in the United States in March 2005, where she obtained a bachelor degree in business administration and she also obtained an EMBA degree from Tsinghua University in 2019.

Ms. Yang was awarded "China Charity Award Special Contribution Award" in 2008 and "China Poverty Alleviation Award Contribution Award" in 2019.

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

Mr. Yang Zhicheng (楊志成), aged 47, was appointed as a Non-executive Director on 9 March 2018 and is responsible for the provision of guidance for the overall development of the Group.

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

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

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

Ms. Wu Bijun (伍碧君), aged 47, was appointed as a Non-executive Director on 9 March 2018 and is responsible for the provision of guidance for the overall development of the Group.

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

Ms. Wu graduated from the School of Public Finance and Taxation of Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) with a bachelor's degree of economics majoring in public finance in 1995, and obtained a degree of executive master in business administration (EMBA) from China Europe International Business School (中歐國際工商學院) in 2015. She is qualified as a Chinese certified public accountant (中國註冊會計師) and a Chinese certified tax agent (中國註冊稅務師).

Mr. Li Changjiang (李長江), aged 55, was appointed as an Executive Director on 9 March 2018 and has been the president of CG Life Services since he joined the Group in December 2011. Mr. Li is primarily responsible for the overall strategic decision-making, business planning and major operational decision-making of the Group. Mr. Li is also the chairman of the environmental, social and governance committee of the Company.

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

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

Mr. Xiao Hua (肖華), aged 43, was appointed as an Executive Director on 9 March 2018 and has been the vice president of CG Life Services since February 2013. Mr. Xiao is primarily responsible for the overall management of value-added services to non-property owners. Mr. Xiao is also a member of the environmental, social and governance committee of the Company.

From April 2002 to April 2009, Mr. Xiao worked at the Group as an assistant manager, a deputy manager and a manager at Chencun branch office in Guangdong, where he was mainly responsible for the security management and providing assistance to day-to-day operation of the branch office, and a deputy manager, a manager and a senior manager at Huabi branch office in Guangdong, where he was mainly responsible for the day-to-day operation and management of the branch office. From April 2009 to December 2009, Mr. Xiao was promoted to regional director at Changsha branch office and in January 2010, to regional director of Zengcheng branch office, where he was primarily responsible for the overall operation, management and brand development of property management services until February 2013.

Mr. Guo Zhanjun (郭戰軍), aged 41, was appointed as an Executive Director on 9 March 2018 and has been the vice president of CG Life Services since he joined the Group in August 2017. Mr. Guo is primarily responsible for overall management of human resources of the Group. Mr. Guo is also a member of the environmental, social and governance committee of the Company.

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

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

Mr. Mei Wenjue (梅文珏), aged 51, was appointed as an Independent Non-executive Director on 25 May 2018 and is responsible for providing independent advice to the Board. Mr. Mei is also a member of the audit committee and the remuneration committee of the Company.

Mr. Mei has served as executive director at Guangzhou Ruizhi Car Rental Company Limited* (廣州瑞致租車有限公司) (a company primarily engaged in car rental business) since May 2016, where he is responsible for the company strategy planning and he also oversees the overall operations. From 1994 to September 2008, Mr. Mei worked at China Southern Airlines Company Limited (中國南方航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600029), the New York Stock Exchange (stock code: ZNH) and the Main Board of the Stock Exchange (stock code: 1055). From September 2008 to October 2014, he served as the chief representative at the

Shenzhen Office of China Europe International Business School (中歐國際工商學院). From March 2015 to January 2018, he served as a director of the board at Sichuan Huapu Modern Agriculture Company Limited* (四川華樸現代農業股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 837890). Mr. Mei served as an independent non-executive director of the board at Miko International Holdings Limited (米格國際控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1247), from December 2013 to March 2016 and at CGH from May 2013 to March 2018. From November 2014 to December 2020, Mr. Mei also served as the chief executive officer at Guangzhou Ruizhi Car Rental Company Limited* (廣州瑞致租車有限公司).

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

Mr. Rui Meng (芮萌), aged 53, was appointed as an Independent Non-executive Director on 25 May 2018 and is responsible for providing independent advice to the Board. Mr. Rui is also the chairman of the audit committee and a member of the nomination committee of the Company.

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

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

Mr. Rui was an independent director of the board at Midea Group Co., Ltd.* (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000333), from August 2015 to September 2018 and an independent director of the board at Winner Technology Co., Inc.*(匯納科技股份有限公司) (formerly known as Shanghai Winner Information Technology Co., Inc.* (上海匯納信息科技股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 300609), from November 2014 to August 2020. He currently serves as an independent director of the board at COSCO Shipping Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on both the Main Board of the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026), an independent director of the board at Shang Gong Group Co., Ltd.* (上工申貝(集團) 股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600843), an independent non-executive director of the board at China Education Group Holdings Limited (中國教育集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 0839), an independent non-executive director of the board of Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (formerly known as Landsea Green Group Co., Ltd (朗詩綠色集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 106) and an independent director of Shanghai Hydee Software Corp., Ltd. (上海海典軟件股份有限公司), a company) listed on the National Equities Exchange and Quotations (stock code: 831317).

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

Mr. Chen Weiru (陳威如), aged 50, was appointed as an Independent Non-executive Director on 25 May 2018 and is responsible for providing independent advice to the Board. Mr. Chen is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company.

Mr. Chen was an assistant professor of strategy at the Asia Campus of INSEAD (歐洲工商管理學院) from September 2003 to 2011 and an associate professor of strategy at China Europe International Business School (中歐國際工商學院) from July 2011 to August 2017. Mr. Chen served as the chief strategy officer at Zhejiang Cainiao Supply Chain Management Company Limited* (浙江菜鳥供應鏈管理有限公司) (a company primarily engaged in smart logistics platform) from August 2017 to January 2019. He was the director of Industry Internet Center of Alibaba Business School from February 2019 to July 2020. He has been an associate professor of strategy at China Europe International Business School (中歐國際工商學院) since August 2020. He was an independent director of the board at Zhejiang DUNAN Artificial Environment Co., Ltd.* (浙江盾安人工環境股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002011)) from April 2015 to April 2017, an independent director of the board at Nanjing OLO Home Furnishing Co., Ltd.* (南京我樂家居股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603326)) from April 2015 to July 2017, an independent director of the board at CG Life Services from May 2016 to January 2018 and an independent director of TAI-SAW TECHNOLOGY CO., LTD., a company listed on the Taiwan Stock Exchange (company code: 3221) from April 2017 to May 2019. Mr. Chen currently serves as an independent director of the board at TAL Education Group (好未來教育集團), a company listed on the New York Stock Exchange (stock code: TAL) , an independent director of the board at Dian Diagnostics Group Co., Ltd.* (迪安診斷技術集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300244), an independent non-executive director of Fangdd Network Group Ltd. (房多多網絡集團有限公司), a company listed on the Nasdaq (stock code: DUO), an independent director of the board at Jack Sewing Machine Co., Ltd. (傑克縫紉機股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603337), an independent director of WPG Holdings Limited (大聯大投資控股股份有限公司), a company listed on the Taiwan Stock Exchange (company code: 3702) and an independent non-executive director of BlueCity Holdings Limited (藍城兄弟控股有限公司), a company listed on the Nasdaq (stock code: BLCT).

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

Mr. Gong Shunsong (龔順松), aged 42, was appointed as the Chief Operating Officer in January 2018 and is primarily responsible for overall management, operations and business development.

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

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

Mr. Xu Binhuai (徐彬淮), aged 42, was appointed as the Chief Strategy Officer in October 2016 and is primarily responsible for strategic planning in business innovation, brand management and community life service operation.

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

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

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

Mr. Huang Peng (黃鵬), aged 37, was appointed as the Chief Financial Officer in September 2016 and is primarily responsible for financial management, strategic investment management, operation management, compliance and company secretarial matters of our Group.

Prior to joining the Group, from April 2006 to September 2009, Mr. Huang served as listing office manager and manager of securities department in Vtron Group Co., Ltd.* (威創集團股份有限公司) (formerly known as Guangdong Vtron Video Technologies Company Limited* (廣東威創視訊科技股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 002308), where he was responsible for investor relations and investment management. From October 2009 to December 2015, he served in various positions including as the head of finance, secretary of the board and deputy general manager in Pony Test Group Company Limited* (譜尼測試集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300887), where he was responsible for financial management and board secretarial matters.

Mr. Huang served as an independent director of the board at Beijing Arrays Medical Imaging Corporation* (北京銳視康科技發展有限公司), a company engaged in production and sales of medical imaging equipment, from December 2015 to December 2016. He was also an executive director at Guangzhou Yanzhao Enterprise Management Company Limited* (廣州炎昭企業管理有限公司), a company mainly engaged in business management advisory services, from January 2016 to October 2016, and an executive director at Guangdong Huishi Network Medical Investment Company Limited* (廣東惠視網絡醫療投資有限公司), a company mainly engaged in investment advisory services and hospital management, from July 2016 to November 2016.

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

Mr. Yu Xiangdong (余向東), aged 51, was appointed as a Vice President in June 2014 and is primarily responsible for management of community value-added services business.

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

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

Mr. Yuan Hongkai (袁鴻凱), aged 42, was appointed as the Chief Information Officer in February 2017 and is primarily responsible for informatization solutions and intelligent technology management. Mr. Yuan joined CG Life Services as information management consultant in June 2016.

Prior to joining the Group, from July 2000 to May 2016, Mr. Yuan served in various positions including assistant to the general manager from July 2000 to March 2011 at China Sigma Co., Ltd.* (中國希格瑪有限公司) (an investment company mainly engaged in development and sales of high technology and construction materials) where he was primarily responsible for the group's informatization and had set up a group-wide information system for various business segments invested by the group including the real estate segment, medical care segment, hotel management segment, property management segment, golf and retail segment, etc.; information technology director from March 2011 to December 2013 at Kinghand Real Estate Development Group Company Limited* (京漢實業投資集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 000615), which is principally engaged in real estate development and sales), where he was responsible for setting up the overall management system of the company, assisting the company in managing the tender, procurement, design, cost and project management involved in the whole real estate development chain, as well as establishing an integrated information system for financial management based on comprehensive budgeting and providing information management support for the company's listing and standardized management; and director and vice president of the board at Easy Life (Beijing) Smart Community Investment and Development Company Limited* (樂生活（北京）智慧社區投資發展股份有限公司) (a company listed on the National Equities Exchange and Quotations (stock code: 837249), which is mainly engaged in property management services) from January 2014 to May 2016, where he was responsible for research and development of information management system technology and establishment of community business service system, and during such period he had set up a new property information management system and established an online and offline community business service system.

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

Mr. Li Ka Lun (李家麟), aged 33, was appointed as a Vice President in July 2019. He is primarily responsible for the Company's various financing, investment, mergers, acquisitions and internal governance matters. Mr. Li joined the Group in August 2018 as a finance manager.

Prior to joining the Group, during the period from August 2012 to February 2016, Mr. Li served as relationship manager in Bank of Communications Hong Kong Branch and thereafter in CMB Wing Lung Bank, where he was responsible for providing corporate finance solutions and financial analysis for corporate customers. From February 2016 to April 2018, he served as senior manager in the capital market department of HNA Group (International) Limited Company, where he was responsible for bank and debt capital market financing.

Mr. Li graduated from the City University of Hong Kong, where he obtained a bachelor degree of Business Administration (Finance) in 2012. Mr. Li has been designated as a Financial Risk Manager (FRM) by Global Association of Risk Professionals (GARP) since 2017.

Mr. Leung Chong Shun (梁創順), aged 55, was appointed as a Joint Company Secretary on 9 March 2018. He has been a partner of Woo Kwan Lee & Lo (胡關李羅律師行), a law firm based in Hong Kong, since 1997.

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

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

CORPORATE GOVERNANCE REPORT

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

During the Year, the Company has adopted and complied with the principles and code provisions set out in the Corporate Governance Code (if applicable).

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out in the Model Code throughout the Year. Relevant employees who may be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

Board of Directors

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

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

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

Board Composition

As at 31 December 2020, the Board comprised nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

During the Year, the Board comprised the following Directors:

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

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

Mr. Yang Zhicheng is a cousin of Ms. Yang Huiyan, a controlling Shareholder, the chairman of the Board and a non-executive Director. Save as disclosed above, there was no relationship among the other members of the Board, including financial, business, family or other material/relevant relationship.

During the Year, the Company arranged for appropriate coverage of Directors' and senior management's liability insurance policy to indemnify the Directors and senior management for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the Year.

Independent Non-Executive Directors

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

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

In addition to the regular Board meetings, the chairman met with the independent non-executive Directors without the presence of other Directors during the Year.

Directors' Continuing Professional Development

Directors' training is an ongoing process. All Directors are encouraged to attend seminars and courses on relevant topics which may count towards continuous professional development training.

Pursuant to Code A.6.5 of the Corporate Governance Code, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. According to the records maintained by the Company, during the Year, all the current Directors, being Ms. Yang Huiyan, Mr. Li Changjiang, Mr. Xiao Hua, Mr. Guo Zhanjun, Mr. Yang Zhicheng, Ms. Wu Bijun, Mr. Mei Wenjue, Mr. Rui Meng and Mr. Chen Weiru, had participated in appropriate continuous professional development activities by ways of attending training sessions, reading articles, newspapers, journals and/or updates relevant to the Company's business or to the Directors' duties and responsibilities and complied with the provisions of Code A.6.5 of the Corporate Governance Code.

A summary of their training records is as follows:

Directors	Type of Continuing Professional Development (Note 1)	Content of Continuing Professional Development (Note 2)
Executive Directors:		
Mr. Li Changjiang *(President)*	1, 2	A, B
Mr. Xiao Hua	1, 2	A, B
Mr. Guo Zhanjun	1, 2	A, B
Non-executive Directors:		
Ms. Yang Huiyan *(Chairman)*	1, 2	A, B
Mr. Yang Zhicheng	1, 2	A, B
Ms. Wu Bijun	1, 2	A, B
Independent Non-executive Directors:		
Mr. Mei Wenjue	1, 2	B
Mr. Rui Meng	1, 2	B
Mr. Chen Weiru	1, 2	B

Note 1:

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

2 Reading newspapers, journals and updates

Note 2:

A. Businesses relating to the Company

B. Laws, rules and regulations, accounting standards

Appointment and Re-Election of Directors

Under the requirement of Code A.4.1 of the Corporate Governance Code, non-executive Directors should be appointed for a specific term and be subject to re-election. Each of the Directors is engaged on a service agreement (for executive Directors and non-executive Directors) or an appointment letter (for independent non-executive Directors) for a term of three years or for a term expiring on 18 June 2021. All of them are subject to retirement and re-election in accordance with the articles of association of the Company (the "**Articles of Association**").

According to the Articles of Association, (i) any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting; (ii) any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election; and (iii) at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. As such, no Directors have a term of appointment longer than three years.

Board Meetings

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

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

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

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

During the Year, the Directors have made active contribution to the affairs of the Group and 13 Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim results and annual results of the Group.

Pursuant to Article 100(1) of the Articles of Association, a Director shall not be entitled to vote nor be counted in the quorum on any resolution of the Board approving any contract or arrangement or any other proposal in which he or his associates is materially interested.

Attendance Records of the Directors

The attendance record of Directors at the Board meetings, the Board committee meetings and the general meetings held during the Year is set out below:

	Number of attendance/Number of meetings held during the year ended 31 December 2020				
Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors:					
Mr. Li Changjiang	13/13	N/A	N/A	N/A	3/3
Mr. Xiao Hua	13/13	N/A	N/A	N/A	3/3
Mr. Guo Zhanjun	13/13	N/A	N/A	N/A	3/3
Non-executive Directors:					
Ms. Yang Huiyan *(Chairman)*	13/13	N/A	1/1	1/1	3/3
Mr. Yang Zhicheng	13/13	N/A	N/A	N/A	3/3
Ms. Wu Bijun	13/13	N/A	N/A	N/A	3/3
Independent Non-executive Directors:					
Mr. Mei Wenjue	13/13	3/3	1/1	N/A	3/3
Mr. Rui Meng	13/13	3/3	N/A	1/1	3/3
Mr. Chen Weiru	13/13	3/3	1/1	1/1	3/3

Chairman and President

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

Board Committees

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

Audit Committee

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

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

During the Year, the Audit Committee has reviewed the audit planning memorandums, the annual results and annual report for the year ended 31 December 2019, the interim results and interim report for the period ended 30 June 2020, the financial reporting and compliance procedures, the compliance and internal control report, the risk management and internal control system, the remuneration of external auditors, the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function department, and their training plans and budgets.

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

During the Year, the Audit Committee held three meetings and has duly discharged the above duties. The attendance of each member of the Audit Committee at the meetings is listed under the section headed "**Attendance Records of the Directors**" above on a named basis.

Remuneration Committee

The Remuneration Committee currently comprises Mr. Chen Weiru, an independent non-executive Director who acts as the chairman, and two other members, namely Mr. Mei Wenjue, an independent non-executive Director, and Ms. Yang Huiyan, a non-executive Director.

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

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

The Remuneration Committee held one meeting during the Year. During the meeting, the Remuneration Committee reviewed and recommended to the Board on the remuneration package of the Directors as well as approved the service contract of the executive Directors. The attendance record of individual Directors at the Remuneration Committee meeting is listed under the section headed "**Attendance Records of the Directors**" above on a named basis.

Details of the remuneration of each of the Directors for the Year are set out in note 37 to the consolidated financial statements.

Details of the 5 individuals with the highest emoluments are set out in note 9(a) to the consolidated financial statements.

The remuneration of the members of senior management (other than Directors) by band for the Year is set out below:

HKD	Number of members of senior management
0–10,000,000	1
10,000,001–20,000,000	1
20,000,001–30,000,000	3

Nomination Committee

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

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

During the Year, the Nomination Committee held one meeting and has duly discharged the above duties. The attendance record of individual Directors at the Nomination Committee meeting is listed under the section headed "**Attendance Records of the Directors**" above on a named basis.

The nomination policy was approved on 20 December 2018.

Objectives

1. The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings for appointment or re-appointment or appoint as Directors to fill casual vacancies or as an addition to the existing Board.

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

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

Selection Criteria

4. The factors listed below would be used as reference by the Nomination Committee in assessing candidates:

   i. Reputation for integrity

   ii. Accomplishment and experience in different industries

   iii. Commitment in respect of available time and relevant interest

   iv. Independence

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

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

   vii. other factors considered to be relevant by the Nomination Committee on a case-by-case basis, including the requirements and restrictions as stated in the Listing Rules

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

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

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

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

Nomination Procedures

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

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

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

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

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

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

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

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

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

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

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee was established in August 2020 with written terms of reference. The Environmental, Social and Governance Committee currently comprises three members, all of which are executive Directors, being Mr. Li Changjiang, Mr. Xiao Hua and Mr. Guo Zhanjun. Mr. Li Changjiang has been appointed as the chairman of the Environmental, Social and Governance Committee. The duties of the Environmental, Social and Governance Committee include, inter alia, (a) formulating and reviewing the environmental, social and governance ("**Environmental, Social and Governance**") responsibilities, visions, strategies, framework, principles and policies of the Group, strengthening the materiality assessment and reporting process to ensure and implement continuous execution and implementation of the past environmental, social and governance policies passed by the Board of Directors; (b) supervising and reviewing the work of the Group's environmental, social and governance working group and evaluating the Group's environmental, social and governance performance, and reporting to the Board of Directors; (c) supervising the assessment of the environmental and social impact of the Group's business and making recommendations to the Board of Directors, etc. The Environmental, Social and Governance Committee did not hold any meeting during the Year.

Corporate Governance Function

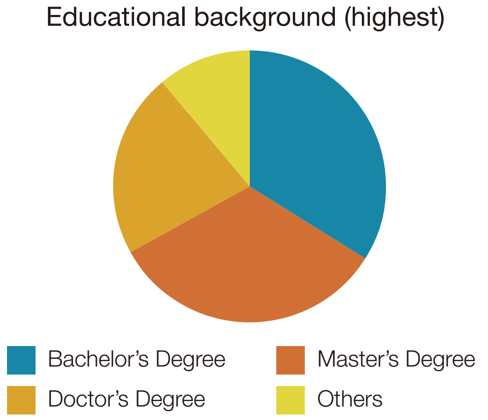
As no corporate governance committee has been established, the Board is responsible for, among other things, formulating and reviewing the policies and practices on corporate governance of the Group and make recommendations, monitoring the Group's compliance of legal and regulatory requirements, reviewing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

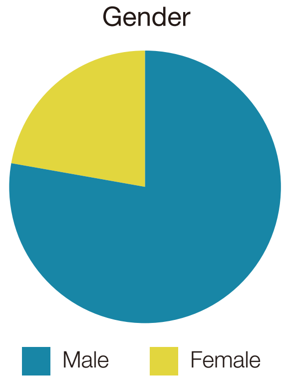
Summary of the Board Diversity Policy

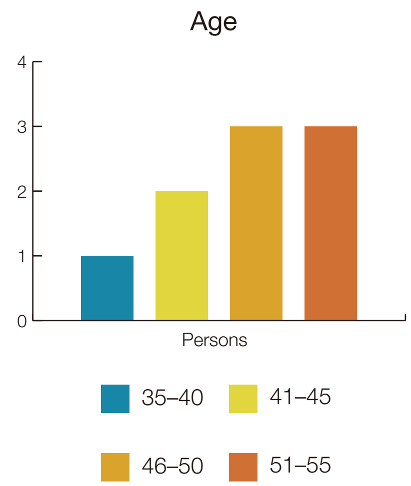
The Company has adopted a board diversity policy (the "**Board Diversity Policy**") setting out the objectives and the factors to be considered for achieving the diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.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

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

As at 31 December 2020, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:







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

Directors' Responsibility on the Consolidated Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the Year in accordance with the legal requirements and applicable accounting standards.

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

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

Deed of Non-Competition

Ms. Yang Huiyan, the ultimate controlling Shareholder of the Company, has entered in the Deed of Non-Competition dated 29 May 2018 in favour of the Company to the effect that she will not, and will procure her respective close associates (except the CGH Group) not to, directly or indirectly participate in, or hold any right or interest in, or otherwise be involved in any business which may be in competition with the business of the Company, further details of which are set out in the section titled "**Deed of Non-Competition**" in the prospectus of the Company dated 6 June 2018.

The Company has received the written confirmation from Ms. Yang Huiyan in respect of her compliance with the Deed of Non-Competition for the Year. The independent non-executive Directors had reviewed the compliance with and enforcement of the Deed of Non-Competition by Ms. Yang for the Year.

Risk Management and Internal Control

Duties of the Board and the Management

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

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

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

Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve the business objectives and to only provide reasonable rather than absolute assurance that there will be no material misstatement or loss.

