

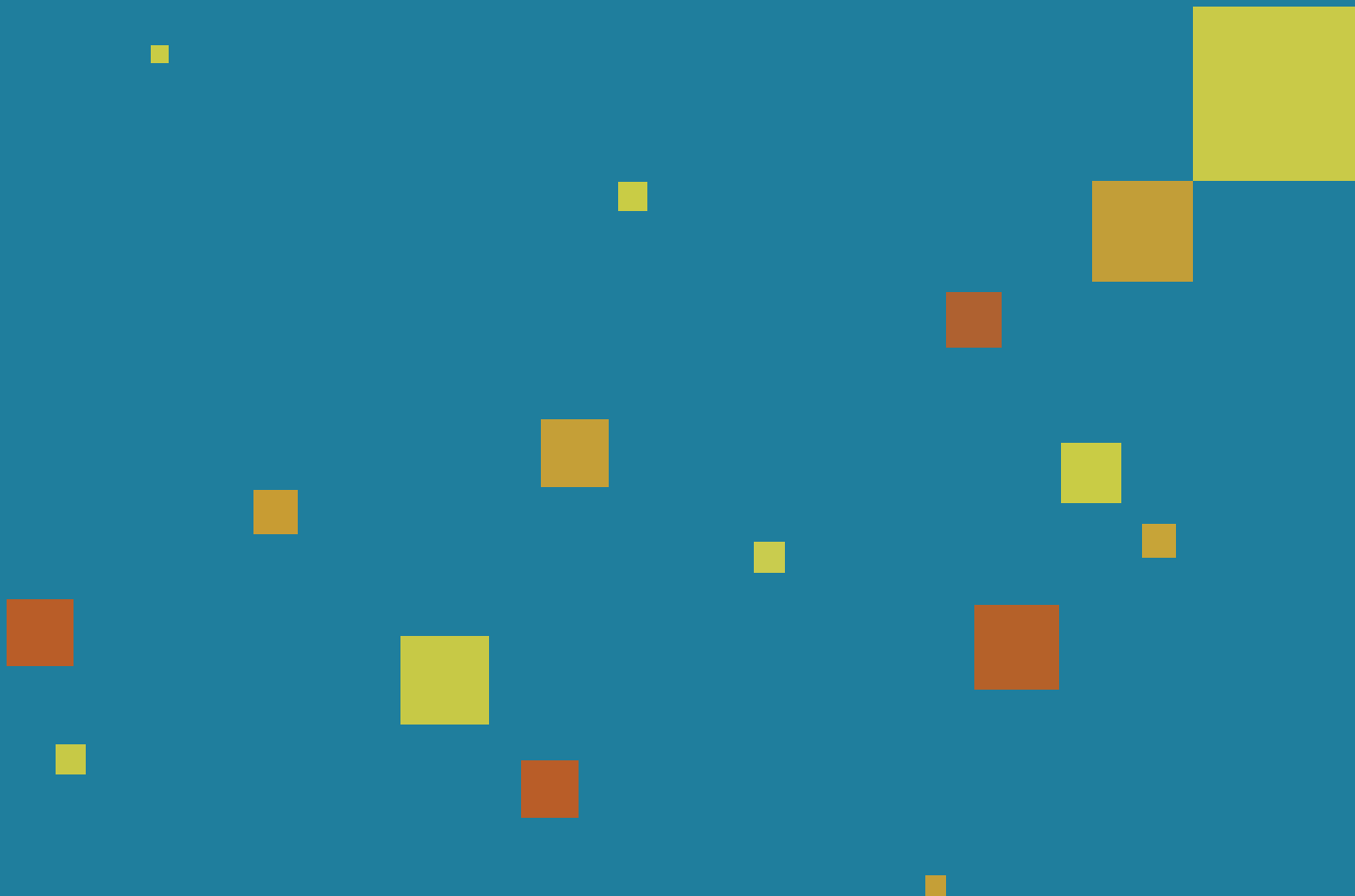
Stock Code: 6098

# 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)*

# 2018 INTERIM REPORT



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Changjiang  
Mr. Xiao Hua  
Mr. Guo Zhanjun

### Non-executive Directors

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

### Independent Non-executive Directors

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### JOINT COMPANY SECRETARIES

Mr. Huang Peng  
Mr. Leung Chong Shun (梁創順)  
(*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

### PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

25th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR

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

### AUDITORS

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

### COMPLIANCE ADVISOR

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

### LEGAL ADVISERS

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

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

### PRINCIPAL BANKERS

Shunde Sub-branch of Foshan  
Branch of China Merchants Bank

Shunde Country Garden Branch of  
China Construction Bank

Shunde Beijiao Branch of Bank of China

### COMPANY WEBSITE

[www.bgyfw.com](http://www.bgyfw.com)

### STOCK CODE

6098

### LISTING DATE

19 June 2018

# AWARDS AND HONOURS



In June 2018, Guangdong Country Garden Property Service Co., Ltd. ("**CG Property Services**"), a wholly-owned subsidiary of Country Garden Services Holdings Company Limited (the "**Company**" or "**CG Services**", together with its subsidiaries referred to as the "**Group**"), was honored as one of the 2018 China TOP 100 Property Management Companies (2018中國物業服務百強企業) by China Index Academy (中國指數研究院).



In June 2018, CG Property Services was honored as one of the 2018 China TOP 10 Property Management Companies in terms of business size (2018中國物業服務百強企業服務規模TOP10) by China Index Academy (中國指數研究院).



In June 2018, CG Property Services was honored as one of the 2018 China Leading Property Management Companies in terms of service quality (2018中國物業服務百強企業服務質量領先企業) by China Index Academy (中國指數研究院).



In August 2018, CG Services was honored to be ranked as the 2018 China No.1 Community Service Provider by YIHAN (億翰智庫).



In June 2018, CG Property Services was honored as one of the 2018 China TOP 10 Property Management Companies in terms of growth potential (2018中國物業服務百強企業成長性TOP10) by China Index Academy (中國指數研究院).



In June 2018, CG Property Services was honored as one of the 2018 China TOP 10 Property Management Companies in terms of business performance (2018中國物業服務百強企業經營績效TOP10) by China Index Academy (中國指數研究院).



In June 2018, CG Property Services was honored as one of the 2018 China Leading Property Management Companies in terms of customer satisfaction (2018中國物業服務百強滿意度領先企業) by China Index Academy (中國指數研究院).

# CHAIRMAN'S STATEMENT

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



Dear Shareholders,

The board of directors is pleased to report that the Group recorded revenue of RMB2,015.8 million for the six months ended 30 June 2018 (the “**Period**”), representing an increase of 42.5% as compared to that for the same period of 2017, and gross profit of RMB786.1 million, representing an increase of 61.5% as compared to that for the same period of 2017. The net profit for the six months ended 30 June 2018 was RMB479.6 million, representing an increase of 117.0% as compared to that for the same period of 2017. Profit attributable to the owners