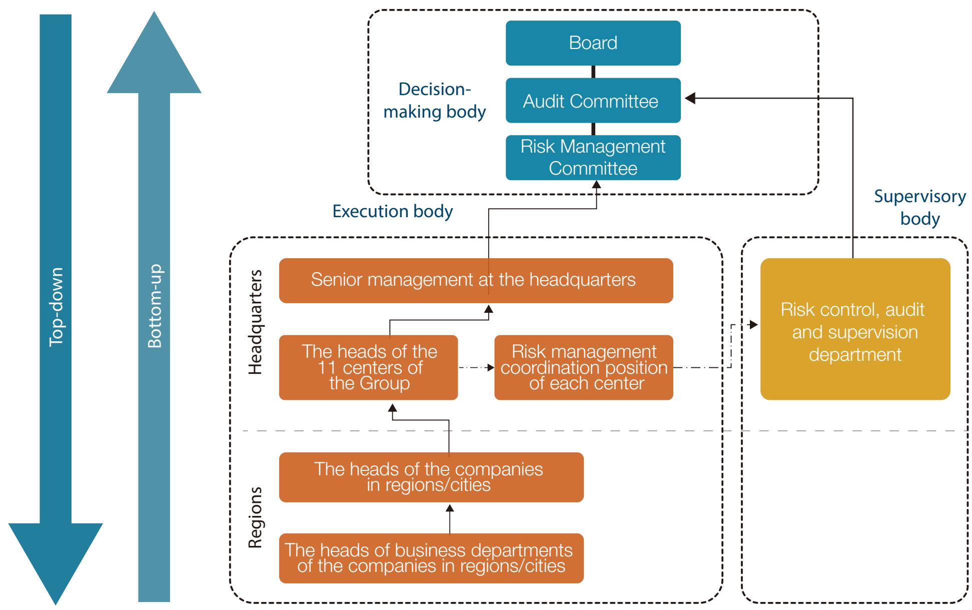
Risk Management

1. ***Risk Management System Construction:***

   The Group set up the top-down bottom-up risk management infrastructure in 2018, defined risk management procedures and adopted an active and structured approach to facilitate improvement of its internal risk management culture. During the Year, basing on the work achieved in previous years, the Company has continuously improved the risk management system structure and guided the implementation of risk assessment for the Group and ongoing risk monitoring activities through the following work:

1) **Define and reiterate the responsibilities of the Risk Management Committee:** the Board established a risk management committee to oversee the design, implementation and maintenance of the Company's risk management system (the "**Risk Management Committee**") in 2019, and has defined its responsibilities: acting as the standing organization at the headquarters' management level, the Risk Management Committee is responsible for the Group's risk management and reporting the annual risk assessment and daily risk management work to the Audit Committee.

2) **Improve the risk management organizational structure:** based on the latest organizational structure, the Company has improved the risk management organizational structure *(see diagram 1: Risk Management Organizational Structure)* covering the decision-making level (the Board, the Audit Committee and the Risk Management Committee), the supervisory level (the risk control, audit and supervision department) and the executive level (the senior management and the management of each functional center at the headquarters/subsidiaries), has segregated risk management responsibilities to define the risk management responsibilities and risk information reporting routes for management and various functional departments. Among which, the Board, the Audit Committee and the Risk Management Committee will monitor, identify and assess risks at company level using a top-down approach, while the functional centers at headquarters and subsidiaries will identify, manage and report risks at operational level using a bottom-up approach.



(Diagram 1: Risk Management Organizational Structure)

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

Roles	Major responsibilities
The Board (decision-making body)	• To evaluate and determine the nature and extent of the risks that the Company is willing to take when achieving the strategic objectives • To ensure that the effective risk management and internal control systems are established and maintained • To oversee management in the design, implementation and monitoring of the risk management and internal control systems

Roles	Major responsibilities
Audit Committee (decision-making body)	• To review and formulate the framework of risk management • To review and assess the framework of the Company's risk management on a regular basis • To continuously monitor the scope of work of the risk management system and the work of other assurance providers • To monitor the frequency of major control failures or weak points, the extent of unforeseen consequences or emergencies resulted therefrom, and the material impact that has caused, may have caused or will cause on the financial performance or condition of the Company • To report any material risk management matters and recommend solutions to the Board
Risk Management Committee (decision-making body)	• The Risk Management Committee is the organization for risk management. It is responsible for risk management of the Group and reports the Group's risk assessment results to the Audit Committee
Senior management at each headquarters (execution body)	• To make risk assessment on a regular basis according to the Company's strategy, in order to formulate risk management measures • To design, implement and monitor the risk management and internal control systems • To confirm the effectiveness of risk management and internal control systems with the Board
Management of the headquarters and its subsidiaries (execution body)	• To formulate and implement the risk response solutions for the respective business • To promote and implement specific risk management measures • To control various risks of the respective business and report risk information to the senior management at headquarters in a timely manner
Risk control, audit and supervision department (supervisory body)	• To coordinate and promote the establishment of the risk management system • To coordinate and promote the implementation of risk assessments in each business center • To supervise over the implementation of risk response and monitoring in each business center
Risk management coordination position at each center of the headquarters (execution body)	• To work with the management of the headquarters and its subsidiaries, and to assist the risk control, audit and supervision department to promote the establishment of the risk management system • To assist the promotion of risk assessments in each business center • To assist the supervision of the risk response and monitoring in each business center

3) **Update risk assessment criteria:** during the Year, basing on changes in both internal and external environment, and taking into account the Company's business nature and operational features, strategic goals as well as risk preference of the management, the Company has updated the risk assessment criteria which are applicable to the Company, including (finance, operation, regulation, corporate reputation, personnel etc.) qualitative and quantitative considerations. During the risk assessment process, the Company will systematically streamline, assess and sort the risks that are most likely to affect the achievement of corporate objectives through the use of jointly identified assessment methods and criteria and by measuring the possibility of risk occurrence and the impact level of risks.

4) **Define and standardize a risk management process:** to establish a risk management process that includes the main steps of risk identification, risk analysis and response, risk assessment and risk tracking (see diagram 2: Main Steps of the Risk Management Process) and form a closed loop to continuously monitor and manage risks. Specifically, it includes, based on the business objectives of the Company, identifying the risk factors that affect the achievement of such business objectives and assessing the possibility and potential impact of each specific risk; streamlining and recording the existing specific risk response measures; and continuously monitoring and assessing the changes in risks and adjusting response measures in a timely manner. During the Year, the Company has reviewed, adjusted and improved the risk management process, and also enhanced the efficiency and standardization of its operation.

(Diagram 2: Main Steps of the Risk Management Process)

5) **Establish a risk management information database:** the risk control, audit and supervision department organizes various functional centers to report, sort and summarize risk information and to establish a risk management information database, in order to jointly identify various risk information which may affect the achievement of the objectives of the Company, to improve the accuracy and applicability of risk identification, and to evaluate the effectiveness of previous risk control measures.

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

2. Implementation of corporate risk assessment in 2020

During the Year, based on the established risk management system above, the management has continued to strengthen its management with the assistance of external advisory bodies, and has updated and assessed the top ten risks for the Year.

The management has updated the risk assessment criteria and risk management information database of the Year based on the Company's external market conditions, changes of internal business environment, business development and risk preference. In addition, the management has adopted qualitative and quantitative assessment methods to review the changes in the nature and extent of major risks that the Company is exposed to, analyzed and ranked the identified risks in accordance with the possibility and degree of impact of such risks, combined risk tolerance abilities, weighed the risks and benefits, identified concerns and major risks that require monitoring first, streamlined the current condition of risk control and subsequent response measures and improvement plans, and reported the assessment results to the Audit Committee.

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

Internal Control

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

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

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

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

During the Year, the Board, through the Audit Committee, has conducted a comprehensive review of the risk management and internal control system of the Group, including major risk assessment and internal control review of key business processes in the Year. The period of this review covered the fiscal year of 2020 with the scope covering the Group's main business and all of the important control aspects, including financial monitoring, operational monitoring and compliance monitoring, and took into account changes in the nature and severity of major risks, as well as the Company's ability to respond to changes in its business and external environment. The Board considers that the Company has complied with the risk management and internal control provisions set out in the Corporate Governance Code and that the risk management and internal control systems are effective and adequate.

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

During the year ended 31 December 2020, the Group has implemented procedures and internal controls for the handling and dissemination of inside information. In particular, the Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;
- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and their implementation was monitored by the Company; and
- has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

Joint Company Secretaries

The Joint Company Secretaries of the Company are Mr. Huang Peng, Chief Financial Officer of the Company, and Mr. Leung Chong Shun, a practicing solicitor in Hong Kong and external service provider. They have complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules by taking not less than 15 hours of relevant professional training during the Year.

The primary contact person of the Company with Mr. Leung is Ms. Zhang Lin, the head of the listing company secretariat of the Company.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company regarding its reporting responsibilities on the Company's financial statements for the Year is set out in the section headed "**Independent Auditor's Report**" in this annual report.

The fees paid to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services for the Year are analyzed below:

Type of services provided by the external auditor	Amount (RMB)
— 2020 interim financial report	
Professional review service	1,800,000
— 2020 annual financial statements	
Professional audit service	6,650,000
— Non-audit services	1,795,000
Total:	10,245,000

There was no change of auditor by the Company in the last three financial years.

Constitutional Documents

During the Year, no amendment was made to the constitutional documents of the Company. A copy of the latest version of such documents is available on the websites of the Company (www.bgyfw.com) and the Stock Exchange (www.hkexnews.hk).

Dividend Policy

Pursuant to the Articles of Association, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer required. Dividends may also be declared and paid out of the share premium account or any other fund or account which is authorised for this purpose in accordance with the Cayman Islands Companies Law. Any declaration of dividends, however, is subject to the Company's results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which the Board may consider relevant.

In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) the Articles of Association, which require any final dividends to be approved by Shareholders at a general meeting, and (ii) the Cayman Islands Companies Law, which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, the Company shall be able to pay its debts as they fall due in the ordinary course of business. Under applicable PRC law, each of the Company's subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

Communication with Shareholders and Investors

Communication with Shareholders

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

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

Telephone: +86 757 2991 7238
Facsimile: 0757-2633 6002
Email: irps@bgyfw.com

General Meetings

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

The Company holds an annual general meeting every year and may hold a general meeting known as an extraordinary general meeting whenever necessary. The chairman of the respective Board committees, independent non-executive Directors, the Company Secretaries and other external professionals will be present at the general meetings timely to answer questions raised by Shareholders and investors at the meeting.

Shareholders' Rights

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

Convening of Extraordinary General Meeting at the Request of Shareholders

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

Procedures for Putting Forward to Proposals at General Meetings by Shareholders

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

Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

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

REPORT OF THE DIRECTORS

The Board is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and a leading service provider in integrated property management in the PRC with residential property as its major focus. Its subsidiaries are principally engaged in property management services, community value-added services, value-added services to non-property owners, the "Three Supplies and Property Management" businesses and city services. An analysis of the Group's revenue for the year ended 31 December 2020 by principal activities is set out in note 5 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on page 95.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out below:

		Section(s) in this Annual Report	Page No. of this Annual Report
a.	Fair review of the Company's business	Management Discussion and Analysis	16 to 31
b.	Description of the principal risks and uncertainties facing the Company	Management Discussion and Analysis	16 to 31
c.	Particulars of important events affecting the Company that have occurred since the end of the year ended 31 December 2020	Report of the Directors, Note 38 to Financial Statements	75, 174
d.	Indication of likely future development in the Company's business	Management Discussion and Analysis	16 to 31
e.	Analysis using financial key performance indicators	Financial Summary and Management Discussion and Analysis	15 and 16 to 31
f.	Discussion on the Company's environmental policies and performance	The Company's environmental policies and performance are set out in details in the "Country Garden Services Holdings Company Limited Environmental, Social And Governance Report 2020 " (a standalone report)	Not applicable
g.	An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends	Management Discussion and Analysis and Report of the Directors	16 to 31 and 58 to 88
h.	Discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company	Corporate Governance Report, Report of the Directors, and in the "Country Garden Services Holdings Company Limited Environmental, Social And Governance Report 2020 " (a standalone report of the Company)	40 to 57, 58 to 88 and not applicable

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of RMB21.87 cents per Share for the year ended 31 December 2020 (2019: RMB15.14 cents per Share) to shareholders whose names appear on the register of members of the Company on Monday, 7 June 2021 (the "**Eligible Shareholders**"). The Eligible Shareholders will be entitled to elect to receive the final dividend all in new Shares or partly in new Shares and partly in cash or all in cash (the "**Scrip Dividend Scheme**").

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 average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Tuesday, 1 June 2021 to Monday, 7 June 2021.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming annual general meeting of the Company and the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued under the Scrip Dividend Scheme.

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around Friday, 30 July 2021. It is expected that the final dividend warrants and certificates for the new Shares (in case the Eligible Shareholders have elected to receive part or all their final dividend in the form of new Shares) will be despatched to the Eligible Shareholders on or around Monday, 30 August 2021.

SHARE CAPITAL

Details of the issued shares and the movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 23 to the consolidated financial statements of the Group.

CONVERTIBLE BONDS

On 27 April 2020 (after trading hours), the Company, Best Path Global Limited (the "**Issuer**", a wholly-owned subsidiary of the Company) and UBS AG Hong Kong Branch (the "**Sole Lead Manager**") entered into an agreement in relation to the issue of senior unsecured guaranteed convertible bonds (the "**Bonds**"), pursuant to which the Sole Lead Manager agreed to subscribe for, or procure subscribers to subscribe for, the Bonds to be issued by the Issuer in the aggregate principal amount of HK$3,875 million. The Bonds are unconditionally and irrevocably guaranteed by the Company. Based on the initial conversion price of HK$39.68 per Share and assuming that the Bonds will be converted in full at the initial conversion price, the Bonds will be converted into 97,656,250 Shares, representing approximately 3.59% of the issued share capital of the Company as at 28 April 2020 and approximately 3.47% of the share capital of the Company as enlarged by the issue of conversion shares upon full conversion of the Bonds.

The gross proceeds from the issue of the Bonds were HK$3,875 million. The net proceeds received by the Company from the issue of the Bonds were approximately HK$3,837.9 million after deducting the relevant fees and expenses. The Company intends to use the net proceeds for potential future merger and acquisition, strategic investments, working capital and general corporate purposes.

During the year ended 31 December 2020, no Bonds had been converted, nor were there any Shares issued under the Bonds. For details, please refer to the announcements of the Company dated 27 April 2020 and 28 April 2020.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2020 are set out in note 14 to the consolidated financial statements of the Group.

INTANGIBLE ASSETS

Details of the movements in intangible assets of the Group during the year ended 31 December 2020 are set out in note 16 to the consolidated financial statements of the Group.

BORROWINGS

Details of the borrowings of the Group during the year ended 31 December 2020 are set out in note 30 to the consolidated financial statements of the Group.

EQUITY LINKED AGREEMENT

Save as disclosed in the sections headed “Share Option Schemes” and “Equity Fund-Raising Activities and Uses of Proceeds”, no equity linked agreements were entered into by the Company as at the end of or at any time during the year ended 31 December 2020.

LISTING OF THE COMPANY

The Company was originally owned by CGH. In March 2018, CGH submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of the Listing Rules to spin-off the Company for a separate listing by way of introduction and the Stock Exchange confirmed that CGH might proceed with the proposal.

In March 2018, the Company submitted a listing application form (Form A1) to apply for the listing of, and permission to deal in, the ordinary shares of par value US$0.0001 each in the share capital of the Company (“**CG Services Share(s)**”) on the Main Board of the Stock Exchange by way of introduction. The application was subsequently approved by the Stock Exchange.

The spin-off and separate listing of the Company was implemented by means of a distribution in specie by CGH to its eligible shareholders on the basis of one CG Services Share for every 8.7 shares of CGH held on 13 June 2018. Upon completion of the distribution, the Company became listed on the Main Board of the Stock Exchange with stock code of 6098 on 19 June 2018.

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

DONATIONS

The total donations made by the Group during the year ended 31 December 2020 amounted to approximately RMB448,000 (2019: approximately RMB443,000).

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Connected Transactions and Continuing Connected Transactions" and "Share Option Schemes", as at the end of the year ended 31 December 2020 or during the year ended 31 December 2020, none of the Company, any of its subsidiaries, fellow subsidiaries or holding companies was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other companies.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the distributable reserves of the Company amounted to approximately RMB678,657,000 (2019: approximately RMB418,629,000).

Details of the movements in reserves of the Company during the year ended 31 December 2020 are set out in note 36 to the consolidated financial statements of the Group.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR PURCHASING CAPITAL ASSETS OF THE GROUP AND THEIR EXPECTED SOURCES OF FUNDING IN THE COMING YEAR

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

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 15 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, revenue attributable to the largest customer of the Group accounted for approximately 13.6% of the total revenue of the year and the five largest customers of the Group accounted for less than 30% of the Group's revenue of the year.

For the year ended 31 December 2020, purchases attributable to the largest supplier of the Group accounted for approximately 5.1% of the total purchases in the year and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

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

As at 31 December 2020, Ms. Yang Huiyan, our ultimate controlling shareholder and non-executive Director, was interested in 58.72% of the issued shares of CGH. CGH Group is one of the Group's five largest customers.

Save as disclosed, none of the Directors or any of their close associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any direct or indirect interests in the Group's five largest customers or suppliers.

CHANGE IN INFORMATION OF DIRECTORS

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

Mr. Changjiang Li, Executive Director and President

On 26 August 2020, Mr. Li was appointed as the chairman of the environmental, social and governance committee of the Company.

Mr. Xiao Hua, Executive Director

On 26 August 2020, Mr. Xiao was appointed as a member of the environmental, social and governance committee of the Company.

Mr. Guo Zhanjun, Executive Director

On 26 August 2020, Mr. Guo was appointed a member of the environmental, social and governance committee of the Company.

Mr. Chen Weiru, Independent Non-executive Director

On 5 January 2021, Mr. Chen was appointed as an independent non-executive director of BlueCity Holdings Limited (藍城兄弟控股有限公司), a company listed on the Nasdaq (stock code: BLCT).

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51B(1) of the Listing Rules.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this report are:

Executive Directors

Mr. Li Changjiang *(President)*
Mr. Xiao Hua
Mr. Guo Zhanjun

Non-executive Directors

Ms. Yang Huiyan *(Chairman)*
Mr. Yang Zhicheng
Ms. Wu Bijun

Independent Non-executive Directors

Mr. Mei Wenjue
Mr. Rui Meng
Mr. Chen Weiru

In accordance with article 84(1) of the Articles of Association, Mr. Xiao Hua, Ms. Wu Bijun and Mr. Mei Wenjue shall retire from office by rotation and, being eligible, offer themselves for re-election at the 2021 AGM.

No Director proposed for re-election at the 2021 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company, and each of the independent non-executive Directors has signed an appointment letter with the Company.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions", no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of or at any time during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contracts, other than the service contracts with the Directors and employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2020.

INTERESTS OF DIRECTORS AND THEIR ASSOCIATES IN COMPETING BUSINESS

During the year ended 31 December 2020, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

On 29 May 2018, Ms. Yang Huiyan, the controlling shareholder of the Company, entered into a deed of non-competition in favour of the Company (the "**Deed of Non-competition**").

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

For details of the Deed of Non-competition stated above, please refer to the section entitled "Relationship with our Controlling Shareholders" in the listing document of the Company dated 6 June 2018.

The controlling shareholder of the Company, Ms. Yang Huiyan, has provided the Company with a written confirmation dated 17 March 2021, in which Ms. Yang Huiyan confirmed that, during the year ended 31 December 2020 she and her close associates had fully complied with all terms and provisions of the Deed of Non-competition.

PERMITTED INDEMNITY PROVISION

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

During the year ended 31 December 2020, the Company had taken out insurance for Directors and senior management to provide appropriate protection for the Directors and senior management of the Company.

The permitted indemnity provision was in force during the year ended 31 December 2020 for the benefit of the Directors.

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

Details of the emoluments of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 December 2020 are set out in note 37 and note 9(a) to the consolidated financial statements of the Group.

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 9 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions that constitute non-exempt transactions under Chapter 14A of the Listing Rules are disclosed as follows.

(1) Connected Transactions

(a) Acquisition of 100% Equity Interest in Wenjin International Insurance Broker Co. Ltd. ("Wenjing International") and Acquisition of Long-term Loans from Guangdong Elite Architectural Co., Ltd. ("Elite Architectural Co.")

On 9 April 2020, Guangdong Country Garden Modern Life Property Management Co., Ltd. ("**CG Modern Life**", an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement and a loans transfer agreement with Elite Architectural Co., pursuant to which CG Modern Life agreed to acquire and Elite Architectural Co. agreed to dispose of (i) its 100% equity interest in Wenjin International (the "**Equity Transfer**") and (ii) the non-interest bearing long-term loans receivable by Elite Architectural Co. as creditor as at the date of the aforesaid loans transfer agreement amounting in aggregate to RMB48,193,000 (the "**Loans Transfer**"). The aggregate consideration payable by CG Modern Life for the Equity Transfer and the Loans Transfer is RMB84,113,000, comprising (i) RMB35,920,000 for the Equity Transfer; and (ii) RMB48,193,000 for the Loans Transfer.

Elite Architectural Co. is an indirect majority-controlled company held by Ms. Yang Meirong, who is an aunt of Ms. Yang Huiyan, a non-executive Director and a substantial shareholder of the Company. As such, Elite Architectural Co. is a connected person of the Company. The Equity Transfer and the Loans Transfer therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company is of the view that the acquisition of Wenjin International will enable the Group to speed up its development of community insurance sales business, improve its community value-added business and enhance the Company's profitability in the future. As at the date of this report, the Equity Transfer and the Loans Transfer have been completed. Wenjin International has become a wholly-owned subsidiary of the Company and its financial results have been consolidated into the consolidated financial statements of the Group. For details of the Equity Transfer and the Loans Transfer, please refer to the announcement of the Company dated 13 April 2020.

(b) Capital injection into Strait Energy Intercontinental Technology Co., Ltd. ("Strait Energy Technology")

On 6 November 2020 (after trading hours), Country Garden Life Services Group Co., Ltd. ("**CG Life Services**", an indirect wholly-owned subsidiary of the Company), entered into the capital injection agreement with Ningbo Yuyou Information Consulting Partnership (Limited Partnership) ("**Ningbo Yuyou Partnership**"), Strait Energy (Beijing) Intercontinental Investment Co., Ltd.. ("**Strait Energy Investment**"), Beijing Jun'an Petroleum Technology Co., Ltd. ("**Beijing Jun'an**"), Beijing Lande Hongye Petroleum Drilling & Exploration Technology Service Co., Ltd. ("**Beijing Lande Hongye**"), Chengdu Ruichi Guangrong Equity Investment Management Partnership (Limited Partnership) ("**Chengdu Partnership**") and Strait Energy Technology in relation to the capital injection into Strait Energy Technology, pursuant to which (among other things) CG Life Services would make a capital injection in the amount of RMB140 million to Strait Energy Technology (the "**Capital Injection Agreement**").

As at the date mentioned above, Strait Energy Investment holds 20% equity interest in Baoshihua Home Investment Management Company Limited, a subsidiary of the Company, and Strait Energy Technology is a subsidiary of Strait Energy Investment. As such, Strait Energy Investment and Strait Energy Technology are connected persons of the Company at the subsidiary level. Mr. Li Changjiang, Mr. Guo Zhanjun and Mr. Xiao Hua, being executive Directors of the Company, are connected persons of the Company. All of them are limited partners of Ningbo Yuyou Partnership (with capital contribution percentages in Ningbo Yuyou Partnership of 9.25%, 4.5% and 2.5%, respectively). The transaction contemplated under the Capital Injection Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Through the equity investment in Strait Energy Technology, the Group wishes to share its future financial benefits, to help increase the reserves and production of oil and gas in the PRC, and to safeguard national energy security. For details of the Capital Injection Agreement, please refer to the announcement of the Company dated 6 November 2020.

(2) Continuing Connected Transactions

Continuing Connected Transaction with Bright Scholar Group

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

Since the 2018 Bright Scholar Property Management Services Framework Agreement was due to expire on 31 December 2020 and it was expected that the Group would continue to enter into similar transactions from time to time thereafter, the Company and Bright Scholar renewed the Property Management Services Framework Agreement on 4 December 2020 (the "**2020 Bright Scholar Property Management Services Framework Agreement**") for a term of three years commencing on 1 January 2021 until 31 December 2023. The proposed annual caps (excluding tax) of the transactions contemplated under the 2020 Bright Scholar Property Management Services Framework Agreement for each of the three years ending 31 December 2023 are RMB7 million, RMB12.5 million and RMB18 million, respectively.

Bright Scholar is an indirect majority-controlled company held by Ms. Yang Meirong, who is an aunt of Ms. Yang Huiyan, a non-executive Director and a substantial shareholder of the Company. As such, Bright Scholar is a connected person of the Company, and the 2018 Bright Scholar Property Management Services Framework Agreement and the 2020 Bright Scholar Property Management Services Framework Agreement and the transactions contemplated thereunder (collectively, the "**Bright Scholar Property Management Services Framework Agreements**") constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company expects that the entering into of the Bright Scholar Property Management Services Framework Agreements can broaden the sources of revenue of the Group, thereby generating stable income and realising more benefits for the Group.

Further details of the Bright Scholar Property Management Services Framework Agreements were respectively disclosed in the announcements of the Company dated 22 August 2018 and 4 December 2020.

During the year ended 31 December 2020, a total amount of RMB7.821 million was paid by Bright Scholar Group to the Group under the 2018 Bright Scholar Property Management Services Framework Agreement, which did not exceed the annual cap of RMB40 million.

Water Supply Services Agreement with Zengcheng Qingyuan Waterworks Company Limited ("Zengcheng Qingyuan")

On 1 June 2018, the Company entered into a water supply services agreement (the "**Water Supply Services Agreement**") with Zengcheng Qingyuan, pursuant to which Zengcheng Qingyuan agreed to supply water to the clubhouses and public facilities in the properties managed by the Group in Zengcheng, Guangdong Province (the "**Water Supply Services**"), for a term commencing from the Listing Date until 31 December 2020. The Directors estimated that the annual fees payable in relation to the Water Supply Services under the Water Supply Services Agreement for each of the three years ended 31 December 2020 would not exceed RMB3.6 million, RMB4.2 million and RMB4.2 million, respectively.

Zengcheng Qingyuan is indirectly owned as to 99% by Xizang Shengda Investment Centre (Limited Partnership), which is controlled by Ms. Yang Meirong (an aunt of Ms. Yang Huiyan, one of the controlling shareholders of the Company). Ms. Yang Meirong is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Water Supply Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon the Listing.

For details of the Water Supply Services Agreement, please refer to the section headed "Connected Transactions" of the listing document of the Company dated 6 June 2018.

During the year ended 31 December 2020, the total amount of water supply services provided by Zengcheng Qingyuan to the Group was RMB3.778 million, which did not exceed the annual cap of RMB4.2 million.

Continuing Connected Transactions with CGH

Since CGH is a company 30%-controlled and indirectly held by Ms. Yang Huiyan, a non-executive Director and substantial shareholder of the Company, CGH is an associate of Ms. Yang Huiyan and thus a connected person of the Company. The transactions contemplated between the Company and CGH therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

1. Trademark Licencing Arrangement

On 1 June 2018, a trademark licencing agreement was entered into between the Company and Foshan Shunde Country Garden Property Development Company Limited ("**Shunbi Property**") and a deed of trademark licencing was entered into between the Company and CGH (the "**Trademark Licencing Arrangement**"), pursuant to which Shunbi Property agreed to and CGH would procure Shunbi Property to irrevocably and unconditionally grant to the Group a non-transferable licence to use several trademarks registered in the PRC and Hong Kong for a perpetual term commencing from the date of the trademark licencing agreement and the deed of trademark licencing, which is subject to the renewal of the licenced trademarks, on a royalty-free basis. In view of the needs for business development of the Group, the Company entered into a supplementary agreement with Shunbi Property on 13 March 2020, pursuant to which both parties agreed to increase the categories of registered trademarks licenced for use for the "information on registered trademarks licenced".

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

Shunbi Property, as the registered proprietor of the licenced trademarks, is an indirect wholly-owned subsidiary of CGH. CGH is an associate of Ms. Yang Huiyan, a non-executive director and a controlling shareholder of the Company, and therefore Shunbi Property is a connected person of the Company in accordance with the Listing Rules. Accordingly, the transactions under the Trademark Licencing Arrangement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For details of the Trademark Licensing Arrangement, please refer to the section headed "Connected Transactions" of the listing document of the Company dated 6 June 2018.

2. Master Property Lease Agreement

On 1 June 2018, the Company entered into a master property lease agreement with CGH (the "**Master Property Lease Agreement**"), pursuant to which the Company may lease the offices, community service centres, etc. of CGH Group, for a term commencing from the Listing Date until 31 December 2020. The Directors estimated that the maximum annual fees payable under the Master Property Lease Agreement for each of the three years ended 31 December 2020 would not exceed RMB1.1 million, RMB1.6 million and RMB2.2 million, respectively. In light of the business development of the Group, it was expected that existing annual caps would be insufficient to cover the expected transaction amounts for the lease of the offices, community service centres, etc. of CGH Group for each of the three years ended 31 December 2020. As such, the Group entered into a supplemental agreement with CGH on 14 December 2018, pursuant to which both parties agreed to revise the annual caps for the three years ended 31 December 2020 to RMB1.36 million, RMB1.8 million and RMB2.2 million, respectively.

For details of the Master Property Lease Agreement, please refer to the section headed "Connected Transactions" of the listing document of the Company dated 6 June 2018. During the year ended 31 December 2020, the total amount spent by the Company for the lease of the offices, community service centres, etc. of the CGH Group was RMB1.831 million, which did not exceed the annual cap of RMB2.2 million.

3. Merchandise Procurement Framework Agreements

On 23 August 2019, the Company entered into a merchandise procurement framework agreement (the "**2019 Merchandise Procurement Framework Agreement**") with CGH, which sets out the principal terms for the sale of various kinds of goods, including but not limited to home appliances and food products, by the Group to CGH Group for a term commencing on 23 August 2019 until 31 December 2020. The annual caps of the transactions contemplated under the 2019 Merchandise Procurement Framework Agreement for each of the two years ended 31 December 2020 were RMB25 million and RMB50 million respectively.

Since the 2019 Merchandise Procurement Framework Agreement was due to expire on 31 December 2020 and it was expected that the Group would continue to enter into similar transactions from time to time thereafter, the Company and CGH renewed the Merchandise Procurement Framework Agreement on 4 December 2020 (the "**2020 Merchandise Procurement Framework Agreement**") for a term of three years commencing on 1 January 2021 until 31 December 2023. The proposed annual caps (excluding tax) of the transactions contemplated under the 2020 Merchandise Procurement Framework Agreement for each of the three years ending 31 December 2023 are RMB82.58 million, RMB114.87 million and RMB172.30 million, respectively.

The Company considers that the entering into of the 2019 Merchandise Procurement Framework Agreement and 2020 Merchandise Procurement Framework Agreement (collective, the "**Merchandise Procurement Framework Agreements**") helps raise the Group's income from value-added services, which will thereby increase the total revenue and improve the profitability of the Group, and is in conformity with the Group's strategic development needs.

Further details of the Merchandise Procurement Framework Agreements were respectively disclosed in the announcements of the Company dated 23 August 2019 and 4 December 2020. During the year ended 31 December 2020, the total merchandise procurement fee paid by the CGH Group to the Group was RMB36.025 million, which did not exceed the annual cap of RMB50 million.

4. CGH Property Management Services Agreements

On 1 June 2018, the Company entered into a property management services framework agreement (the "**Master CGH Property Management Services Agreement**") with CGH, which sets out the terms between the CGH Group and the Group on the property management services fee in respect of the unsold property units and the sold property units prior to the agreed delivery date set out in the property purchase contract for projects developed by the CGH Group and managed by the Group (the "**CGH Property Management Services**"), for a term commencing from the Listing Date until 31 December 2020. The Directors estimated that the maximum annual fees payable by the CGH Group in relation to the CGH Property Management Services for each of the three years ended 31 December 2020 would not exceed RMB289.6 million, RMB355.3 million and RMB478.1 million, respectively.

Since the Master CGH Property Management Services Agreement was due to expire on 31 December 2020 and it was expected that the Group would continue to enter into similar transactions from time to time thereafter, the Company and CGH renewed the Master CGH Property Management Services Agreement on 4 December 2020 (the "**CGH Property Management Services Framework Agreement**") for a term of three years commencing on 1 January 2021 until 31 December 2023. The proposed annual caps (excluding tax) of the transactions contemplated under the CGH Property Management Services Framework Agreement for each of the three years ending 31 December 2023 are RMB416 million, RMB493 million and RMB571 million, respectively.

The cooperation between the Company and CGH through the Master CGH Property Management Services Agreement and the CGH Property Management Services Framework Agreement (collectively, the "**CGH Property Management Services Agreements**") is expected to generate good synergies and further contribute to the Group's business growth.

For details of the CGH Property Management Services Agreements, please refer to the section headed "Connected Transactions" of the listing document of the Company dated 6 June 2018 and the announcement of the Company dated 4 December 2020 and the circular of the Company dated 7 December 2020. The CGH Property Management Services Framework Agreement and the transactions contemplated thereunder were duly approved by independent shareholders of the Company at the extraordinary general meeting held on 23 December 2020.

During the year ended 31 December 2020, the total property management service fee paid by the CGH Group to the Company was RMB271.191 million, which did not exceed the annual cap of RMB478.1 million.

5. Sales and Leasing Agency Services Framework Agreements

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

Since the 2018 Sales and Leasing Agency Services Framework Agreement was due to expire on 31 December 2020 and it was expected that the Group would continue to enter into similar transactions from time to time thereafter, the Company and CGH renewed the 2018 Sales and Leasing Agency Services Framework Agreement on 4 December 2020 (the "**2020 Sales and Leasing Agency Services Framework Agreement**") for a term of three years commencing on 1 January 2021 until 31 December 2023. The annual caps of the transactions contemplated under the 2020 Sales and Leasing Agency Services Framework Agreement for each of the three years ending 31 December 2023 are RMB700 million, RMB850 million and RMB1,000 million, respectively.

As a long-term development strategy, it is expected that the provision of sales and leasing agency services in respect of unsold parking spaces and the provision of sales agency services in respect of unsold property units of projects of the CGH Group will secure the steady growth of the Group's value-added services business, thereby expanding the Group's total revenue.

For details of the 2018 Sales and Leasing Agency Services Framework Agreement and the 2020 Sales and Leasing Agency Services Framework Agreement, please refer to the announcements of the Company dated 18 September 2018 and 4 December 2020 and the circulars of the Company dated 2 November 2018 and 7 December 2020 respectively. The 2020 Sales and Leasing Agency Services Framework Agreement and the transactions contemplated thereunder were duly approved by independent shareholders of the Company at the extraordinary general meeting held on 23 December 2020.

For the year ended 31 December 2020, the total amount for the sales and leasing agency services paid by the CGH Group to the Company was RMB277.841 million, which did not exceed the cap of RMB450 million.

6. Hotel, Engineering and Transportation Services Agreements

(a) Master Hotel Services Agreement

On 1 June 2018, the Company entered into a hotel services framework agreement (the "**Master Hotel Services Agreement**") with CGH, pursuant to which the Company agreed to engage the CGH Group to provide hotel accommodation services to the Group ("**Hotel Services**"), for a term commencing from the Listing Date until 31 December 2020. The Directors estimated that the maximum annual fees payable in relation to the Hotel Services under the Master Hotel Services Agreement for each of the three years ended 31 December 2020 would not exceed RMB4.1 million, RMB4.9 million and RMB5.8 million, respectively.

For details of the Master Hotel Services Agreement, please refer to the section headed "Connected Transactions" of the listing document of the Company dated 6 June 2018. During the year ended 31 December 2020, the total amount of the Hotel Services provided by the CGH Group to the Group was RMB5.089 million, which did not exceed the annual cap of RMB5.8 million.

(b) Master Engineering and Transportation Services Agreement

On 1 June 2018, the Company entered into a master engineering and transportation services agreement (the "**Master Engineering and Transportation Services Agreement**") with CGH, pursuant to which the CGH Group agreed to provide engineering and transportation services, including but not limited to, providing maintenance on the public facilities for properties managed by the Group and the shuttle-bus transportation services ("**Engineering and Transportation Services**"), for a term commencing from the Listing Date until 31 December 2020. It was expected that the maximum annual fee payable in relation to the Engineering and Transportation services under the Master Engineering and Transportation Services Agreement for each of the three years ended 31 December 2020 would not exceed RMB35.7 million, RMB41.1 million and RMB48.3 million, respectively. In light of the business development of the Group, it was expected that existing annual caps would be insufficient to cover the expected transaction amounts for the Engineering and Transportation Services for each of the three years ended 31 December 2020. Therefore, the Group entered into a supplementary agreement with CGH on 18 September 2018, pursuant to which both parties agreed to revise the annual caps for the three years ended 31 December 2020 to RMB54 million, RMB76.8 million and RMB79 million, respectively.

For details of the Master Engineering and Transportation Services Agreement, please refer to the section headed "Connected Transactions" of the listing document of the Company dated 6 June 2018 and the announcement of the Company dated 18 September 2018 and the circular of the Company dated 2 November 2018. During the year ended 31 December 2020, the total amount of the Engineering and Transportation Services provided by the CGH Group to the Group was RMB28.304 million, which did not exceed the annual cap of RMB79 million.

(c) Hotel, Engineering and Transportation Services Framework Agreement

Since the Master Hotel Services Agreement and the Master Engineering and Transportation Services Agreement were due to expire on 31 December 2020 and it was expected that the Group would continue to enter into similar transactions from time to time thereafter, on 4 December 2020, the Company and CGH renewed the Master Hotel Services Agreement and the Master Engineering and Transportation Services Agreement, pursuant to which the CGH Group agreed to provide the Group with hotel, services, engineering and transportation services for a term of three years commencing on 1 January 2021 until 31 December 2023 (the "**Hotel, Engineering and Transportation Services Framework Agreement**"). The proposed annual caps of the transactions contemplated under the Hotel, Engineering and Transportation Services Framework Agreement for each of the three years ending 31 December 2023 are RMB52.22 million, RMB58.38 million and RMB70.64 million, respectively.

The Company considers that the entering into of the Hotel, Engineering and Transportation Services Framework Agreement helps raise the Group's service quality and enhance the brand of the Group, and is in conformity with the Group's strategic development needs. Details of the Hotel, Engineering and Transportation Services Framework Agreement were disclosed in the announcement of the Company dated 4 December 2020.

7. Consultancy and Other Services, Advertising and Domestic Services, and Elevators Installation and Other Services Agreements

(a) Master Consultancy and Other Services Agreement

On 1 June 2018, the Company entered into a consultancy and other services framework agreement (the "**Master Consultancy and Other Services Agreement**") with CGH, for a term commencing from the Listing Date until 31 December 2020, pursuant to which the Group agreed to provide consultancy services in relation to sales of properties and other services, including but not limited to consultancy services on the operational management of the sales offices of the CGH Group, and cleaning services for the properties developed by the CGH Group before delivery to homeowners (the "**Consultancy and Other Services**"). The Directors expected that the maximum annual fee payable in relation to the services to be provided by the Group under the Master Consultancy and Other Services Agreement for each of the three years ended 31 December 2020 would not exceed RMB395.6 million, RMB600.6 million and RMB882.3 million, respectively. In light of the business development of the Group, it was expected that the existing annual caps would be insufficient to cover the expected transaction amounts under the Master Consultancy and Other Services Agreement for each of the three years ended 31 December 2020. As such, the Group entered into a supplemental agreement with CGH on 18 September 2018, pursuant to which both parties agreed to revise the annual caps for the three years ended 31 December 2020 to RMB633.11 million, RMB897.93 million and RMB1,007.42 million, respectively.

In view of the increasing market share of the Group and the rising labour costs in respect of property-related services, it is expected that the cooperation between the Company and CGH through the Master Consultancy and Other Services Agreement will generate good synergies.

For details of the Master Consultancy and Other Services Agreement, please refer to the section headed "Connected Transactions" of the listing document of the Company dated 6 June 2018 and the announcement of the Company dated 18 September 2018 and the circular of the Company dated 2 November 2018. During the year ended 31 December 2020, the total consultancy and other service fee paid by the CGH Group to the Company was RMB569.192 million, which did not exceed the annual cap of RMB1,007.42 million.

(b) Advertising and Domestic Services Framework Agreement

On 23 August 2019, the Company entered into an advertising and domestic services framework agreement (the "**Advertising and Domestic Services Framework Agreement**") with CGH, which sets out the principal terms for the provision of services by the Group, including but not limited to the advertising services (which comprise installation, maintenance and dismantling services in relation to advertisements to be displayed at certain advertising spaces located in the common areas of the property projects managed by the Group) (the "**Advertising Services**") and the domestic services (including home cleaning, household appliances cleaning, garden maintenance, home maintenance and other domestic services to the purchasers of property units of the CGH Group) (the "**Domestic Services**"), provided by the Group to the CGH Group for a term commencing on 23 August 2019 until 31 December 2020. For the two years ended 31 December 2020, the annual caps for transactions of the Advertising Services contemplated under the Advertising and Domestic Services Framework Agreement were RMB2 million and RMB4 million respectively, whereas the annual caps for transactions of the Domestic Services contemplated under the Advertising and Domestic Services Framework Agreement were RMB9 million and RMB18 million respectively.

The Company considers that the entering into of the Advertising and Domestic Services Framework Agreement helps raise the Group's income from value-added services, which will thereby increase the total revenue and improve the profitability of the Group, and is in conformity with the Group's strategic development needs.

For details of the Advertising and Domestic Services Framework Agreement, please refer to the announcement of the Company dated 23 August 2019. During the years ended 31 December 2020, the fees paid by the CGH Group to the Company for the Advertising Services and Domestic Services pursuant to the Advertising and Domestic Services Framework Agreement were RMB1.883 million and RMB9.381 million respectively, which did not exceed their respective annual caps of RMB4 million and RMB18 million.

(c) Elevators Installation and Other Services Framework Agreement

On 18 March 2020, the Company entered into an elevators installation and other services framework agreement with CGH, which sets out the principal terms for the provision of elevator products installation and supporting services and other services (the "**Elevators Installation Services**") by the Group to CGH Group for a term commencing on 18 March 2020 until 31 December 2020 (the "**Elevators Installation and Other Services Framework Agreement**"). The annual cap of the fees payable by the CGH Group to the Group for such services (exclusive of tax) was RMB460 million.

The Company considers that the entering into of the Elevators Installation and Other Services Framework Agreement helps raise the Group's income from value-added services, which will thereby increase the total revenue and improve the profitability of the Group, and is in conformity with the Group's strategic development needs.

Details of the Elevators Installation and Other Services Framework Agreement were disclosed in the announcement of the Company dated 18 March 2020. During the year ended 31 December 2020, the total amount for the elevators installation and other services under the Elevators Installation and Other Services Framework Agreement paid by the CGH Group to the Group was RMB22.35 million, which did not exceed the annual cap of RMB460 million.

(d) Consultancy and Other Services Framework Agreement

Since the Master Consultancy and Other Services Agreement, the Advertising and Domestic Services Framework Agreement and the Elevators Installation and Other Services Framework Agreement were due to expire on 31 December 2020 and it was expected that the Group would continue to enter into similar transactions from time to time thereafter, on 4 December 2020, the Company and CGH renewed the Master Consultancy and Other Services Agreement, the Advertising and Domestic Services Framework Agreement and the Elevators Installation and Other Services Framework Agreement (the "**Consultancy and Other Services Framework Agreement**"). In accordance with its principal terms, members of the Group may from time to time enter into individual agreements with members of the CGH Group to provide the CGH Group with the Consultancy Services and Other Services, the Advertising Services, the Domestic Services, the Elevators Installation Services and other services (i.e. technology services, after-sales maintenance and warranty services for houses and buildings, turnkey furnishing services, hotel management services, institutional food services, disinfection and pest control services and other services, the "**Other Services**") for a term of 3 years commencing on 1 January 2021 until 31 December 2023. The proposed annual caps of the transactions contemplated under the Consultancy and Other Services Framework Agreement for each of the three years ending 31 December 2023 are RMB1,500 million, RMB1,800 million and RMB2,200 million, respectively.

The Company considers that the entering into of the Consultancy and Other Services Framework Agreement helps raise the Group's income from value-added services, which will thereby increase the total revenue and improve the profitability of the Group, and is in conformity with the Group's strategic development needs.

For details of the Consultancy and Other Services Framework Agreement, please refer to the announcement of the Company dated 4 December 2020 and the circular of the Company dated 7 December 2020. The Consultancy and Other Services Framework Agreement and the transactions contemplated thereunder were duly approved by independent Shareholders of the Company at the extraordinary general meeting held on 23 December 2020.

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

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

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

(2) on normal commercial terms or better or, if there were insufficient comparable transactions to judge whether they were on normal commercial terms or better, on terms no less favourable to the Group than terms available to or from independent third parties; and

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

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY AUDITORS

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

The auditor has issued an unqualified letter containing its findings and conclusions in respect of the disclosed continuing connected transactions as follows:

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

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

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

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

A copy of the auditor's letter has been delivered by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.

OTHERS

In addition to the connected transaction in relation to capital injection into Strait Energy Technology, the connected transactions and continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions conducted during the year ended 31 December 2020 is disclosed in note 35 to the financial statements.

Certain items under note 35 to the financial statements also constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules.

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

TRANSACTION ENTERED INTO SUBSEQUENT TO THE REPORTING PERIOD

DISCLOSEABLE TRANSACTION RELATING TO THE PAYMENT OF DEPOSIT FOR THE POSSIBLE TRANSACTION AND ADVANCE TO AN ENTITY

On 23 February 2021, Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司), a wholly-owned subsidiary of the Company, (the "**Subsidiary**") entered into a memorandum of understanding (the "**MOU**") with Sichuan Languang Hejun Industries Co., Ltd. ("**Languang Hejun**") in respect of a possible acquisition of 115,090,200 H shares in Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司) (the "**Target**"), a joint stock company incorporated in the People's Republic of China with limited liability (stock code: 2606) (representing approximately 64.62% equity interest in the Target) by the Subsidiary from Languang Hejun at a price of RMB42.1105 per H share (the "**Possible Transaction**").

On 11 March 2021, Languang Hejun and the Subsidiary entered into a supplemental memorandum of understanding (the "**Supplemental MOU**") to amend the MOU, to the effect that (a) the Subsidiary intends to acquire 115,090,200 H shares and 750,000 domestic shares in the Target (representing approximately 65.04% equity interests in the Target) from Languang Hejun at a price of RMB42.8546 per H share or per domestic share; and (b) the Subsidiary shall pay a deposit (without interests) equivalent to the amount of RMB1,985.67 million (the "**Deposit**") (comprising RMB500 million and HKD1,774.63 million*) to Languang Hejun and Languang Hejun shall execute a share charge over 106,861,296 H shares of the Target (representing approximately 60% of the entire equity interests in the Target) (the "**Share Charge**") in favour of the Subsidiary. Under the Share Charge, the Subsidiary will have security interest over 106,861,296 H shares of the Target (representing approximately 60% of the entire equity interests in the Target) (the "**Charged Shares**").

In connection with the Possible Transaction, the general offer obligation under the Takeovers Code may be triggered on the part of the Subsidiary under the Takeovers Code and the offer price per share will be no less than the higher of (i) the price paid by the Subsidiary to Languang Hejun, and (ii) the Hong Kong dollar equivalent of RMB42.8546.

The Possible Transaction will complement the Group's business by providing a regional advantage to the Group, expanding the scale and coverage of the Group's business, improving the Group's economies of scale in the region and facilitating the development of the Group's community value-added services and other services. This will also enhance the Group's influence and competitiveness in the market and contribute to the Group's stable long-term development. For details, please refer to the announcements of the Company dated 25 February 2021 and 11 March 2021.

*Note: RMB has been converted to HK$ at the rate of HK$1 = RMB0.83717 for illustration purpose only.

DISCLOSURE PURSUANT TO RULE 14.36B OF THE LISTING RULES

1. Acquisition of Nanchang Jiejia Property

On 26 November 2018, CG Life Services (as purchaser) entered into an equity transfer agreement with Ms. Shi Xiaoqin ("**Ms. Shi**") (as vendor) to acquire 30% equity interest in Nanchang Jiejia Property Co., Ltd. ("**Nanchang Jiejia Property**"). For details of the acquisition, please refer to the announcement of the Company dated 26 November 2018.

Pursuant to the equity transfer agreement, Ms. Shi and Nanchang Jiejia Property jointly undertook to CG Life Services that the performance targets set out in the table below shall be achieved by Nanchang Jiejia Property for the two financial years ended 31 December 2020:

Unit: RMB0'000

Financial year	Minimum audited revenue for the year	Minimum accumulated audited revenue since 2019	Increase in revenue for the year	Cumulative increase in accumulated audited revenue since 2019
2019	12,000	12,000	2,000	2,000
2020	14,400	26,400	4,400	6,400

The accumulated audited revenue of Nanchang Jiejia Property for the two financial years ended 31 December 2020 was approximately RMB157 million, among which the revenue for 2019 and 2020 amounted to RMB80 million and RMB77 million respectively. As (i) the actual accumulated audited revenue of Nanchang Jiejia Property for the two financial years ended 31 December 2020 is less than RMB264 million; and (ii) adopting the revenue of RMB100 million as the base reference, Nanchang Jiejia Property did not record an increase in revenue for 2019 and 2020, which was lower than the aforesaid performance targets. As such, CG Life Services is not required to pay any value adjustment or bonus to Ms. Shi.

2. Acquisition of a group of property management companies

On 10 July 2019, United Gain (a wholly-owned subsidiary of the Company) (as purchaser) entered into an agreement with Hopefluent (BVI) Limited ("**Hopefluent**", as vendor) to acquire 100% equity interest in Sino Estate Holdings Limited ("**Sino Estate Holdings**", and together with its subsidiaries, the "**Sino Estate Holdings Group**").

On 10 July 2019, CG Life Services (a wholly-owned subsidiary of the Company) (as purchaser) entered into an agreement with Guangzhou YingFeng Information Technology Co., Ltd., Shanghai YiLiu Information Technology Co., Ltd. and Guangzhou Gaoyi Advisory Co., Limited (collectively, the "**Second Vendors**") to acquire a total of 5.5% equity interest in Asia Asset Real Estate Services (China) Co., Ltd. ("**Asia Asset Real Estate Services (China)**").

On 10 July 2019, CG Life Services (as purchaser) entered into an agreement with Guangzhou YingLong Information Technology Co., Ltd. ("**Guangzhou YingLong**", as vendor) to acquire 9% equity interest in Asia Asset Real Estate Services (China).

For details of the acquisitions, please refer to the announcement of the Company dated 10 July 2019.

Hopefluent undertook to United Gain that for each of the financial years 2019, 2020 and 2021 (the "**Valuation Adjustment Period**"), the average annual growth of the chargeable site area under the management of the Sino Estate Holdings Group shall not be less than 10%. The performance target in respect of chargeable site area to be achieved by the Sino Estate Holdings Group during the Valuation Adjustment Period is as follows:

Financial year	Chargeable site area as at 31 December of the relevant financial year (square metres)	Targeted net increase in chargeable site area (compared with 2018) (thousand square metres)
2019	14,815,000	1,346.8
2020	16,296,500	2,828.3
2021	17,926,200	4,458.0

As at 31 December 2020, the chargeable site area of the Sino Estate Holdings Group was higher than the performance target set out in the table above. As such, United Gain is required to pay Hopefluent a valuation adjustment of HKD35,842,455, and Country Garden Intelligent Services is required to pay a valuation adjustment of RMB2,035,000 to the Second Vendors and of RMB3,330,000 to Guangzhou YingLong. As at the date of this report, the aforesaid valuation adjustment has been fully paid.

3. Discloseable transaction in relation to acquisition of 100% equity interest in City-Media

On 30 July 2020, CG Life Services (an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement with the original shareholders (the "**Original City-Media Shareholders**", as defined in the announcement of the Company dated 30 July 2020) of City-Media (Shanghai) Corporation, Limited (城市縱橫（上海）文化傳媒股份有限公司)（currently known as City-Media (Shanghai) Culture Media Co., Ltd.* (城市縱橫（上海）文化傳媒有限公司)）("**City-Media**"), Zhoushan Maofenghe Equity Investment Partnership (Limited Partnership) ("**Zhoushan Maofeng**") (as the "**First Vendor**"), Zhoushan Bairuitong Equity Investment Partnership (Limited Partnership) and City-Media, pursuant to which CG Life Services acquired a total of 100% equity interest in City-Media. For details of the acquisition, please refer to the announcement of the Company dated 30 July 2020.

The Original City-Media Shareholders and Zhoushan Maofeng undertook that, during the years of 2020, 2021 and 2022 ("**the Valuation Adjustment Period**"), the accumulated audited principal business income (the "**Principal Business Income**") and the accumulated audited net profit which is attributable to the shareholders of City-Media after deducting the non-recurring profit or loss (the "**Net Profit After NRI**") of City-Media shall meet the minimum performance targets for the relevant years as follows:

	Principal Business Income		Net Profit After NRI	
Performance year	The guaranteed minimum amount of the Principal Business Income for the year (RMB million)	The guaranteed minimum amount of accumulated Principal Business Income for the year(s) during the Valuation Adjustment Period (RMB million)	The guaranteed minimum amount of the Net Profit After NRI for the year (RMB million)	The guaranteed minimum amount of the accumulated Net Profit After NRI for the year(s) during the Valuation Adjustment Period (RMB million)
2020	375.85	375.85	75.01	75.01
2021	468.46	844.31	110.45	185.46
2022	473.46	1,317.77	114.08	299.54

The Principal Business Income and the Net Profit After NRI of City-Media in 2020 were both higher than the performance targets set out in the table above. As such, CG Life Services will pay the fourth instalment of the consideration of RMB51.19 million to the First Vendor in accordance with the relevant agreement.

4. Discloseable transaction in relation to acquisition of 70% equity interest in Manguo Kangjie

On 14 October 2020, CG Property Services HK and CG Life Services, both indirect wholly-owned subsidiaries of the Company (as the purchasers), entered into an equity transfer agreement with the vendors (being BLP Capital Limited, Huzhou Yuxin Enterprise Management Partnership (Limited Partnership), Huzhou Ruilong Enterprise Management Partnership (Limited Partnership) and Huzhou Yixin Enterprise Management Partnership (Limited Partnership)), Fan Manguo and Manguo Kangjie, in relation to the acquisition of 70% equity interest in Manguo Kangjie (the "**Manguo Kangjie Target Shares**"). For details of the acquisition, please refer to the announcement of the Company dated 14 October 2020.

Pursuant to the equity transfer agreement, the third installment of the consideration for the Manguo Kangjie Target Shares (the "**Third Installment of the Consideration**") shall be calculated based on the actual performance of Manguo Kangjie in 2020: If the audited operating revenue (excluding taxation) of Manguo Kangjie (the "**Operating Revenue**") in 2020 is not less than RMB2,400.00 million and its audited net profit attributable to the shareholders of the parent company of Manguo Kangjie after deducting the non-recurring profit or loss (the "**Net Profit After NRI**") is not less than RMB220.00 million, the Third Installment of the Consideration will be RMB612.50 million in total. Among which, RMB371.27 million will be paid by CG Property Services HK to BLP Capital Limited, RMB180.92 million will be paid by CG Life Services to Huzhou Yuxin Enterprise Management Partnership (Limited Partnership) and RMB60.31 million to Huzhou Ruilong Enterprise Management Partnership (Limited Partnership).

For the year ended 31 December 2020, the Operating Revenue and Net Profit After NRI of Manguo Kangjie were higher than the aforesaid Operating Revenue and Net Profit After NRI. CG Property Services HK and CG Life Services will pay the Third Installment of the Consideration in accordance with the relevant agreement.

5. Acquisition of a total of 60% equity interest in Fujian Dongfei

On 30 October 2020, CG Life Services and CG Property Services HK, both indirect wholly-owned subsidiaries of the Company, entered into equity transfer agreements with, among others, Fuzhou Dingrong Environmental Protection Technology Co., Ltd. ("**Dingrong Environmental Protection**") and One Supreme Limited ("**One Supreme**"), respectively, pursuant to which the Group agreed to directly and indirectly acquire a total of 60% equity interest in Fujian Dongfei Environment Group Co., Ltd. ("**Fujian Dongfei**"). For details of the acquisition, please refer to the announcement of the Company dated 30 October 2020.

Pursuant to the equity transfer agreements, each of Dingrong Environmental Protection and One Supreme undertook that the audited net profit attributable to the shareholders of the holding company of Fujian Dongfei after deducting the non-recurring profit or loss (the "**Net Profit After NRI**") of Fujian Dongfei in 2020 will not be less than RMB120 million.

The Net Profit After NRI of Fujian Dongfei in 2020 has met the aforesaid performance target. As such, no compensation is required to be paid by Mr. Cai Yuan (being a guarantor) and One Supreme to CG Life Services and CG Property Services HK pursuant to the relevant agreements.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the shares of the Company (the "**Shares**"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), 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 2020	Number of debentures held
Ms. Yang Huiyan	Interest of controlled corporations	1,451,120,428(1)	–	1,451,120,428	49.49%	–
Ms. Wu Bijun	Beneficial owner	5,095,190(3)	3,889,200(2)	8,984,390	0.31%	–
Mr. Li Changjiang	Beneficial owner	4,732,000(4)	10,889,200(2)(7)	15,621,200	0.53%	–
Mr. Xiao Hua	Beneficial owner	1,667,037(5)	3,628,600(2)(7)	5,295,637	0.18%	–
Mr. Guo Zhanjun	Beneficial owner	1,645,500(6)	3,409,700(2)(7)	5,055,200	0.17%	–
Mr. Yang Zhicheng	Beneficial owner	–	4,000,000(7)	4,000,000	0.14%	–

Notes:

(1) As at 31 December 2020, Concrete Win Limited ("**Concrete Win**") and Fortune Warrior Global Limited ("**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, which was adopted by the then shareholders of the Company on 13 March 2018 (the "**Pre-Listing Share Option Scheme**"). Upon exercise of the share options in accordance with the Pre-Listing Share Option Scheme, the corresponding number of ordinary Shares will be issued at HK$0.94 per Share. The share options are personal to the respective Directors.

(3) These Shares represent 56,190 Shares 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 on the Main Board of the Stock Exchange, 177,000 Shares purchased by Ms. Wu Bijun from the secondary market and 4,862,000 Shares issued to Ms. Wu Bijun upon her exercise of the options granted to her under the Pre-Listing Share Option Scheme.

(4) These Shares represent 4,732,000 Shares issued to Mr. Li Changjiang upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.

(5) These Shares represent 37 Shares 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 on the Main Board of the Stock Exchange and 1,667,000 Shares issued to Mr. Xiao Hua upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.

(6) These Shares represent 1,645,500 Shares issued to Mr. Guo Zhanjun upon his exercise of the options granted to him under the Pre-Listing Share Option Scheme.

(7) The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme, which was adopted by the then shareholders of the Company on 28 September 2020 (the "**Share Option Scheme**"). Upon exercise of the share options in accordance with the Share Option Scheme, the corresponding number of ordinary Shares will be issued at HK$50.07 per Share. The share options are personal to the respective Directors.

Save as disclosed above, as at 31 December 2020, 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 2020, as set out in the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares and underlying shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate % of interest in the total number of Shares in issue
Concrete Win	Beneficial owner	1,326,120,428(L)	45.22%
Mr. Chen Chong[(1)]	Interest of spouse	1,451,120,428(L)	49.49%
JPMorgan Chase & Co.[(2)]	Interest of controlled corporation	50,024,875(L)	1.71%
		41,541,577(S)	1.42%
	Investment manager	46,025,212(L)	1.57%
	Person having a security interest in shares	20,870,633(L)	0.71%
	Approved lending agent	46,500,758(L)	1.59%

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 Positions in Shares, Underlying Shares and Debentures of the Company".

(2) JPMorgan Chase & Co. is interested in 163,421,478 Shares (long position, of which 46,500,758 Shares are in a lending pool) and 41,541,577 Shares (short position), accounting for approximately 5.57% and 1.42% of Shares in issue, respectively. As shown in the Disclosure of Interests, these interests in Shares are held by JPMorgan Asset Management (Asia Pacific) Limited (a corporation held indirectly by JPMorgan Chase & Co. as to 99.99% control) and other corporations controlled directly or indirectly by JPMorgan Chase & Co as to 100% control. Among which, 31,122,307 Shares (long position) and 9,515,459 Shares (short position) are derivatives interests, including 547,700 Shares (short position) as cash-settled listed derivatives, 8,100,000 Shares (long position) and 7,960,000 Shares (short position) as cash-settled unlisted derivatives, 5,708,800 Shares (long position) and 1,007,759 Shares (short position) as physically settled unlisted derivatives and 17,313,507 Shares (long position) as convertible instruments of listed derivatives.

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

(a) Pre-Listing Share Option Scheme

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

(i) Purpose

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

(ii) Participants

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

- 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 its authorized person considers at its sole discretion has made or will make contributions to the Company.

(iii) Maximum number of Shares available for subscription

The maximum number of Shares which may be granted pursuant to the Pre-Listing Share Option Scheme is 132,948,000 Shares, representing approximately 4.45% of the issued share capital of the Company as at the date of this annual report and approximately 4.44% of the enlarged issued share capital of the Company as at the date of this annual report assuming all options granted under the Pre-Listing Share Option Scheme are fully exercised.

(iv) Maximum entitlement to options of each participant

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

(v) Exercise period of options

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

(vi) Payment on acceptance of option offer

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

(vii) Basis for determining the exercise price

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

(viii) Remaining life of the scheme

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

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

During the reporting period, the Company allotted and issued 42,646,000 Shares in connection with the exercise of options by certain eligible grantees, with the weighted average closing price of the Shares on the dates immediately preceding the dates of exercise of 18 March 2020, 17 April 2020, 28 April 2020, 20 May 2020 and 6 July 2020 of HK$35.46 per Share. Save as disclosed, no outstanding options had been exercised, cancelled or lapsed under the Pre-Listing Share Option Scheme during the reporting period.

During the year ended 31 December 2020, 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 2020	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2020	Exercise price per Share (HK$)	Date of grant	Exercise period
Directors									
Ms. Wu Bijun	7,778,400	–	3,889,200	–	–	3,889,200	0.940	21 May 2018	Vesting date[1] – 20 May 2023
Mr. Li Changjiang	7,778,400	–	3,889,200	–	–	3,889,200	0.940	21 May 2018	Vesting date[1] – 20 May 2023
Mr. Xiao Hua	2,857,200	–	1,428,600	–	–	1,428,600	0.940	21 May 2018	Vesting date[1] – 20 May 2023
Mr. Guo Zhanjun	2,819,400	–	1,409,700	–	–	1,409,700	0.940	21 May 2018	Vesting date[1] – 20 May 2023
Sub-total	21,233,400	–	10,616,700	–	–	10,616,700			
Other participants	69,581,800	–	37,863,100	–	–	31,718,700	0.940	21 May 2018	Vesting date[1] – 20 May 2023
Sub-total	69,581,800	–	37,863,100	–	–	31,718,700			
Total	90,815,200	–	48,479,800	–	–	42,335,400			

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 is issued: (a) for the financial year in which the Shares were listed on the Main Board of the Stock Exchange, 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees; (b) for the financial year immediately following the Listing Date, 30% of the total number of shares granted pursuant to the share options will be vested to the relevant grantees; and (c) for the second financial year following the Listing Date, 30% of the total number of shares granted pursuant to the share options will be vested to the relevant grantees.

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

(3) The expense of share options charged to profit or loss for the year ended 31 December 2020 was approximately RMB6.7 million (2019: RMB14.4 million). The relevant accounting policy is described in Note 26 "Share-based payments" to the consolidated financial statements of the Company for the year ended 31 December 2020.

(b) Share Option Scheme

On 28 September 2020, a share option scheme was approved and adopted by the then shareholders of the Company (the "**Share Option Scheme**"), which is for a term of 10 years from the date of its adoption and will expire on 27 September 2030. A summary of the principal terms of the Share Option Scheme is set out as follows:

(i) Purpose

- To motivate the eligible participants to work hard for the future development of the Group by providing them with the opportunities for acquiring the Shares of the Company so as to promote the long-term stable development of the Group;

- To provide incentives and/or rewards to eligible participants for their contributions to the Group; and
- To enhance the Group's ability to attract and retain individuals with outstanding skills and extensive experience.

(ii) Eligible participants

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

(iii) Maximum number of Shares available for subscription

a. The maximum number of Shares which may be issued pursuant to the Share Option Scheme will be 82,780,000 Shares, representing approximately 2.77% of the issued share capital of the Company as at the date of this annual report and approximately 2.71% of the enlarged issued share capital of the Company as at the date of this annual report assuming all options granted under the Share Option Scheme are fully exercised.

b. The maximum number of Shares which may be issued upon share options that may be granted under the Share Option Scheme, the new and other existing share option schemes of the Company shall not exceed 10% of the total number of issued Shares.

c. The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

(iv) Maximum entitlement to options of each eligible participant

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

(v) Exercise period of options

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

(vi) Payment on acceptance of option offer

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

(vii) Basis for determining the exercise price

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

(1) the closing price of the Shares on the date of grant (which must be a business day) as stated on the daily quotations sheet of the Stock Exchange;

(2) the average closing price of the Shares for the five business days before the date of grant as stated on the daily quotations sheet of the Stock Exchange; and

(3) 95% of the average closing price of the Shares for the ten business days before the date of grant as stated on the daily quotations sheet of the Stock Exchange.

(viii) Remaining life of the scheme

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

During the year ended 31 December 2020, no outstanding options had been exercised, cancelled or lapsed under the Share Option Scheme.

During the year ended 31 December 2020, details of movements in the share options granted under the Share Option Scheme are as follows:

	Options to subscribe for Shares								
Category and name of grantee	Outstanding as at 1 January 2020	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding as at 31 December 2020	Exercise price per Share (HK$)	Date of grant	Exercise period
Directors									
Mr. Yang Zhicheng	–	4,000,000	–	–	–	4,000,000	50.07	28 September 2020	Vesting date(1) – 27 September 2025(6)
Mr. Li Changjiang	–	7,000,000	–	–	–	7,000,000	50.07	28 September 2020	Vesting date(1) – 27 September 2025(6)
Mr. Xiao Hua	–	2,200,000	–	–	–	2,200,000	50.07	28 September 2020	Vesting date(1) – 27 September 2025(6)
Mr. Guo Zhanjun	–	2,000,000	–	–	–	2,000,000	50.07	28 September 2020	Vesting date(1) – 27 September 2025(6)
Sub-total		15,200,000				15,200,000			
Other participants	–	56,300,000	–	–	–	56,300,000	50.07	28 September 2020	Vesting date(2) – 27 September 2025(6)
Sub-total		56,300,000				56,300,000			
Total		71,500,000				71,500,000			

Notes:

(1) Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the auditors' report of the Company for the relevant financial year is issued: (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2020 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2021 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ended 31 December 2022 is issued.

(2) Subject to the satisfaction of certain vesting conditions, the vesting date of the share options granted to subscribe for 53,900,000 Shares shall be the date as set out in note (1), and the vesting date of the share options granted to subscribe for the remaining 2,400,000 Shares shall be the date on which the auditors' report of the Company for the relevant financial year is issued, (a) 40% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2021 is issued; (b) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2022 is issued; and (c) 30% of the total number of Shares granted pursuant to the share options will be vested to the relevant grantees on the date on which the audited financial report for the year ending 31 December 2023 is issued.

(3) During the year ended 31 December 2020, the Company granted share options to eligible participants to subscribe for 71,500,000 Shares in total in accordance with the terms of the 2020 Share Option Scheme. Such share options had a fair value of approximately RMB530,706,000 on the date of grant.

(4) The closing price of the Shares immediately preceding the date of grant of 28 September 2020 was HK$49.35.

(5) The expense of share options in 2020 charged to profit or loss for the year ended 31 December 2020 was approximately RMB227 million. The relevant accounting policy is described in Note 26 "Share-based payments" to the consolidated financial statements of the Company for the year ended 31 December 2020.

(6) Subject to the satisfaction of the vesting conditions under the terms of the Share Option Scheme and that the share options are not lapsed, the share options are exercisable by the grantees before 27 September 2025.

EQUITY FUND-RAISING ACTIVITIES AND USES OF PROCEEDS

2019 Placing and Subscription Agreement

On 11 January 2019, the Company entered into a placing and subscription agreement (the "**2019 Placing and Subscription Agreement**") with J.P. Morgan Securities PLC (the "**Placing Agent**") and the vendor, Concrete Win, pursuant to which the placing agent conditionally agreed to place to not less than six independent professional, institutional and/or individual placees, on a fully underwritten basis, 168,761,000 existing ordinary shares of the Company (the "**Shares**") at the placing price of HK$11.61 per Share (the "**Placing Price**") and Concrete Win conditionally agreed to subscribe at the Placing Price for the same number of new Shares as the placing Shares placed by the Placing Agent (the "**Subscription Shares**"). The Subscription Shares have a nominal value of US$16,876.1 and a market value of HK$2,177,016,900, based on the closing price of HK$12.90 per Share on the last full trading day prior to the date of the 2019 Placing and Subscription Agreement. The net price of the subscription is HK$11.49 per Share. On 24 January 2019, the Company issued 168,761,000 Shares at a subscription price of HK$11.61 per Share and completed the placing of existing Shares and the allotment and issue of the Subscription Shares under general mandate, with net proceeds of approximately HK$1,943.1 million.

The Directors consider that the placing and the subscription represents an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Directors are of the view that the placing and the subscription would strengthen the financial position of the Group and provide working capital to the Group.

Issue of Convertible Bonds under General Mandate

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

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

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

The conversion price was determined upon arm's length negotiations between the Company and UBS AG Hong Kong Branch with reference to the price of Shares on the Stock Exchange and following book-building process. The Conversion Shares have a nominal value of US$9,765.63 and a market value of approximately HK$3,491 million based on the closing price of Shares on 27 April 2020, being the date of the Agreement, of HK$35.75 per Share.

The gross proceeds from the issue of the Bonds were HK$3,875 million. The net price of each Conversion Share is estimated to be approximately HK$39.28. The Company intended to use the net proceeds for potential future merger and acquisition, strategic investments, working capital and general corporate purposes. The listing committee of the Stock Exchange has approved the listing of and trading in the Conversion Shares. The Bonds have been listed and quoted on the Singapore Exchange Limited (the "**SGX**"), and its offering circular is available on the website of the SGX.

The Directors consider that the issue of the Bonds represents an opportunity to raise capital for the Company while broadening its shareholder and capital base and will provide funding to the Group for working capital and future development purposes.

2020 Placing and Subscription Agreement

On 11 December 2020, the Company and China International Capital Corporation Hong Kong Securities Limited ("**CICC**"), J.P. Morgan Securities Plc and UBS AG Hong Kong Branch (collectively, the "**Placing Agents**"), entered into a placing agreement (the "**2020 Placing and Subscription Agreement**"), pursuant to which the Company conditionally agreed to appoint the Placing Agents, and the Placing Agents, on a several (not joint nor joint and several) basis, conditionally agreed to act as agents for the Company, and to procure, on a fully underwritten basis, placees (not less than six placees, who/which would be professional, institutional and/or other investors) to subscribe for (or failing which, to purchase themselves as principals) an aggregate of 173,000,000 Shares at a price of HK$45.00 per Share (the "**Placing Share(s)**"). In accordance with the 2020 Placing and Subscription Agreement, the Placing Agents have procured the placing of the Placing Shares to no less than six placees, who/which would be professional, institutional and/or other investors. The Placing Shares have a nominal value of US$17,300 and a market value of HK$8,598,100,000, based on the closing price of HK$49.70 per Share on the last full trading day prior to the date of the 2020 Placing and Subscription Agreement. The net price per Placing Share is estimated to be approximately HK$44.77. On 18 December 2020, the Company issued 173,000,000 Shares at a subscription price of HK$45.00 per Share and completed the placing of existing Shares and the allotment and issue of the subscription shares under general mandate, with net proceeds of approximately HK$7,745 million.

The Directors consider that the placing represents an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Directors are of the view that the placing will strengthen the financial position and liquidity of the Group and provide funding to the Group for working capital and future development purposes without incurring interest costs.

Details of the proposed and actual uses of the proceeds from the above equity fund-raising activities are as follows:

Date of announcement	Fund-raising activity	Net proceeds	Proposed use of proceeds as disclosed in the relevant announcement(s)	Actual use of proceeds during the Year
10 January 2019 and 11 January 2019	2019 Placing and Subscription Agreement – Placing of 168,761,000 Shares	Approximately HK$1,943.1 million	Approximately 70% for mergers and acquisitions to expand geographical coverage and service scope within the Group's core businesses or related businesses, and the remaining approximately 30% for technologies investment, city services and value-added services new business development	The remaining balance of the Placing Proceeds as at 1 January 2020 was approximately HK$1,121.32 million. As at the date of this report, the Group has fully utilized such Placing Proceeds of approximately HK$1,121.32 million, of which approximately HK$740.34 million had been utilized for mergers and acquisitions to expand geographical coverage and service scope within the Company's core businesses or related businesses, and approximately HK$380.98 million had been utilized for technologies investment, city services and value-added services new business development. Such utilized proceeds had been allocated and utilized according to the uses disclosed in the announcement of the Company dated 11 January 2019.
27 April 2020, 28 April 2020 and 1 June 2020	Issue of convertible bonds under the General Mandate	Approximately HK$3,837.9 million	Potential future merger and acquisition, strategic investments, working capital and general corporate purposes	As at the date of this report, the Group has utilized approximately HK$3,873.9 million in the Placing Proceeds, of which approximately HK$3,829.59 million was utilized for mergers and acquisitions and approximately HK$8.31 million as working capital.
11 December 2020 and 18 December 2020	2020 Placing and Subscription Agreement – Placing of 173,000,000 Shares	Approximately HK$7,745 million	Potential future merger and acquisition, strategic investments, working capital and general corporate purposes.	As at the date of this report, the Group has utilized approximately HK$199.74 million in the Placing Proceeds, of which approximately HK$196.73 million was utilized for mergers and acquisitions and approximately HK$3.01 million as working capital. (Note)

Note:

Approximately HK$7,545.26 million in the unutilized proceeds of the Group is expected to be utilized to make an unconditional mandatory cash offer for all the issued H shares and domestic shares in Sichuan Languang Justbon Services Group Co., Ltd. by 30 June 2021 in accordance with the intended purposes set out in the announcement of the Company dated 11 December 2020.

During the year ended 31 December 2020, save as disclosed above, the Company had not conducted any other equity fund-raising activity.

CORPORATE GOVERNANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, the Group was subject to a number of laws and regulations, mainly including the Company Law of the PRC, the Contract Law of the PRC, the Property Law of the PRC, the Property Management Regulations, the Measures for the Management of Property Service Charge, the Regulations on Property Management Service Fee with Clear Price Tag, the Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management, the Bid-Inviting and Bidding Law of the PRC, the Environment Protection Law of the PRC, the Production Safety Law of the PRC, the Fire Prevention Law of the PRC, the Land Administration Law of the PRC, the Urban Real Estate Administration Law of the PRC, the Administrative Measures for Real Estate Brokerage, the Labour Law of the PRC, the Labour Contract Law of the PRC, the Implementation Regulations for the Labour Contract Law of the PRC, the Social Security Law of the PRC, the Regulations on the Administration of Security Services and the Regulations on Safety Supervision of Special Equipment, etc.

In addition, the Civil Code of the PRC (the "**Civil Code**") came into force on 1 January 2021. Chapter 6 "Partitioned Ownership of Buildings", Part II Properties and Chapter 24 "Property Service Contracts", Part III Contracts of the Civil Code contain certain provisions relating to the property management industry.

During the year ended 31 December 2020, the Group's business had complied with the relevant laws and regulations in all material respects and there were no material violations or contraventions of any laws or regulations applicable to the Group which may have a material adverse impact on the Group's business or fi nancial position as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITORS

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers. A resolution on the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuing year will be proposed at the 2021 AGM.

CONSULTING PROFESSIONAL TAX ADVISERS

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

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 "**2021 AGM**"), and the eligible shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed as appropriate as set out below:

(i) For determining the shareholders' eligibility to attend, speak and vote at the 2021 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 Monday, 24 May 2021
Record Date	Monday, 24 May 2021
Closure of the register of members of the Company	Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive)

(ii) Subject to the passing of the proposal for distributing the final dividend at the 2021 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 Thursday, 3 June 2021
Closure of the register of members of the Company	Friday, 4 June 2021 to Monday, 7 June 2021 (both days inclusive)
Record Date	Monday, 7 June 2021

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.

For and on behalf of the Board
LI Changjiang
Executive Director

Foshan, China, 22 March 2021

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Country Garden Services Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 174, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

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

Key audit matter	How our audit addressed the key audit matter
Assessment of the expected credit losses of trade receivables Refer to note 4 'Critical accounting estimates and judgements' and note 20 'Trade and other receivables' to the consolidated financial statements. As at 31 December 2020, gross trade receivables amounted to RMB4,384,013,000, which represented approximately 14.0% of the total assets of the Group. Management has assessed the expected credit losses of the trade receivables and RMB147,600,000 of loss allowance was made against the trade receivables as at 31 December 2020. Management assessed the expected credit losses of trade receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, aging profile of the receivables, existing market conditions as well as forward looking estimates at the end of each reporting period, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of the expected credit losses of trade receivables is considered relatively higher due to uncertainty of significant assumptions used. Given the magnitude of the balance of trade receivables and that the assessment of the expected credit losses of trade receivables involved significant judgements and estimates made by management, we consider the assessment of the expected credit losses of trade receivables a key audit matter.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested management's key controls in relation to the assessment of the expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (ii) Assessed the appropriateness of the credit loss provisioning methodology adopted by management. (iii) Challenged the reasonableness of the estimated credit loss rates by considering historical cash collection and movements of the aging of trade receivables, and taking into account the market conditions as well as forward looking estimates. (iv) Tested, on a sample basis, the accuracy of aging analysis of trade receivables prepared by management. (v) Checked the mathematical accuracy of the calculation of the provision for loss allowance. We found that the significant judgements and estimates made by management in relation to the assessment of the expected credit losses of trade receivables were properly supported by available evidences.

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation for business combinations Refer to note 4 'Critical accounting estimates and judgements' and note 34 'Business combinations' to the consolidated financial statements. During the year ended 31 December 2020, the Group acquired several property management, sanitation and other companies. Management has engaged an independent qualified valuer to assist them in identifying intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies at their respective acquisition dates and, based on which, management performed a purchase price allocation exercise for each acquisition, which resulted in recognition of intangible assets of RMB1,413,973,000, mainly representing the identified contracts and customer relationships. Goodwill of RMB3,144,578,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired, was recognised. Significant judgements and estimates were involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly gross profit margins, earnings before interest, tax, depreciation and amortisation ("EBITDA") margins, discount rates and expected useful lives of the identified intangible assets), which are subject to high degree of estimation uncertainty. The inherent risk in relation to the purchase price allocation for business combinations is considered significant due to uncertainty of significant assumptions used. We consider this area a key audit matter given the magnitude of the identified intangible assets and goodwill recognised arising from the business combinations, and the significant judgements and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested management's key controls in relation to the purchase price allocation for business combinations and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (ii) Assessed the competency, objectivity and independence of the external valuer engaged by management. (iii) Obtained the valuation reports in relation to the purchase price allocation for the acquisitions, and engaged our in-house valuation experts to assess the appropriateness of the valuation methodologies adopted by management and the reasonableness of discount rates used by management. (iv) Challenged and assessed the reasonableness of the key assumptions used in the cash flow forecasts for the valuation of the identified intangible assts with the involvement of our in-house valuation experts. For gross profit margins, EBITDA margins and the expected useful lives of the identified intangible assets, we compared these assumptions with the relevant historical data of these acquired companies and market data, where applicable. (v) Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the indentified intangible assets and goodwill. (vi) Checked the mathematical accuracy of the calculations of the fair value of the identified intangible assets and goodwill. We found that the significant judgements and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combinations were properly supported by available evidences.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment Refer to note 4 'Critical accounting estimates and judgements' and note 16 'Intangible assets' to the consolidated financial statements. As at 31 December 2020, the Group had goodwill of RMB4,361,913,000 which accounted for approximately 14.0% of the total assets of the Group. Goodwill mainly arose from the Group's acquisitions of property management and sanitation companies. For the purposes of goodwill impairment assessment, management considered each of the acquired companies a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired 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. The value-in-use calculation requires the Group to forecast the future cash flows expected to arise from the CGU based on the financial budgets approved by management. Management has engaged an independent qualified valuer to assist them in the 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 method to perform goodwill impairment assessment and the use of key assumptions in the value-in-use calculation, which primarily include annual revenue growth rates, gross profit margins, EBITDA margins, terminal growth rate and discount rates. The judgements and estimations are subject to high degree of estimation uncertainty. The inherent risk in relation to the goodwill impairment assessment is considered significant due to uncertainty of significant assumptions used. We consider this area a key audit matter due to the significance of the goodwill balance and the significant judgements and estimates involved in the goodwill impairment assessment.	We have performed the following procedures to address this key audit matter: (i) Understood, evaluated and tested management's key controls in relation to the goodwill impairment assessment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. (ii) Assessed the appropriateness of the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policies and our understanding of the Group's business. (iii) Assessed the competency, objectivity and independence of the external valuer engaged by management. (iv) Obtained management's assessment on goodwill impairment and engaged our in-house valuation experts to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the discount rates used by management. (v) Challenged and assessed the reasonableness of the key assumptions used in the value-in-use calculation with the involvement of our in-house valuation experts. For the annual revenue growth rates, gross profit margins and EBITDA margins, we compared them with the relevant historical data and market data, where applicable; for the terminal growth rate, we assessed it with reference to the long-term expected inflation rate based on our independent research. (vi) Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process. (vii) Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount. (viii) Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. We found that the significant judgements and estimates involved in the goodwill impairment assessment were properly supported by available evidences.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
Revenue	5	**15,600,421**	9,644,947
Cost of services	5, 8	**(10,194,566)**	(6,592,706)
Cost of sales of goods	5, 8	**(106,087)**	—
Gross profit		**5,299,768**	3,052,241
Selling and marketing expenses	8	**(135,755)**	(66,773)
General and administrative expenses	8	**(1,950,478)**	(1,207,591)
Net impairment losses on financial assets	8	**(98,131)**	(30,741)
Other income	6	**121,053**	51,144
Other gains — net	7	**394,025**	178,104
Operating profit		**3,630,482**	1,976,384
Finance income	10	**158,446**	94,253
Finance costs	10	**(114,757)**	(2,353)
Finance income — net	10	**43,689**	91,900
Share of results of investments accounted for using the equity method		**40,556**	7,828
Profit before income tax		**3,714,727**	2,076,112
Income tax expense	11	**(933,070)**	(357,721)
Profit for the year		**2,781,657**	1,718,391
Profit attributable to:			
— Owners of the Company		**2,686,128**	1,670,664
— Non-controlling interests		**95,529**	47,727
		2,781,657	1,718,391
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified to profit or loss:			
— Currency translation differences		**(13,070)**	327
Total comprehensive income for the year		**2,768,587**	1,718,718
Total comprehensive income attributable to:			
— Owners of the Company		**2,673,058**	1,670,991
— Non-controlling interests		**95,529**	47,727
		2,768,587	1,718,718
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
— Basic	12	**97.62**	62.73
— Diluted	12	**96.32**	61.67

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

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,249,074**	311,873
Right-of-use assets	15	**130,360**	28,790
Intangible assets	16	**6,176,273**	1,603,853
Investments accounted for using the equity method	18	**312,220**	79,514
Financial assets at fair value through other comprehensive income		**9,950**	9,950
Deferred income tax assets	28	**37,957**	10,938
		7,915,834	2,044,918
Current assets			
Inventories		**136,911**	13,943
Trade and other receivables	20	**5,243,515**	2,003,770
Financial assets at fair value through profit and loss	21	**2,566,122**	1,280,682
Restricted bank deposits	22	**126,271**	11,861
Cash and cash equivalents	22	**15,215,224**	6,914,148
		23,288,043	10,224,404
Total assets		**31,203,877**	12,269,322

		As at 31 December	
		2020	2019
	Note	**RMB'000**	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	23	**8,361,602**	1,756,918
Other reserves	24	**917,351**	531,581
Retained earnings	25	**5,286,787**	3,084,657
		14,565,740	5,373,156
Non-controlling interests		**1,593,298**	306,370
Total equity		**16,159,038**	5,679,526
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	30	**247,584**	—
Lease liabilities	15	**54,582**	19,418
Deferred income tax liabilities	28	**509,876**	143,079
		812,042	162,497
Current liabilities			
Contract liabilities	5	**2,581,933**	1,618,059
Trade and other payables	27	**7,475,622**	4,690,033
Current income tax liabilities		**553,601**	108,202
Convertible bonds	29	**3,202,538**	—
Bank and other borrowings	30	**361,815**	—
Lease liabilities	15	**57,288**	11,005
		14,232,797	6,427,299
Total liabilities		**15,044,839**	6,589,796
Total equity and liabilities		**31,203,877**	12,269,322

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

The financial statements on pages 95 to 174 were approved by the Board of Directors on 22 March 2021 and were signed on its behalf.

LI Changjiang	**GUO Zhanjun**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		1,584	601,003	1,658,200	2,260,787	68,919	2,329,706
Comprehensive income							
Profit for the year		–	–	1,670,664	1,670,664	47,727	1,718,391
Other comprehensive income		–	327	–	327	–	327
Total comprehensive income for the year ended 31 December 2019		–	327	1,670,664	1,670,991	47,727	1,718,718
Transactions with owners of the Company							
Issue of shares		1,679,435	–	–	1,679,435	–	1,679,435
Employee share schemes							
– value of employee services		–	14,371	–	14,371	–	14,371
– exercise of options		75,899	(40,450)	–	35,449	–	35,449
Capital injection from non-controlling interests		–	–	–	–	206,170	206,170
Transactions with non-controlling interests		–	(61,568)	–	(61,568)	(29,707)	(91,275)
Non-controlling interests arising from business combinations		–	–	–	–	34,277	34,277
Appropriation of statutory reserves		–	17,898	(17,898)	–	–	–
Disposal of a subsidiary		–	–	–	–	(9,897)	(9,897)
Dividends		–	–	(226,309)	(226,309)	(11,119)	(237,428)
Total transactions with owners		1,755,334	(69,749)	(244,207)	1,441,378	189,724	1,631,102
Balance at 31 December 2019		1,756,918	531,581	3,084,657	5,373,156	306,370	5,679,526
Balance at 1 January 2020		**1,756,918**	**531,581**	**3,084,657**	**5,373,156**	**306,370**	**5,679,526**
Comprehensive income							
Profit for the year		**–**	**–**	**2,686,128**	**2,686,128**	**95,529**	**2,781,657**
Other comprehensive loss		**–**	**(13,070)**	**–**	**(13,070)**	**–**	**(13,070)**
Total comprehensive income for the year ended 31 December 2020		**–**	**(13,070)**	**2,686,128**	**2,673,058**	**95,529**	**2,768,587**
Transactions with owners of the Company							
Issue of shares	23	**6,526,267**	**–**	**–**	**6,526,267**	**–**	**6,526,267**
Disposal of a subsidiary		**–**	**–**	**–**	**–**	**(15)**	**(15)**
Employee share schemes							
– value of employee services	9, 26	**–**	**233,749**	**–**	**233,749**	**–**	**233,749**
– exercise of options	23	**78,417**	**(36,819)**	**–**	**41,598**	**–**	**41,598**
Capital injection from non-controlling interests		**–**	**–**	**–**	**–**	**51,562**	**51,562**
Transactions with non-controlling interests	33	**–**	**931**	**–**	**931**	**(3,160)**	**(2,229)**
Non-controlling interests arising from business combinations	34	**–**	**–**	**–**	**–**	**1,158,175**	**1,158,175**
Appropriation of statutory reserves	25	**–**	**67,054**	**(67,054)**	**–**	**–**	**–**
Equity component of convertible bonds	29	**–**	**133,925**	**–**	**133,925**	**–**	**133,925**
Dividends	13	**–**	**–**	**(416,944)**	**(416,944)**	**(15,163)**	**(432,107)**
Total transactions with owners		**6,604,684**	**398,840**	**(483,998)**	**6,519,526**	**1,191,399**	**7,710,925**
Balance at 31 December 2020		**8,361,602**	**917,351**	**5,286,787**	**14,565,740**	**1,593,298**	**16,159,038**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**4,122,645**	3,552,570
Income tax paid		**(508,981)**	(295,364)
Net cash generated from operating activities		**3,613,664**	3,257,206
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	34	**(3,031,337)**	(291,330)
Settlement of outstanding considerations payable for business combinations in prior years		**(188,262)**	(124,888)
Net cash outflow on disposal of a subsidiary		**(15)**	(11,664)
Dividends received from investments accounted for using the equity method	18	**2,017**	3,371
Payments for investments accounted for using the equity method	18	**(184,606)**	(39,929)
Payments for property, plant and equipment	14	**(309,829)**	(80,682)
Payments for intangible assets	16	**(35,618)**	(26,060)
Payments for financial assets at fair value through profit or loss	3.3	**(3,023,363)**	(3,371,309)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3	**1,950,052**	2,217,754
Proceeds from disposal of property, plant and equipment	31(c)	**30,541**	2,804
Interest received	10	**158,446**	94,253
Net cash used in investing activities		**(4,631,974)**	(1,627,680)
Cash flows from financing activities			
Capital injection from non-controlling interests		**51,562**	23,488
Issue of shares	23	**6,567,865**	1,714,884
Net proceeds from issurance of convertible bonds	29	**3,513,592**	—
Proceeds from bank and other borrowings	31(d)	**144,549**	—
Transactions with non-controlling interests	33	**(2,229)**	(91,275)
Principal elements of lease payments	31(d)	**(67,381)**	(8,782)
Interest paid on leases	31(d)	**(8,281)**	(2,353)
Interest paid on bank and other borrowings	10	**(5,407)**	—
Dividends paid to owners of the Company	13	**(416,944)**	(226,309)
Dividends paid to non-controlling interests		**(15,163)**	(11,119)
Net cash generated from financing activities		**9,762,163**	1,398,534
Net increase in cash and cash equivalents		**8,743,853**	3,028,060
Cash and cash equivalents at beginning of the year		**6,914,148**	3,868,921
Effects of exchange rate changes on cash and cash equivalents		**(442,777)**	17,167
Cash and cash equivalents at end of the year		**15,215,224**	6,914,148

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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, provision of heat supply services and city services in the People's Republic of China (the "PRC").

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements for the year ended 31 December 2020 are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2021.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

2.1.1 Changes in accounting policies

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

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policies *(Continued)*

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

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Leases — COVID-19 related rent concessions	1 June 2020
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements project	Annual Improvements 2018–2020 cycle	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

Based on management's preliminary assessment, these standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

2 Summary of significant accounting policies *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

2.2.1 Subsidiaries *(Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (note 2.2.4), after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Interests in joint ventures are accounted for using the equity method (note 2.2.4), after initially being recognised at cost in the consolidated balance sheet.

2.2.4 Equity method

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

2.2.5 Changes in equity interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

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

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

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

2 Summary of significant accounting policies *(Continued)*

2.3 Business combination *(Continued)*

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity
- over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2 Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) *Group companies*

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

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

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	20 years
Machinery	5–15 years
Transportation equipment	5–10 years
Electronic equipment	5–10 years
Office equipment	5 years
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

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

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

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

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2 Summary of significant accounting policies *(Continued)*

2.8 Intangible assets *(Continued)*

(b) Software

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

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

(c) Contracts and customer relationships

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

(d) Insurance brokerage license

Insurance brokerage license acquired in the business combination is recognised at fair value at the acquisition date. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful lives of 12 years.

(e) Brand

Brand acquired in the business combination is recognised at fair value at the acquisition date. It has a finite useful life and is subsequently carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over the expected useful lives of 10 years.

(f) Concession intangible assets

Where the Group has entered into contractual service concession arrangements with local government authorities for its participation in the municipal sanitation public infrastructure construction business, the Group carries out the construction or upgrade work of municipal sanitation public infrastructures for the granting authorities and receives in exchange of a right to operate the public infrastructures concerned. Concession intangible assets correspond to the right granted by the respective concession grantors to the Group to charge users of the sanitation services and the fact that the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. Amortisation of concession intangible assetsis calculated using the straight-line method over the expected useful lives of 8 to 20 years.

2 Summary of significant accounting policies *(Continued)*

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

2.10.1 Classification

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

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

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

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

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

2.10.2 Recognition and derecognition

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

2 Summary of significant accounting policies *(Continued)*

2.10 Investments and other financial assets *(Continued)*

2.10.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies *(Continued)*

2.10 Investments and other financial assets *(Continued)*

2.10.3 Measurement (Continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11 Offsetting financial instruments

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

2.12 Impairment of financial assets

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

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

2.13 Inventories

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

2.14 Trade receivables

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

2 Summary of significant accounting policies *(Continued)*

2.14 Trade receivables *(Continued)*

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 20 for further information about the Group's accounting for trade receivables and note 3.1.1 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheet. Restricted cash are excluded from cash and cash equivalents.

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

2 Summary of significant accounting policies *(Continued)*

2.18 Borrowings *(Continued)*

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.20 Convertible bonds

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

2.21 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 Summary of significant accounting policies *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax

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

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

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

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

2.22 Employee benefits

(a) Pension obligations

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

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

2 Summary of significant accounting policies *(Continued)*

2.22 Employee benefits *(Continued)*

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

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

(c) Termination benefits

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

(d) Employee leave entitlements

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

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

2.23 Share-based payments

Share-based compensation benefits are provided to employees via the Company's share option scheme. Information relating to the scheme is set out in note 26. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.23 Share-based payments *(Continued)*

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

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

The grant by the Company of its options to the employees of the subsidiaries of the Group is treated as a capital contribution. The Group recognised the share-based compensation expenses in “General and administrative expenses” for the share options granted to the directors, senior management and employees of the Group and recognised as a deemed distribution to the shareholders in equity (recorded in “Other reserves”) for the share options granted to the directors and senior management of related companies, who did not provide significant services to the Group. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

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

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

2.24 Revenue recognition, contract assets and contract liabilities

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.24 Revenue recognition, contract assets and contract liabilities *(Continued)*

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

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

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

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

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

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

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

2.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in 'Other income'. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in 'Other income'.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 Summary of significant accounting policies *(Continued)*

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

2 Summary of significant accounting policies *(Continued)*

2.26 Leases *(Continued)*

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets mainly comprise electronic equipment and vehicles.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.27 Government grants

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

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

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Financial risk management

3.1 Financial risk factors

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

3.1.1 Credit risk

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

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

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

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

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

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Credit risk (Continued)

(a) Trade receivables

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

As at 31 December 2020, the Group has assessed that the expected credit losses for trade receivables from related parties was immaterial. Thus no loss allowance provision for trade receivables from related parties was recognised during the year (2019: nil).

As at 31 December 2020, the Group has assessed that the expected loss rates for trade receivables from certain third-party customers amounting to RMB28,112,000 were 100% as these property developers were experiencing significant financial difficulties. Thus RMB28,112,000 of specific loss allowance provision was provided against these receivables during the year ended 31 December 2020 (2019: RMB10,408,000).

The expected loss rates for the remaining balances are based on the payment profiles of sales over a period of 6 and 5 years before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the China exports of goods and non-financial services growth rate and China consumer price index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

	Up to 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Trade receivables							
At 31 December 2020							
Expected loss rate	**1.3%**	**9.7%**	**38.7%**	**66.6%**	**82.3%**	**100%**	
Gross carrying amount (RMB'000)	**3,919,592**	**155,347**	**58,940**	**35,471**	**6,017**	**1,377**	**4,176,744**
Loss allowance provision (RMB'000)	**51,694**	**15,038**	**22,822**	**23,606**	**4,951**	**1,377**	**119,488**

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Trade receivables							
At 31 December 2019							
Expected loss rate	0.8%	6.4%	20.1%	36.0%	57.3%	100%	
Gross carrying amount (RMB'000)	1,315,653	106,541	44,486	22,942	7,747	8,841	1,506,210
Loss allowance provision (RMB'000)	10,131	6,850	8,950	8,252	4,436	8,841	47,460

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 *Credit risk (Continued)*

(a) Trade receivables *(Continued)*

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

	2020 RMB'000	2019 RMB'000
At 1 January	57,868	33,166
Provision for loss allowance recognised in profit or loss	94,234	25,645
Receivables written off as uncollectable	(4,502)	(943)
At 31 December	147,600	57,868

As at 31 December 2020, the gross carrying amount of trade receivables was RMB4,384,013,000 (2019: RMB1,631,855,000) and thus the maximum exposure to loss was RMB4,236,413,000 (2019: RMB1,573,987,000).

(b) Other receivables (excluding prepayments)

Other receivables (excluding prepayments) mainly included payments on behalf of property owners, deposits and others. Management considered these receivables to be low credit risk and thus the loss allowance provision recognised was limited to 12 months expected losses.

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

	2020 RMB'000	2019 RMB'000
At 1 January	10,072	4,976
Provision for loss allowance recognised in profit or loss	3,897	5,096
At 31 December	13,969	10,072

As at 31 December 2020, the gross carrying amount of other receivables (excluding prepayments) was RMB628,248,000 (2019: RMB377,263,000) and thus the maximum exposure to loss was RMB614,279,000 (2019: RMB367,191,000).

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Liquidity risk

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

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

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
At 31 December 2020					
Trade and other payables	**5,722,425**	**—**	**—**	**—**	**5,722,425**
Convertible bonds	**3,261,200**	**—**	**—**	**—**	**3,261,200**
Lease liabilities	**61,082**	**30,380**	**25,496**	**5,563**	**122,521**
Bank and other borrowings	**367,280**	**21,041**	**77,194**	**157,934**	**623,449**
Total	**9,411,987**	**51,421**	**102,690**	**163,497**	**9,729,595**
At 31 December 2019					
Trade and other payables	3,493,045	—	—	—	3,493,045
Lease liabilities	13,126	9,158	9,016	6,986	38,286
Total	3,506,171	9,158	9,016	6,986	3,531,331

3.1.3 Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of its assets is denominated in RMB. The majority of its non-RMB assets are bank deposits denominated in Hong Kong Dollar ("HKD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets which are denominated in non-RMB and net investment in foreign operations.

The aggregated carrying amount of the foreign currency denominated monetary assets of the Group at the end of the reporting period are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Assets		
HKD	**8,799,390**	1,082,229
Other currencies	**49,971**	21,031
	8,849,361	1,103,260

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Foreign exchange risk *(Continued)*

The following table shows the sensitivity analysis of a 5% change in RMB against the HKD. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the HKD, the effects on the profit or loss for the year would be as follows:

	Change of profit or loss — increase/(decrease)	
	2020	2019
	RMB'000	RMB'000
RMB against HKD:		
Strengthened by 5%	**(439,970)**	(54,111)
Weakened by 5%	**439,970**	54,111

3.1.4 Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 30. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2020, borrowings of the Group which were bearing at floating rates amounted to approximately RMB89,350,000 (2019: nil). As at 31 December 2020, if the interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2020 would has been approximately RMB335,000 (2019: nil) lower/higher.

3.2 Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

As at 31 December 2020 and 2019, the Group maintained at net cash position.

3 Financial risk management *(Continued)*

3.3 Fair value estimation

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Financial assets				
Financial assets at fair value through profit or loss	—	—	2,566,122	2,566,122
Financial assets at fair value through other comprehensive income	—	—	9,950	9,950
Total financial assets	—	—	2,576,072	2,576,072

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Financial assets				
Financial assets at fair value through profit or loss	—	—	1,280,682	1,280,682
Financial assets at fair value through other comprehensive income	—	—	9,950	9,950
Total financial assets	—	—	1,290,632	1,290,632

The following table presents the changes in level 3 instruments for the year ended 31 December 2020:

	Financial assets at FVPL (Note 21) RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Opening balance as at 1 January 2020	1,280,682	9,950	1,290,632
Acquisition of subsidiaries (Note 34)	26,000	—	26,000
Other additions	3,023,363	—	3,023,363
Disposal	(1,950,052)	—	(1,950,052)
Fair value changes	186,129	—	186,129
Closing balance as at 31 December 2020	2,566,122	9,950	2,576,072

There were no transfers between levels of the fair value hierarchy during the year.

There were no changes in valuation techniques during the year.

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. For details of the key assumptions and inputs used, see note 3.1 above.

(b) Current tax and deferred tax

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

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

(c) Fair value assessment of the identified intangible assets and the recognition of goodwill arising from business combinations

Significant judgements and estimates were involved in the fair value assessment of the identified intangible assets 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 identified intangible assets). See notes 16 and 34 for more details.

(d) Goodwill impairment assessment

For the purposes of goodwill impairment assessment, management considered each of the acquired companies a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired 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 rates, gross profit margins, EBITDA margins, terminal growth rates and discount rates. See note 16 for more details.

5 Revenue and segment information

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

In previous years, the Group was principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and water, electricity and heat supplies and property management services under the state-owned enterprises separation and reform program (hereinafter referred to as "Three Supplies and Property Management") in the PRC. The CODM of the Company regarded that there were two segments which were used to make strategic decisions. During the current year, as a result of the acquisition of the city services business (Note 34), the operating results of the city services business 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 three segments:

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

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

— City services business, which include sanitation and cleaning 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 investments accounted for using the equity method.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, investments accounted for using the equity method, inventories, receivables, and operating cash. They exclude deferred income tax assets, financial assets at FVOCI and financial assets at FVPL. Segment liabilities consist primarily of operating liabilities. They exclude current and deferred income tax liabilities, convertible bonds, bank and other borrowings and dividend payables.

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

5 Revenue and segment information *(Continued)*

Revenue mainly comprises of proceeds from provision of property management services, community value-added services, value-added services to non-property owners, heat supply services and city services. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2020 and 2019 was as follows:

	Year ended 31 December			
	2020		2019	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Revenue from property management and related services other than Three Supplies and Property Management businesses				
— Property management services recognised over time	8,606,702	5,627,636	5,748,556	4,019,254
— Value-added services to non-property owners recognised over time	1,369,701	746,007	1,422,058	839,088
— Community value-added services	1,731,271	603,491	865,187	292,260
recognised over time	1,583,856	497,404	865,187	292,260
recognised at a point time	147,415	106,087	—	—
— Other services recognised over time	309,291	234,977	25,368	14,653
	12,016,965	7,212,111	8,061,169	5,165,255
Revenue from Three Supplies and Property Management businesses				
Recognised over time				
— Property management services	1,540,212	1,432,257	525,158	454,713
— Heat supply services	1,159,119	1,059,879	990,215	930,792
	2,699,331	2,492,136	1,515,373	1,385,505
Revenue from city services business				
Recognised over time	884,125	596,406	68,405	41,946
	15,600,421	10,300,653	9,644,947	6,592,706

For the year ended 31 December 2020, revenue from Country Garden Holdings Company Limited ("CGH") and its subsidiaries (together, the "CGH Group") contributed 7.5% (2019: 13.2%) 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 years ended 31 December 2020 and 2019.

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

Over 98% 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.

5 Revenue and segment information *(Continued)*

(a) Contract liabilities

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities	**2,581,933**	1,618,059

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
— Property management services	**1,186,655**	721,874
— Community value-added services	**105,766**	70,091
— Value-added services to non-property owners	**1,732**	3,857
— Heat supply services	**162,231**	—
	1,456,384	795,822

(iii) Unsatisfied performance obligations

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

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

5 Revenue and segment information *(Continued)*

(a) Contract liabilities *(Continued)*

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

During the year ended 31 December 2020, there were no incremental costs to obtain a contract (2019: nil).

(b) Segment information

The segment information provided to the CODM for the year ended 31 December 2020 is as follows:

	Year ended 31 December 2020			
	Property management and related services other than Three Supplies and Property Management businesses RMB'000	Three Supplies and Property Management businesses RMB'000	City services business RMB'000	Total RMB'000
Revenue from contracts with customers				
Total segment revenue	12,016,965	2,699,331	884,125	15,600,421
Less: inter-segment revenue	–	–	–	–
Revenue from external customers	12,016,965	2,699,331	884,125	15,600,421
Timing of revenue recognition:				
Recognised over time	11,869,550	2,699,331	884,125	15,453,006
Recognised at a point time	147,415	–	–	147,415
Segment results	3,095,589	15,053	217,760	3,328,402
Share of results of investments accounted for using the equity method	14,655	26,933	(1,032)	40,556
Depreciation and amortisation charges	247,652	42,127	46,308	336,087
Net impairment losses on financial assets	89,023	169	8,939	98,131
Capital expenditure	334,888	30,294	59,357	424,539

5 Revenue and segment information *(Continued)*

(b) Segment information *(Continued)*

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

The segment information provided to 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 businesses RMB'000	Three Supplies and Property Management businesses RMB'000	City services business RMB'000	Total RMB'000
Revenue from contracts with customers				
Total segment revenue	8,061,169	1,515,373	68,405	9,644,947
Less: inter-segment revenue	—	—	—	—
Revenue from external customers	8,061,169	1,515,373	68,405	9,644,947
Timing of revenue recognition:				
Recognised over time	8,061,169	1,515,373	68,405	9,644,947
Segment results	1,798,961	54,456	15,668	1,869,085

5 Revenue and segment information *(Continued)*

(b) Segment information *(Continued)*

	Year ended 31 December 2019			
	Property management and related services other than Three Supplies and Property Management businesses RMB'000	Three Supplies and Property Management businesses RMB'000	City services business RMB'000	Total RMB'000
Share of results of investments accounted for using the equity method	7,494	334	–	7,828
Depreciation and amortisation charges	93,275	54,315	1,339	148,929
Net impairment losses on financial assets	27,533	3,031	177	30,741
Capital expenditure	98,272	26,219	182	124,673

	As at 31 December 2019			
	Property management and related services other than Three Supplies and Property Management businesses RMB'000	Three Supplies and Property Management businesses RMB'000	City services business RMB'000	Total RMB'000
Segment assets	8,702,566	2,222,775	42,411	10,967,752
Investments accounted for using the equity mehtod	39,250	40,264	–	79,514
Segment liabilities	4,762,459	1,563,202	12,854	6,338,515

5 Revenue and segment information *(Continued)*

(b) Segment information *(Continued)*

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Segment results	**3,328,402**	1,869,085
Realised and unrealised gains from financial assets at FVPL	**342,636**	115,127
Finance income — net	**43,689**	91,900
Profit before income tax	**3,714,727**	2,076,112

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Segment assets	**28,589,848**	10,967,752
Deferred income tax assets	**37,957**	10,938
Financial assets at FVOCI	**9,950**	9,950
Financial assets at FVPL	**2,566,122**	1,280,682
Total assets	**31,203,877**	12,269,322

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Segment liabilities	**10,169,425**	6,338,515
Deferred income tax liabilities	**509,876**	143,079
Current income tax liabilities	**553,601**	108,202
Bank and other borrowings	**609,399**	—
Convertible bonds	**3,202,538**	—
Total liabilities	**15,044,839**	6,589,796

6 Other income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government subsidy income	**94,183**	31,956
Late payment charges	**26,870**	19,188
	121,053	51,144

7 Other gains — net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Realised and unrealised gains from financial assets at FVPL (Note)	**342,636**	115,127
Net foreign exchange gains	**42,451**	56,315
(Losses)/gains on disposal of property, plant and equipment	**(604)**	30
(Losses)/gains on early termination of lease contracts	**(198)**	19
Loss on disposal of a subsidiary	**—**	(122)
Others	**9,740**	6,735
	394,025	178,104

Note: This mainly represented investment income derived from the Group's investments in certain financial products and a close-ended fund, which were classified as financial assets at FVPL.

8 Expenses by nature

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**5,131,639**	4,041,604
Cleaning expenses	**2,737,127**	1,356,233
Heating supply costs	**935,897**	845,500
Maintenance expenses	**747,966**	380,443
Utilities	**533,298**	309,578
Security expenses	**357,793**	148,505
Greening and gardening expenses	**313,819**	153,595
Depreciation and amortisation charges	**336,087**	148,929
Cost of information technology hardwares	**202,080**	543
Rental expenses	**157,391**	37,067
Office and communication expenses	**155,780**	90,806
Professional service fees	**128,945**	34,497
Cost of goods sold	**106,087**	—
Transportation expenses	**108,171**	84,572
Travelling and entertainment expenses	**101,087**	80,187
Net impairment losses on financial assets	**98,131**	30,741
Taxes and surcharges	**66,497**	46,517
Community activities expenses	**42,462**	24,803
Bank charges	**40,847**	11,737
Advertising expenses	**37,223**	4,863
Employee uniform expenses	**26,610**	12,529
Auditor's remuneration		
— Annual audit and interim review services	**8,450**	4,800
— Non audit services	**1,795**	1,650
Other expenses	**109,835**	48,112
Total	**12,485,017**	7,897,811

9 Employee benefit expenses

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**4,294,511**	3,425,100
Pension costs	**187,936**	249,537
Housing funds, medical insurances and other social security costs	**203,399**	182,655
Other benefits	**212,044**	169,941
Employee share schemes — value of employee services (Note 26)	**233,749**	14,371
	5,131,639	4,041,604

9 Employee benefit expenses *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors for the year ended 31 December 2020 (2019: 1 director), whose emoluments are reflected in the analysis shown in note 37. The emoluments payable to the remaining 3 individuals (2019: 4 individuals) are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**6,890**	10,160
Pension and other social security costs	**89**	127
Share-based payment expenses	**55,458**	5,214
	62,437	15,501

The emoluments fell within the following bands:

	Year ended 31 December	
	2020	2019
Emolument bands (in HKD)		
3,500,000–4,000,000	**—**	1
4,000,000–4,500,000	**—**	2
4,500,000–5,000,000	**—**	1
5,000,000–5,500,000	**—**	—
20,000,000–25,000,000	**2**	—
25,000,000–30,000,000	**1**	—
	3	4

10 Finance income — net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income:		
Interest income on bank deposits	**158,446**	94,253
Finance costs:		
Interest expense on convertible bonds	**(101,069)**	—
Interest expense on lease liabilities	**(8,281)**	(2,353)
Interest expense on bank and other borrowings	**(5,407)**	—
	(114,757)	(2,353)
Finance income — net	**43,689**	91,900

11 Income tax expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax — PRC		
— Provision of current income tax	**946,122**	335,335
Deferred income tax		
— Corporate income tax	**(8,252)**	(13,762)
— Withholding income tax on profits to be distributed in future	**(4,800)**	36,148
	(13,052)	22,386
	933,070	357,721

(a) Cayman Island income tax

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

(b) Hong Kong profits tax

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

(c) PRC corporate income tax

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

The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in the PRC are either located in western cities or qualified as Small and Micro Enterprises and subject to a preferential income tax rate of 15% or 10% in certain years.

The estimated average annual tax rate used for the year ended 31 December 2020 was approximately 25.1%, compared to approximately 17.2% for the year ended 31 December 2019. The tax rate was higher in 2020 due to that Country Garden Life Services Group Co., Ltd. (碧桂園生活服務集團股份有限公司) ("Country Garden Life Services"), a major subsidiary of the Group, was entitled to a preferential income tax rate of 15% from 2017 to 2019 as it was qualified as "High and New Technology Enterprise" ("HNTE"), while the applicable income tax rate for the current year is 25%.

11 Income tax expense *(Continued)*

(d) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. During the year, the Company and its intermediate subsidiaries incorporated in the BVI and Hong Kong successfully obtained Hong Kong Tax Resident Identity certificates and the applicable withholding tax rate has been reduced to 5% accordingly.

(e) The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable corporate income tax rate of 25%. The difference is analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**3,714,727**	2,076,112
Less: Share of results of investments accounted for using the equity method	**(40,556)**	(7,828)
	3,674,171	2,068,284
Tax calculated at applicable corporate income tax rate of 25% (2019: 25%)	**918,543**	517,071
Effects of different tax rates applicable to different subsidiaries of the Group	**(92,783)**	(202,294)
Income not subject to tax	**(695)**	(1,920)
Expenses not deductible for taxation purposes	**78,091**	7,182
Unrecognised tax losses	**3,819**	1,534
Effects of tax rate change on deferred tax	**30,895**	—
	937,870	321,573
Withholding income tax on profits to be distributed in future	**(4,800)**	36,148
	933,070	357,721

12 Earnings per share

(a) Basic

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

	Year ended 31 December	
	2020	2019
Profit attributable to the owners of the Company (RMB'000)	**2,686,128**	1,670,664
Weighted average number of ordinary shares in issue (thousands shares)	**2,751,478**	2,663,090
Basic earnings per share (RMB cents)	**97.62**	62.73

12 Earnings per share *(Continued)*

(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 Group has dilutive potential ordinary shares arising from the share option scheme (Note 26) and convertible bonds (Note 29). For the share option scheme, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. For the convertible bonds, they are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company, if applicable. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the conversion of convertible bonds. For the year ended 31 December 2020, the effect of the convertible bonds was anti-dilutive and therefore not included in the calculation of the diluted earnings per share.

	Year ended 31 December	
	2020	2019
Profit attributable to the owners of the Company (RMB'000)	**2,686,128**	1,670,664
Weighted average number of ordinary shares in issue (thousands shares)	**2,751,478**	2,663,090
Adjustments — share option schemes (thousands)	**37,287**	46,039
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	**2,788,765**	2,709,129
Diluted earnings per share (RMB cents)	**96.32**	61.67

13 Dividends

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

The Board of Directors recommended the payment of a 2020 final dividend of RMB21.87 cents per share, totalling RMB671,540,000, which has taken into account the expected exercise of share options and conversion of convertible bonds as of the record date for the eligible shareholders. The eligible shareholders will be given an option to elect to receive the final dividend all in new shares or partly in new shares and partly in cash or all in cash (the "Scrip Dividend Scheme"). The new shares will, on issue, rank pari passu in all respects with the existing shares in issue on the date of the allotment and issue of the new shares except that they shall not be entitled to the proposed final dividend. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming annual general meeting of the Company and the Stock Exchange granting the listing of, and permission to deal in, the new shares to be issued under the Scrip Dividend Scheme. These financial statements do not reflect this dividend payable.

14 Property, plant and equipment

	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Buildings RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2019								
Cost	59,801	66,305	60,345	19,310	–	–	7,574	213,335
Accumulated depreciation	(10,536)	(43,061)	(27,619)	(11,564)	–	–	(1,720)	(94,500)
Net book amount	49,265	23,244	32,726	7,746	–	–	5,854	118,835
Year ended 31 December 2019								
Opening net book amount	49,265	23,244	32,726	7,746	–	–	5,854	118,835
Acquisition of subsidiaries	737	3,060	1,432	812	19,499	–	1,879	27,419
Capital injection from non-controlling interests	57,497	103,132	20,024	–	2,029	–	–	182,682
Other additions	35,402	4,011	19,976	16,970	–	–	4,323	80,682
Disposal of a subsidiary	–	(411)	(123)	(43)	–	–	–	(577)
Other disposal	(728)	(653)	(892)	(501)	–	–	–	(2,774)
Depreciation	(18,299)	(31,846)	(24,879)	(16,244)	(471)	–	(2,655)	(94,394)
Closing net book amount	123,874	100,537	48,264	8,740	21,057	–	9,401	311,873
At 31 December 2019								
Cost	151,415	169,404	96,205	34,609	21,528	–	13,145	486,306
Accumulated depreciation	(27,541)	(68,867)	(47,941)	(25,869)	(471)	–	(3,744)	(174,433)
Net book amount	123,874	100,537	48,264	8,740	21,057	–	9,401	311,873
Year ended 31 December 2020								
Opening net book amount	**123,874**	**100,537**	**48,264**	**8,740**	**21,057**	**–**	**9,401**	**311,873**
Acquisition of subsidiaries (Note 34)	**41,577**	**569,613**	**2,868**	**23,390**	**75,455**	**100,680**	**19,226**	**832,809**
Other additions	**35,500**	**84,325**	**47,887**	**27,851**	**4,025**	**95,377**	**14,864**	**309,829**
Disposals	**(1,372)**	**(12,967)**	**(1,316)**	**(2,126)**	**(13,364)**	**–**	**–**	**(31,145)**
Depreciation	**(25,817)**	**(56,619)**	**(51,136)**	**(14,600)**	**(9,769)**	**–**	**(16,351)**	**(174,292)**
Closing net book amount	**173,762**	**684,889**	**46,567**	**43,255**	**77,404**	**196,057**	**27,140**	**1,249,074**
At 31 December 2020								
Cost	**226,276**	**801,313**	**139,301**	**81,086**	**92,464**	**196,057**	**43,747**	**1,580,244**
Accumulated depreciation	**(52,514)**	**(116,424)**	**(92,734)**	**(37,831)**	**(15,060)**	**–**	**(16,607)**	**(331,170)**
Net book amount	**173,762**	**684,889**	**46,567**	**43,255**	**77,404**	**196,057**	**27,140**	**1,249,074**

14 Property, plant and equipment *(Continued)*

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales	**143,275**	81,752
General and administrative expenses	**31,017**	12,642
	174,292	94,394

15 Leases

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

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Buildings RMB'000	Transportation equipment RMB'000	Machinery RMB'000	Land use right RMB'000	Total RMB'000
Year ended 31 December 2019					
Opening net book amount	7,322	183	–	–	7,505
Acquisition of subsidiaries	15,281	37	–	–	15,318
Other additions	17,319	267	345	–	17,931
Early termination of lease contracts	(1,818)	–	–	–	(1,818)
Depreciation	(9,762)	(296)	(88)	–	(10,146)
Closing net book amount	28,342	191	257	–	28,790
At 31 December 2019					
Cost	36,708	487	345	–	37,540
Accumulated depreciation	(8,366)	(296)	(88)	–	(8,750)
Net book amount	28,342	191	257	–	28,790

	Buildings RMB'000	**Transportation equipment RMB'000**	**Machinery RMB'000**	**Land use right RMB'000**	**Total RMB'000**
Year ended 31 December 2020					
Opening net book amount	**28,342**	**191**	**257**	**–**	**28,790**
Acquisition of subsidiaries (Note 34)	**71,623**	**–**	**–**	**–**	**71,623**
Other additions	**54,300**	**209**	**565**	**24,018**	**79,092**
Early termination of lease contracts	**(4,228)**	**(55)**	**–**	**–**	**(4,283)**
Depreciation	**(42,774)**	**(123)**	**(116)**	**(1,849)**	**(44,862)**
Closing net book amount	**107,263**	**222**	**706**	**22,169**	**130,360**
At 31 December 2020					
Cost	**287,056**	**546**	**910**	**24,018**	**312,530**
Accumulated depreciation	**(179,793)**	**(324)**	**(204)**	**(1,849)**	**(182,170)**
Net book amount	**107,263**	**222**	**706**	**22,169**	**130,360**

15 Leases *(Continued)*

(a) Amounts recognised in the consolidated balance sheet *(Continued)*

Lease liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Lease liabilities		
Current	**57,288**	11,005
Non-current	**54,582**	19,418
	111,870	30,423

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

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Depreciation charge of right-of-use assets		
Buildings	**42,774**	9,762
Transportation equipment	**123**	296
Machinery	**116**	88
Land use right	**1,849**	—
	44,862	10,146
Interest expense (included in 'Finance costs')	**8,281**	2,353
Expense relating to short-term leases (included in 'Cost of sales' and 'General and administrative expenses')	**35,611**	25,899
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in 'General and administrative expenses')	**6,969**	8,170

The total cash outflow for leases in the year ended 31 December 2020 was RMB118,242,000 (2019: RMB45,204,000).

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

The Group leases various buildings, transportation equipment and machinery. Rental contracts are typically made for fixed periods of 1 to 6 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16 Intangible assets

	Software RMB'000	Property management contracts and customer relationships RMB'000 (a)	Insurance brokerage license RMB'000 (b)	Brand RMB'000 (c)	Concession intangible assets RMB'000	Goodwill RMB'000 (d) & (e)	Total RMB'000
At 1 January 2019							
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	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
Year ended 31 December 2020							
Opening net book amount	**44,952**	**341,566**	**–**	**–**	**–**	**1,217,335**	**1,603,853**
Acquisition of subsidiaries (Note 34)	**1,444**	**1,191,910**	**28,663**	**193,400**	**93,740**	**3,144,578**	**4,653,735**
Other additions	**34,774**	**–**	**–**	**–**	**844**	**–**	**35,618**
Amortisation	**(10,065)**	**(97,220)**	**(1,443)**	**(7,736)**	**(469)**	**–**	**(116,933)**
Closing net book amount	**71,105**	**1,436,256**	**27,220**	**185,664**	**94,115**	**4,361,913**	**6,176,273**
At 31 December 2020							
Cost	**88,842**	**1,581,329**	**28,663**	**193,400**	**94,584**	**4,364,483**	**6,351,301**
Accumulated amortisation	**(17,737)**	**(142,212)**	**(1,443)**	**(7,736)**	**(469)**	**–**	**(169,597)**
Accumulated impairment	**–**	**(2,861)**	**–**	**–**	**–**	**(2,570)**	**(5,431)**
Net book amount	**71,105**	**1,436,256**	**27,220**	**185,664**	**94,115**	**4,361,913**	**6,176,273**

16 Intangible assets *(Continued)*

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales	**109,633**	40,986
General and administrative expenses	**7,300**	3,403
	116,933	44,389

(a) Contracts and customer relationships

During the year ended 31 December 2020, the Group acquired several property management and sanitation companies (Note 34). Total identifiable net assets of these companies as at their respective acquisition dates amounted to approximately RMB2,154,605,000, including identified contracts and customer relationships of RMB1,191,910,000 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 contracts and customer relationships. The valuation method used is the multi-period excess earnings method. The key assumptions in determining the fair value of contracts and customer relationships are disclosed as follows:

Gross profit margins	10.8%–73.4%
EBITDA margins	3.5%–11.7%
Post-tax discount rates	11.5%–16.6%
Expected useful lives	6 years

(b) Insurance brokerage license

During the year ended 31 December 2020, the Group acquired an insurance brokerage company (Note 34). Total identifiable net assets of the company acquired as at its acquisition date amounted to approximately RMB66,448,000, including identified insurance brokerage license of approximately RMB28,663,000 recognised by the Group. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

Gross profit margin	45.6%
EBITDA margin	21.6%
Post-tax discount rate	11.5%
Expected useful life	12 years

16 Intangible assets *(Continued)*

(c) Brand

During the year ended 31 December 2020, the Group acquired a media company (Note 34). Total identifiable net assets of the company acquired as at its acquisition date amounted to approximately RMB286,940,000, including identified brand of approximately RMB193,400,000 recognised by the Group. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

Gross profit margin	56.6%
EBITDA margin	26.8%
Post-tax discount rate	17.2%
Expected useful life	10 years

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

Goodwill of RMB1,217,335,000 has been allocated to the CGUs of the subsidiaries acquired in prior years for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2020. 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 rates during the forecast period	1.5%–5.0%
Gross profit margins during the forecast period	16.2%–47.8%
EBITDA margins during the forecast period	9.9%–32.4%
Terminal growth rate	3.0%
Pre-tax discount rates	17.4%–25.4%

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 2020.

16 Intangible assets *(Continued)*

(d) Impairment tests for goodwill arising from business combinations in prior year *(Continued)*

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

	2020	
	From	**To**
Revenue growth rates during the forecast period	**1.5–5.0%**	**nil–4.4%**
Gross profit margins during the forecast period	**16.2%–47.8%**	**nil–35.4%**
EBITDA margins during the forecast period	**9.9%–32.4%**	**4.3%–30.9%**
Terminal growth rate	**3.0%**	**nil–1.5%**
Pre-tax discount rates	**17.4%–25.4%**	**17.6%–86.3%**

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

Goodwill of RMB3,144,578,000 has been allocated to the CGUs of the subsidiaries acquired during the year for impairment testing. Management performed an impairment assessment on the goodwill prior to the year end. The recoverable amounts of these subsidiaries are determined based on value-in-use 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 rates during the forecast period	3.0%–18.0%
Gross profit margins during the forecast period	11.8%–74.0%
EBITDA margins during the forecast period	4.0%–26.8%
Terminal growth rate	3.0%
Pre-tax discount rates	14.6%–38.2%

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 2020.

17 Subsidiaries

The following is a list of principal subsidiaries at 31 December 2020, all of these are limited liability companies:

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in Mainland China:					
United Gain (集裕集團)	28 March 2006	USD200	100%	–	Investment holding
Ornate Forest (繁森有限公司)	7 July 2017	USD0	100%	–	Investment holding
Sino Estate Holdings Limited	6 November 2003	HKD780	100%	–	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司)	5 February 2018	HKD1	100%	–	Investment holding
Established and operates in Mainland China:					
Country Garden Life Services	19 April 2004	RMB360,000,000	100%	–	Property management and related services
Country Garden City Light Smart Property Service Co. Ltd (碧桂園城市之光智慧物業服務有限公司)	15 December 1998	RMB19,390,000	51%	49%	Property management and related services
Beijing Shengshi Property Services Company Limited (北京盛世物業服務有限公司)	24 April 1999	RMB7,000,000	100%	–	Property management and related services
Jiangxi Country Garden Jiejia Property Service Co. Ltd (江西碧桂園潔佳物業服務有限公司)	18 February 1993	RMB10,000,000	100%	–	Property management and related services

17 Subsidiaries *(Continued)*

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Shanghai Ruijing Industrial Company Limited (上海睿靖實業有限公司)	15 January 2018	RMB26,620,000	100%	–	Property management and related services
Hainan Sailai Borui Property Services Company Limited (海南賽萊柏瑞物業服務有限公司)	12 April 2012	RMB5,000,000	100%	–	Property management and related services
Guangdong Country Garden Huimin Property Services Company Limited (廣東碧桂園惠民物業服務有限公司)	9 January 2017	RMB5,100,000	100%	–	Property management and related services
Xingong Xiamen Property Management Services Company Limited (新工(廈門)物業管理服務有限公司)	30 April 2003	RMB9,132,300	100%	–	Property management and related services
Suzhou Industry Garden Zone Xin Gong Chan Ye Management Services Company Limited (蘇州工業園區新工產業管理服務有限公司)	14 December 2001	RMB5,000,000	100%	–	Property management and related services
Fenghuang Hui Information Technology Co. Ltd (鳳凰匯信息科技有限公司)	18 January 2018	RMB30,580,000	64%	36%	E-commerce
Guangdong Country Garden Yuanhai Property Services Company Limited (廣東碧桂園元海物業服務有限公司)	18 January 2004	RMB5,000,000	100%	–	Property management and related services
Shanghai Lianyuan Property Development Company Limited (上海聯源物業發展有限公司)	20 November 1995	RMB10,000,000	100%	–	Property Intermediary services
Inner Mongolia Renhe Services Company Limited (內蒙古仁和服務有限責任公司)	18 November 1999	RMB14,008,340	70%	30%	Property management and related services

17 Subsidiaries *(Continued)*

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Suzhou Wuyuan Property Management Company Limited (蘇州物源物業管理有限公司)	22 March 2007	RMB50,000,000	70%	30%	Property management and related services
Zhejiang Country Garden Bijia Property Service Co. Ltd (浙江碧桂園碧嘉物業服務有限公司)	24 January 2002	RMB50,000,000	100%	–	Property management and related services
Shanghai Mingjun Property Management Company Limited (上海明君物業管理有限公司)	31 May 1996	RMB5,150,000	100%	–	Property management and related services
Ganglian Real Estate Services (China) Co., Ltd. (港聯不動產服務(中國)股份有限公司)	5 August 1999	RMB60,000,000	100%	–	Property management and related services
Baoshihua Home Investment Management Company Limited (寶石花家園投資管理有限公司)	12 September 2018	RMB400,000,000	80%	20%	Investment holding
Baoshihua Property Management Company Limited (寶石花物業管理有限公司)	26 October 2018	RMB295,639,561	51%	49%	Property management and related services
Baoshihua Tong Fang Energy Technology Company Limited (寶石花同方能源科技有限公司)	27 December 2018	RMB92,500,000	80%	20%	Property management, heat supply and related services
Baoshihua Heat Company Limited (寶石花熱力有限公司)	7 January 2019	RMB150,000,000	65%	35%	Heat supply services
Daqing Baoshihua Heat Company Limited (大慶寶石花熱力有限公司)	18 January 2019	RMB25,000,000	100%	–	Heat supply services
Fujian Dongfei Environment Group Co. Ltd ("Dongfei") (福建東飛環境集團有限公司)	11 January 2013	RMB133,333,333	60%	40%	City services

17 Subsidiaries *(Continued)*

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Country Garden Manguo Environmental Technology Group Co., Ltd. ("Manguo") (碧桂園滿國環境科技集團有限公司)	**26 March 2015**	**RMB50,500,000**	**70%**	**30%**	**City services**
City-Media (Shanghai) culture media Co., Ltd. ("City-Media") (城市縱橫(上海)文化傳媒有限公司)	**20 December 2010**	**RMB60,000,000**	**65%**	**35%**	**City media**
Shanghai Jinchen Property Management Co., Ltd (上海金晨物業經營管理有限公司)	**20 February 1998**	**RMB10,000,000**	**100%**	**0%**	**Property management and related services**

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

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

18 Investments accounted for using the equity method

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At 1 January	**79,514**	27,025
Additions	**184,606**	39,929
Acquisition of subsidiaries (Note 34)	**9,561**	714
Share of results	**40,556**	7,828
Dividends received	**(2,017)**	(3,371)
Transfer from subsidiaries	**—**	7,389
At 31 December	**312,220**	79,514

The directors of the Company consider that none of these investments as at 31 December 2020 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed.

19 Financial instruments by category

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets at amortised cost:		
Trade and other receivables excluding prepayments	**4,850,692**	1,941,178
Cash and cash equivalents	**15,215,224**	6,914,148
Restricted bank deposits	**126,271**	11,861
	20,192,187	8,867,187
Financial assets at FVPL		
Wealth management products	**2,069,730**	1,000,052
Investment in a close-ended fund	**463,365**	280,630
Investment in stocks	**33,027**	—
	2,566,122	1,280,682
Financial assets at FVOCI	**9,950**	9,950
	22,768,259	10,157,819
Financial liabilities at amortised cost:		
Trade and other payables excluding non-financial liabilities	**5,722,425**	3,493,045
Lease liabilities	**111,870**	30,423
	5,834,295	3,523,468

20 Trade and other receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables (a)		
— Related parties (Note 35)	**179,157**	115,237
— Third parties	**4,204,856**	1,516,618
	4,384,013	1,631,855
Less: allowance for impairment of trade receivables	**(147,600)**	(57,868)
	4,236,413	1,573,987
Other receivables		
— Payments on behalf of property owners	**184,216**	153,197
— Deposits	**208,380**	65,647
— Others	**235,652**	158,419
	628,248	377,263
Less: allowance for impairment of other receivables	**(13,969)**	(10,072)
	614,279	367,191
Prepayments to suppliers	**308,913**	56,670
Prepayments for tax	**83,910**	5,922
	5,243,515	2,003,770

As at 31 December 2020, 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, heat supply services and city 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 and city services, customers are generally given a credit term of up to 90 days.

20 Trade and other receivables *(Continued)*

(a) *(Continued)*

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
0–180 days	**3,875,283**	1,333,903
181–365 days	**251,578**	97,389
1 to 2 years	**155,347**	113,267
2 to 3 years	**58,940**	46,661
Over 3 years	**42,865**	40,635
	4,384,013	1,631,855

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB147,600,000 (2019: RMB57,868,000) was made against the gross amounts of trade receivables (Note 3.1).

21 Financial assets at fair value through profit or loss

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Wealth management products (a)	**2,069,730**	1,000,052
Investment in a close-ended fund (b)	**463,365**	280,630
Others	**33,027**	—
	2,566,122	1,280,682

(a) The Group invested in various wealth management products. These products have a term of 12 months. They have an expected return rate ranging from 8.0% to 10.6%. The fair values of these investments were determined based on the expected return as stipulated in relevant contracts with the counterparties.

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

22 Cash and cash equivalents and restricted bank deposits

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash at banks (a)	**15,341,495**	6,926,009
Less: Restricted bank deposits (b)	**(126,271)**	(11,861)
Cash and cash equivalents	**15,215,224**	6,914,148

As at 31 December 2020, cash and cash equivalents did not include housing maintenance funds of RMB7,577,000 (2019: RMB2,643,000) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	**6,492,134**	5,822,749
HKD	**8,799,390**	1,082,229
Other currencies	**49,971**	21,031
	15,341,495	6,926,009

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

23 Share capital and share premium

	Note	Number of shares	Nominal value of shares	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
Upon incorporation at 24 January 2018, HKD0.10 per share		3,800,000	380,000			
Cancellation of ordinary shares of HKD0.10 each		(3,800,000)	(380,000)			
Increase in authorised share capital of USD0.0001 each		10,000,000,000	1,000,000			
At 1 Jan 2019, 31 Dec 2019, 1 Jan 2020 and 31 Dec 2020		10,000,000,000	1,000,000			
At 1 January 2019		2,500,000,000	250,000	1,584	—	1,584
Placing of shares		168,761,000	16,876	114	1,679,321	1,679,435
Employee share scheme — exercise of option		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
At 1 January 2020		2,710,893,800	271,089	1,728	1,755,190	1,756,918
Employee share scheme — exercise of options	(a)	48,479,800	4,848	34	78,383	78,417
Placing of shares	(b)	173,000,000	17,300	113	6,526,154	6,526,267
At 31 December 2020		2,932,373,600	293,237	1,875	8,359,727	8,361,602

(a) On 18 March 2020, 17 April 2020, 28 April 2020, 20 May 2020 and 6 July 2020, the Company issued 4,000,000, 3,778,400, 17,433,800, 17,433,800 and 5,833,800 shares as a result of the exercise of share options by certain directors and other eligible participants, respectively, which were granted under the pre-listing share option scheme adopted by the Company in 2018, and raised net proceeds of approximately HKD45,571,000 (equivalent to approximately RMB41,600,000) in total. In addition, the related share-based payments reserve of RMB36,819,000 was transferred to the share premium account as a result of the above exercise of the options.

(b) On 11 December 2020, the Company and the placing agents entered into the placing agreement pursuant to which the Company conditionally agreed to appoint the placing agents, and the placing agents, on a several (not joint nor joint and several) basis, conditionally agreed to act as agents for the Company, and to procure, on a fully underwritten basis, placees to subscribe for (or failing which, to purchase themselves as principals) an aggregate of 173,000,000 Shares at a price of HK$45.00 per Share. On 11 December 2020, the Company issued 173,000,000 shares at a subscription price of HKD45.00 per share and raised net proceeds of approximately HKD7,784,866,000 (equivalent to approximately RMB6,526,267,000).

24 Other reserves

	Statutory Reserves RMB'000 (a)	Currency translation reserve RMB'000	Share-based payments RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	198,770	—	47,918	354,315	601,003
Other comprehensive income	—	327	—	—	327
Transactions with non-controlling interests	—	—	—	(61,568)	(61,568)
Employee share schemes					
— value of employee services	—	—	29,351	(14,980)	14,371
— exercise of options	—	—	(40,450)	—	(40,450)
Appropriation to statutory reserves	17,898	—	—	—	17,898
At 31 December 2019	216,668	327	36,819	277,767	531,581
At 1 January 2020	**216,668**	**327**	**36,819**	**277,767**	**531,581**
Other comprehensive loss	**—**	**(13,070)**	**—**	**—**	**(13,070)**
Transactions with non-controlling interests (Note 33)	**—**	**—**	**—**	**931**	**931**
Employee share schemes					
— value of employee services (Note 26)	**—**	**—**	**239,402**	**(5,653)**	**233,749**
— exercise of options (Note 23)	**—**	**—**	**(36,819)**	**—**	**(36,819)**
Equity component of convertible bonds (Note 29)	**—**	**—**	**—**	**133,925**	**133,925**
Appropriation to statutory reserves	**67,054**	**—**	**—**	**—**	**67,054**
At 31 December 2020	**283,722**	**(12,743)**	**239,402**	**406,970**	**917,351**

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

25 Retained earnings

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At 1 January	**3,084,657**	1,658,200
Profit for the year	**2,686,128**	1,670,664
Transfer to statutory reserves (Note 24)	**(67,054)**	(17,898)
Dividends (Note 13)	**(416,944)**	(226,309)
At 31 December	**5,286,787**	3,084,657

26 Share-based payments

(a) In May 2018, the Company granted share options under the pre-listing share option scheme under which the option holders are entitled to acquire an aggregate of 132,948,000 shares of the Company. Pursuant to the terms of pre-listing share option scheme, the options granted are subject to certain performance conditions.

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

All the options under the pre-listing share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD0.94 per share.

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

	2020		2019	
	Average exercise price in HKD	**Number of share options**	Average exercise price in HKD	Number of share options
As at 1 January	**0.94**	**90,815,200**	0.94	132,948,000
Granted	**—**	**—**	—	—
Exercised	**0.94**	**(48,479,800)**	0.94	(42,132,800)
As at 31 December	**0.94**	**42,335,400**	0.94	90,815,200
Vested and exercisable at 31 December	**0.94**	**—**	0.94	7,778,400

Grant date	Expiry date	Exercise price	Share options outstanding 31 December 2020
21 May 2018	20 May 2023	HKD0.94	39,884,400

The weighted average remaining contractual life of options outstanding at the end of the year is approximately 2.4 years.

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

The Group has to estimate the expected percentage of grantees that will stay within the Group (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2020, the Expected Retention Rate was assessed to be 100% (2019: 100%).

26 Share-based payments *(Continued)*

(b) In September 2020, the Company granted share options under the share option scheme under which the option holders are entitled to acquire an aggregate of 71,500,000 shares of the Company. Pursuant to the terms of the share option scheme, the options granted are subject to certain performance conditions.

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

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

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

	2020	
	Average exercise price in HKD	**Number of share options**
As at 1 January	**—**	**—**
Granted	**50.07**	**27,640,000**
As at 31 December	**50.07**	**27,640,000**

Share options outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Share options outstanding 31 December 2020
28 September 2020	27 September 2025	HKD50.07	27,640,000

The weighted average remaining contractual life of options outstanding at the end of period is approximately 4.8 years.

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

26 Share-based payments *(Continued)*

(b) *(Continued)*

The fair value of share options granted is HKD8.43 (equivalent to RMB7.42) per option, which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs. These inputs include:

Description	Fair value of share options granted	Unobservable inputs	Range of unobservable inputs	Relationship of Unobservable inputs to fair value
Share options	HKD602,596,000 (equivalent to RMB530,706,000)	Suboptimal exercise factor	1.5	The higher the suboptimal exercise factor, the higher the fair value
		Volatility	30%	The higher the volatility, the higher the fair value
		Risk-free interest rate	0.2%	The higher the risk-free interest rate, the higher the fair value
		Dividend yield	1.0%	The lower the dividend yield, the higher the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The Group recognised the share-based compensation expenses in “General and administrative expenses” for the share options granted to the directors, senior management and employees of the Group.

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

27 Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables (a)		
— Related parties (Note 35)	**20,740**	14,240
— Third parties	**2,152,410**	1,465,991
	2,173,150	1,480,231
Other payables		
— Deposits	**881,459**	608,731
— Temporary receipts from properties owners	**1,001,916**	804,851
— Outstanding considerations payable for business combinations	**1,079,367**	293,177
— Accruals and others	**586,533**	306,055
	3,549,275	2,012,814
Payroll payables	**1,464,830**	1,038,683
Other taxes payables	**288,367**	158,305
	7,475,622	4,690,033

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

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Up to 1 year	**2,117,199**	1,445,228
1 to 2 years	**44,902**	22,410
2 to 3 years	**7,082**	6,053
Over 3 years	**3,967**	6,540
	2,173,150	1,480,231

28 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities was as follows:

	As at 31 December 2020 RMB'000	2019 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**12,970**	11,211
— to be recovered over 12 months	**27,412**	6,341
Total deferred tax assets	**40,382**	17,552
Set-off of deferred tax liabilities pursuant to set-off provisions	**(2,425)**	(6,614)
Net deferred tax assets	**37,957**	10,938
Deferred income tax liabilities:		
— to be recovered within 12 months	**175,819**	78,510
— to be recovered over 12 months	**336,482**	71,183
Total deferred tax liabilities	**512,301**	149,693
Set-off of deferred tax assets pursuant to set-off provisions	**(2,425)**	(6,614)
Net deferred tax liabilities	**509,876**	143,079

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows.

Deferred income tax assets:

	Allowance for impairment of receivables RMB'000	Tax losses RMB'000	Lease RMB'000	Total RMB'000
At 1 January 2019	6,874	—	—	6,874
Acquisition of subsidiaries	—	3,302	72	3,374
Disposal of a subsidiary	(16)	—	—	(16)
Credited/(charged) to profit or loss	8,948	(1,929)	301	7,320
At 31 December 2019	15,806	1,373	373	17,552
At 1 January 2020	**15,806**	**1,373**	**373**	**17,552**
Acquisition of subsidiaries (Note 34)	**—**	**383**	**445**	**828**
Credited/(charged) to profit or loss	**19,447**	**2,359**	**196**	**22,002**
At 31 December 2020	**35,253**	**4,115**	**1,014**	**40,382**

28 Deferred income tax *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. For the years ended 31 December 2020, the Group did not recognise deferred income tax assets in respect of losses amounting to RMB61,977,000 (2019: RMB37,928,000) that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years. These tax losses will expire up to year 2025 (2019: 2024).

Deferred income tax liabilities:

	Differences on recognition of depreciation RMB'000	Fair value gain from business combination RMB'000	Withholding income tax on profits to be distributed in future RMB'000	Fair value changes of financial assets RMB'000	Total RMB'000
At 1 January 2019	(3,603)	(39,309)	(25,643)	–	(68,555)
Acquisition of subsidiaries	–	(51,432)	–	–	(51,432)
(Charged)/credited to profit or loss	(3,103)	9,545	(36,148)	–	(29,706)
At 31 December 2019	(6,706)	(81,196)	(61,791)	–	(149,693)
At 1 January 2020	**(6,706)**	**(81,196)**	**(61,791)**	**–**	**(149,693)**
Acquisition of subsidiaries (Note 34)	**–**	**(353,658)**	**–**	**–**	**(353,658)**
(Charged)/credited to profit or loss	**4,281**	**25,094**	**4,800**	**(43,125)**	**(8,950)**
At 31 December 2020	**(2,425)**	**(409,760)**	**(56,991)**	**(43,125)**	**(512,301)**

As at 31 December 2020, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB4,637,989,000 (2019: RMB2,648,068,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

29 Convertible bonds

On 27 April 2020, a wholly owned subsidiary of the Company, Best Path Global Limited and UBS AG Hong Kong Branch entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD3,875,000,000 (equivalent to approximately RMB3,547,524,000) due 18 May 2021, with an initial conversion price of HKD39.68 per share. On 20 May 2020 (the "Issue Date"), the convertible bonds were issued. The net proceeds from the issue of the convertible bonds were approximately RMB3,513,592,000, after the deduction of transaction costs approximately RMB33,932,000. The initial value of the liability component of approximately RMB3,379,667,000 (the fair value was calculated using a market interest rate for equivalent non-convertible bonds) is subsequently stated at amortised cost until conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

29 Convertible bonds *(Continued)*

The convertible bonds recognised are calculated as follows:

	31 December 2020 RMB'000
Face value of the convertible bonds on the Issue Date	**3,547,524**
Less: transaction costs	**(33,932)**
Net proceeds	**3,513,592**
Less: equity component	**(133,925)**
Liability component on initial recognition	**3,379,667**
Currency translation differences	**(278,198)**
Interest accrued	**101,069**
Liability component at 31 December 2020	**3,202,538**

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

The convertible bonds were guaranteed by the Company.

Up to 31 December 2020, there has been no conversion or redemption of the convertible bonds.

30 Bank and other borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Non-current liabilities:		
— secured	**247,584**	—
Included in current liabilities:		
— secured	**357,315**	—
— unsecured	**4,500**	—
	361,815	—
Total bank and other borrowings	**609,399**	—

The Group's borrowings as at 31 December 2020 of RMB609,399,000 (2019: nil) were mainly secured by several city services projects and certain equipment of the Group with total carrying values of RMB382,985,000 (2019: nil) and pledged by trade receivables with total carrying values of RMB1,458,748,000 (2019: nil).

30 Bank and other borrowings *(Continued)*

At 31 December 2020, the Group's bank and other borrowings were repayable as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**361,814**	—
Over 1 year and within 2 years	**21,041**	—
Over 2 years and within 5 years	**77,194**	—
Over 5 years	**149,350**	—
	609,399	—

The weighted average effective interest rate for the year ended 31 December 2020 was 5.51% per annum (2019: nil).

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

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

31 Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**3,714,727**	2,076,112
Adjustments for		
— Depreciation of property, plant and equipment (Note 14)	**174,292**	94,394
— Depreciation of right-of-use assets (Note 15)	**44,862**	10,146
— Amortisation of intangible assets (Note 16)	**116,933**	44,389
— Losses/(gains) on early termination of lease contracts (Note 7)	**198**	(19)
— Losses/(gains) on disposal of property, plant and equipment (Note 7)	**604**	(30)
— Unrealised gains from financial assets at FVPL (Note 7)	**(186,129)**	(115,127)
— Employee share schemes — value of employee services (Note 9)	**233,749**	14,371
— Share of results of investments accounted for using the equity method (Note 18)	**(40,556)**	(7,828)
— Loss on disposal of a subsidiary	**—**	122
— Finance income — net (Note 10)	**(43,689)**	(91,900)
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
— Restricted bank deposits	**(87,711)**	(1,700)
— Inventories	**(57,136)**	(5,012)
— Trade and other receivables	**(1,604,445)**	(938,271)
— Contract liabilities	**895,415**	579,451
— Trade and other payables	**961,531**	1,893,472
Cash generated from operations	**4,122,645**	3,552,570

31 Cash flow information *(Continued)*

(b) Non-cash investing and financing activities

Significant non-cash investing and financing activities for the year end 31 December 2020 represented the RMB79,092,000 of additions in right-of-use assets (Note 15).

(c) In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net book amount (Note 14)	**31,145**	2,774
(Losses)/gains on disposals (Note 7)	**(604)**	30
Proceeds from disposals	**30,541**	2,804

(d) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash.

	Other assets	Liabilities from financing activities			
	Cash	Lease liabilities	Bank and other borrowings	Convertible bonds	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash as at 1 January 2019	3,868,921	(7,505)	–	–	3,861,416
Cash flows	3,028,060	11,135	–	–	3,039,195
Acquisition of subsidiaries	–	(15,606)	–	–	(15,606)
Acquisition of new contracts	–	(17,931)	–	–	(17,931)
Interest expenses accrued	–	(2,353)	–	–	(2,353)
Early termination of contracts	–	1,837	–	–	1,837
Foreign exchange adjustments	17,167	–	–	–	17,167
Net cash as at 31 December 2019	6,914,148	(30,423)	–	–	6,883,725

	Other assets	**Liabilities from financing activities**			
	Cash	**Lease liabilities**	**Bank and other borrowings**	**Convertible bonds**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Net cash as at 1 January 2020	**6,914,148**	**(30,423)**	**–**	**–**	**6,883,725**
Cash flows	**8,743,853**	**75,662**	**(139,142)**	**(3,513,592)**	**5,166,781**
Acquisition of subsidiaries (Note 34)	**–**	**(73,821)**	**(464,850)**	**–**	**(538,671)**
Acquisition of new contracts	**–**	**(79,092)**	**–**	**–**	**(79,092)**
Interest expenses accrued	**–**	**(8,281)**	**(5,407)**	**(101,069)**	**(114,757)**
Early termination of contracts	**–**	**4,085**	**–**	**–**	**4,085**
Foreign exchange adjustments	**(442,777)**	**–**	**–**	**278,198**	**(164,579)**
Other non-cash movement	**–**	**–**	**–**	**133,925**	**133,925**
Net cash as at 31 December 2020	**15,215,224**	**(111,870)**	**(609,399)**	**(3,202,538)**	**11,291,417**

32 Commitments

(a) Commitments for capital expenditures

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contracted but not provided for:		
Property, plant and equipment	**296,540**	3,290
Intangible assets	**23,860**	703

33 Transactions with non-controlling interests

Acquisition of additional interests in a subsidiary

In March 2020, the Group acquired additional 27% equity interest in Zhejiang Jiahang Property Management Company Limited ("浙江嘉杭物業管理有限公司") at a consideration of RMB1,350,000. The consideration was fully paid in March 2020. In November 2020, the Group acquired additional 49% equity interest in Xizang Country Garden Property Management Coty Services Company Limited ("西藏碧桂園物業城市服務有限公司") at a consideration of RMB879,000. The consideration was fully paid in November 2020. The effect of the acquisition is summarised as follows:

	Year ended 31 December 2020 RMB'000
Consideration paid to non-controlling interests	**2,229**
Carrying amount of non-controlling interests acquired	**(3,160)**
Difference recorded within equity	**(931)**

34 Business combinations

In September 2020, the Group acquired 65% equity interest in City-Media from third parties at a fixed cash consideration of RMB332,770,000 and a contingent cash consideration not exceeding RMB179,170,000. In October 2020, the Group acquired 70% equity interest in Manguo from third parties at a fixed cash consideration of RMB1,837,500,000 and a contingent cash consideration not exceeding RMB612,500,000. In October 2020, the Group acquired 60% equity interest in Dongfei from third parties at a fixed cash consideration of RMB871,040,000. The Group also acquired an insurance brokerage company from a related company (Note 35(b)), a food company and several other property management companies from third parties during the current year at an aggregate fixed cash considerations of RMB632,280,000 and a contingent cash consideration not exceeding RMB40,568,000. 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:

	City-Media RMB'000	Manguo RMB'000	Dongfei RMB'000	Others RMB'000	Total RMB'000
Total purchase considerations					
— Fixed cash considerations	332,770	1,837,500	871,040	632,280	3,673,590
— Settled in 2020	332,770	1,822,648	871,040	493,486	3,519,944
— Outstanding as at 31 December 2020	—	14,852	—	138,794	153,646
— Estimated contingent cash consideration	167,738	612,500	—	40,568	820,806
— Settled in 2020	—	—	—	—	—
— Outstanding as at 31 December 2020	167,738	612,500	—	40,568	820,806
	500,508	2,450,000	871,040	672,848	4,494,396
Total recognised amounts of identifiable assets acquired and liabilities assumed are as follows:					
— Property, plant and equipment (Note 14)	1,181	458,129	364,445	9,054	832,809
— Right-of-use assets (Note 15)	36,581	25,575	9,467	—	71,623
— Acquired contracts and customer relationships, brand and insurance brokerage license (Note 16)	193,400	785,552	296,155	138,866	1,413,973
— Other intangible assets (Note16)	—	81,905	13,244	35	95,184
— Investments accounted for using the equity method (Note 18)	—	500	9,061	—	9,561
— Deferred income tax assets (Note 28)	—	—	—	828	828
— Inventories	—	38,801	23,925	3,106	65,832
— Trade and other receivables	215,113	960,691	551,008	199,756	1,926,568
— Financial assets at FVPL	26,000	—	—	—	26,000
— Restricted bank deposits	—	—	—	26,699	26,699
— Cash and cash equivalents	41,203	147,441	137,555	162,408	488,607
— Trade and other payables	(139,192)	(816,268)	(280,946)	(244,238)	(1,480,644)
— Lease liabilities	(36,991)	(27,195)	(9,635)	—	(73,821)
— Deferred income tax liabilities (Note 28)	(48,350)	(196,388)	(74,377)	(34,543)	(353,658)
— Bank and other borrowings	—	(240,487)	(219,863)	(4,500)	(464,850)
— Contract liabilities	(1,778)	(2,193)	(20,902)	(43,587)	(68,460)
— Current income tax liabilities	(227)	—	—	(8,031)	(8,258)
Total identifiable net assets	286,940	1,216,063	799,137	205,853	2,507,993
Non-controlling interests	(100,429)	(724,955)	(334,483)	1,692	(1,158,175)
Goodwill	313,997	1,958,892	406,386	465,303	3,144,578
	500,508	2,450,000	871,040	672,848	4,494,396

34 Business combinations *(Continued)*

	City-Media RMB'000	Manguo RMB'000	Dongfei RMB'000	Others RMB'000	Total RMB'000
Outflow of cash to acquire business, net of cash acquired:					
Partial settlement of cash considerations	332,770	1,822,648	871,040	493,486	3,519,944
Less: Cash and cash equivalents in the subsidiaries acquired	(41,203)	(147,441)	(137,555)	(162,408)	(488,607)
Net cash outflow on acquisitions	291,567	1,675,207	733,485	331,078	3,031,337

(a) Intangible assets including identified contracts and customer relationships, insurance brokerage license, and brand totaling RMB1,413,973,000 in relation to the acquisitions have been recognised by the Group (Note 16).

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

(c) The acquired businesses contributed total revenues of RMB1,271,099,000 and net profits of RMB234,668,000 to the Group for the period from their respective acquisition dates to 31 December 2020. Had these companies been consolidated from 1 January 2020, the consolidated statements of comprehensive income would show pro-forma revenue of RMB18,952,964,000 and net profit of RMB3,143,195,000.

35 Related party transactions

(a) Ultimate controlling shareholder

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

(b) Transactions with related parties

The Group has entered into the following significant transactions with its related parties:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Provision of services		
— Entities controlled by the Ultimate Controlling Shareholder	**1,170,489**	1,275,008
— Entities jointly controlled by the Ultimate Controlling Shareholder	**131,910**	167,456
— Entities over which the Ultimate Controlling Shareholder has significant influence	**50,096**	78,552
	1,352,495	1,521,016
Purchase of goods and services		
— Entities controlled by the Ultimate Controlling Shareholder	**38,907**	37,953
— Entities controlled by the close relatives of the Ultimate Controlling Shareholder	**3,837**	8,521
	42,744	46,474
Acquisition of a subsidiary		
— Entities controlled by the close relatives of the Ultimate Controlling Shareholder	**84,113**	—

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

(c) Free trademark license agreement

A trademark licencing agreement was entered into between the Company and a subsidiary of CGH, Foshan Shunde Country Garden Property Development Company Limited ("佛山區順德碧桂園物業發展有限公司") ("Foshan Shunde") and a deed of trademark licencing was entered into between the Company and CGH (the "Trademark Licencing Arrangement"). Pursuant to the Trademark Licencing Arrangement, Foshan Shunde agreed and CGH would procure Foshan Shunde to irrevocably and unconditionally grant to the Group a non-transferable licence to use several trademarks registered in the PRC and Hong Kong for a perpetual term commencing from the date of the Trademark Licencing Agreement and the deed of trademark licencing, which are subject to the renewal of the licenced trademarks, on a royalty-free basis.

35 Related party transactions *(Continued)*

(d) Key management compensation

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Fees	**600**	600
Salaries and other short-term employee benefits	**25,260**	25,160
Share-based payments	**180,409**	11,816
Contributions to retirement benefits and other social security costs	**279**	309
	206,548	37,885

(e) Balances with related parties

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Receivables from related parties		
Trade receivables		
— Entities controlled by the Ultimate Controlling Shareholder	**154,060**	97,807
— Entities jointly controlled by the Ultimate Controlling Shareholder	**14,945**	12,120
— Entities over which the Ultimate Controlling Shareholder has significant influence	**9,712**	5,079
— Entities controlled by the close relatives of the Ultimate Controlling Shareholder	**440**	231
	179,157	115,237

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Payables to related parties		
Trade payables		
— Entities controlled by the Ultimate Controlling Shareholder	**20,055**	11,096
— Entities controlled by close relatives of the Ultimate Controlling Shareholder	**477**	3,024
— Entities over which the Ultimate Controlling Shareholder has significant influence	**208**	120
	20,740	14,240

36 Balance sheet and reserve movement of the Company

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**940**	940
Property, plant and equipment		**40**	51
Other receivables		**1,251,449**	537,555
		1,252,429	538,546
Current assets			
Cash and cash equivalents		**6,517,965**	1,078,207
Dividends receivable		**1,266,590**	542,690
Other receivables		**5,824**	16,475
		7,790,379	1,637,372
Total assets		**9,042,808**	2,175,918
EQUITY			
Share capital and share premium		**8,361,602**	1,756,918
Retained earnings	(a)	**678,657**	418,629
Total equity		**9,040,259**	2,175,547
LIABILITIES			
Current liabilities			
Other payables		**2,549**	371
Total liabilities		**2,549**	371
Total equity and liabilities		**9,042,808**	2,175,918

The balance sheet of the Company was approved by the Board of Directors on 22 March 2021 and was signed on its behalf.

LI Changjiang	**GUO Zhanjun**
Director	Director

36 Balance sheet and reserve movement of the Company *(Continued)*

(a) Movement of retained earnings of the Company

	Retained earnings RMB'000
At 1 January 2019	231,574
Profit for the year	413,364
Dividend paid	(226,309)
At 31 December 2019	418,629

	Retained earnings RMB'000
At 1 January 2020	**418,629**
Profit for the year	**676,972**
Dividend paid	**(416,944)**
At 31 December 2020	**678,657**

37 Directors' benefits and interests

Chairman and Non-executive Director

Ms. Yang Huiyan (note (a))

Executive Director

Mr. Li Changjiang, General manager
Mr. Xiao Hua
Mr. Guo Zhanjun

Non-executive directors

Mr. Yang Zhicheng (note (a))
Ms. Wu Bijun (note (a))

Independent non-executive directors

Mr. Mei Wenjue
Mr. Rui Meng
Mr. Chen Weiru

37 Directors' benefits and interests *(Continued)*

(a) Directors' emoluments

The directors received emoluments from the Group for the year ended 31 December 2020 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes — value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	6,510	26	58,709	65,245
Mr. Xiao Hua	–	2,380	22	18,516	20,918
Mr. Guo Zhanjun	–	1,750	28	16,868	18,646
Independent non-executive directors					
Mr. Chen Weiru	200	–	–	–	200
Mr. Mei Wenyu	200	–	–	–	200
Mr. Rui Meng	200	–	–	–	200
	600	10,640	76	94,093	105,409

The directors received emoluments from the Group for the year ended 31 December 2019 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes – value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	6,510	36	2,724	9,270
Mr. Xiao Hua	–	2,380	27	1,000	3,407
Mr. Guo Zhanjun	–	1,750	27	987	2,764
Independent non-executive directors					
Mr. Chen Weiru	200	–	–	–	200
Mr. Mei Wenyu	200	–	–	–	200
Mr. Rui Meng	200	–	–	–	200
	600	10,640	90	4,711	16,041

37 Directors' benefits and interests *(Continued)*

(a) Directors' emoluments *(Continued)*

The non-executive directors, Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun did not receive any emoluments from the Group during the years ended 31 December 2020 and 2019. Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun have respectively made arrangements with the Company under which they have waived or agreed to waive their emoluments.

(b) Directors' retirement benefits

There were no retirement benefits paid to or receivable by directors during the year by defined benefit pension plans operated by the Group (2019: nil).

(c) Directors' termination benefits

There were no director's termination benefits subsisted during the year (2019: nil).

(d) Consideration provided to third parties for making available directors' services

There was no consideration provided to third parties for making available directors' services subsisted during the year (2019: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted during the year (2019: nil).

(f) Directors' material interests in transactions, arrangements or contracts

The Chairman and non-executive director, Ms. Yang Huiyan, is an executive director of CGH. The Group's transactions with CGH and its related entities are set out in note 35.

Save for the aforementioned transactions, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).

38 Event occurred after the reporting period

On 23 February 2021, Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司), a wholly-owned subsidiary of the Company, (the "Subsidiary") entered into a memorandum of understanding (the "MOU") with Sichuan Languang Hejun Industries Co., Ltd. ("Languang Hejun") in respect of a possible acquisition of 115,090,200 H shares in Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司) (the "Target"), a joint stock company incorporated in the People's Republic of China with limited liability (stock code: 2606) (representing approximately 64.62% equity interests in the Target) by the Subsidiary from Languang Hejun at a price of RMB42.1105 per H share (the "Possible Transaction").

On 11 March 2021, Languang Hejun and the Subsidiary entered into a supplemental memorandum of understanding (the "Supplemental MOU") to amend the MOU, to the effect that (a) the Subsidiary intends to acquire 115,090,200 H shares and 750,000 domestic shares in the Target (representing approximately 65.04% equity interests in the Target) from Languang Hejun at a price of RMB42.8546 per H share or per domestic share; and (b) the Subsidiary shall pay a deposit (without interests) equivalent to the amount of RMB1,985.67 million (the "Deposit") (comprising RMB500 million and HKD1,774.63 million) to Languang Hejun and Languang Hejun shall execute a share charge over 106,861,296 H shares of the Target (representing approximately 60% of the entire equity interests in the Target) (the "Share Charge") in favour of the Subsidiary. Under the Share Charge, the Subsidiary will have security interest over 106,861,296 H shares of the Target (representing approximately 60% of the entire equity interests in the Target) (the "Charged Shares").

In connection with the Possible Transaction, the general offer obligation under the Takeovers Code may be triggered on the part of the Subsidiary under the Takeovers Code and the offer price per share will be no less than the higher of (i) the price paid by the Subsidiary to Languang Hejun, and (ii) the HKD equivalent of RMB42.8546.

Glossary

"2021 AGM"	the annual general meeting of the Company to be held on Friday, 28 May 2021
"Board"	the board of Directors
"Bright Scholar"	Bright Scholar Education Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed in the form of American Depository Shares representing Class A ordinary shares on the New York Stock Exchange (NYSE ticker: BEDU)
"Bright Scholar Group"	Bright Scholar, its subsidiaries and its variable interest entities
"CG Holdings" or "CGH"	Country Garden Holdings Company Limited (碧桂園控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2007)
"CG Intelligent Services"	Country Garden Intelligent Services Group Co., Ltd. (碧桂園智慧物業服務集團股份有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"CG Life Services"	Country Garden Life Services Group Co., Ltd.* (碧桂園生活服務集團股份有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
"CG Property Services HK"	Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司), a company with limited liability established under the laws of Hong Kong and a wholly-owned subsidiary of the Company
"CGH Group"	CG Holdings and its subsidiaries
"Chairman"	the Chairman of the Board
"China Index Academy"	China Index Academy (中國指數研究院), an independent global market research and consulting company, which was established in 1994 in the PRC
"Company" or "CG Service"	Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6098)
"Concrete Win"	Concrete Win Limited, a limited liability company incorporated in the BVI on 7 April 2006, one of our Controlling Shareholders and is beneficially wholly-owned by Ms. Yang Huiyan
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Deed of Non-competition"	the deed of non-competition dated 29 May 2018 entered into by Ms. Yang Huiyan in favour of the Company
"Directors"	the directors of the Company
"Eligible Shareholders"	the Shareholders whose names appear on the register of members of the Company on Monday, 7 June 2021
"Fortune Warrior"	Fortune Warrior Global Limited, a limited liability company incorporated in the BVI on 25 April 2019, one of our Controlling Shareholders and is beneficially wholly-owned by Ms. Yang Huiyan

Glossary

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Date"	19 June 2018, the date on which the Shares are first listed and from which dealings in the Shares first commence on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"Pre-Listing Share Option Scheme"	a pre-listing share option scheme adopted by the then shareholders of the Company on 13 March 2018, which was subsequently amended by a resolution passed at the extraordinary general meeting held on 7 November 2019
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share"	ordinary share(s) with a par value of US$0.0001 each in the issued share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 28 September 2020
"Shunbi Property"	Foshan Shunde Country Garden Property Development Company Limited* (佛山市順德區碧桂園物業發展有限公司), a limited liability company established in the PRC on 2 April 1997 and an indirect wholly-owned subsidiary of CGH
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"The Year"	The year ended 31 December 2020
"Three Supplies and Property Management"	water, electricity, heat supply and property management
"United Gain"	United Gain Group Ltd. (集裕集團有限公司), a company established under the laws of the BVI with limited liability and a wholly-owned subsidiary of the Company
"YIHAN"	EH Consulting (億翰智庫), a consulting firm specializing in the PRC real estate industry and listed on the National Equities Exchange and Quotations (stock code: 837350)
"%"	per cent

* For identification purpose only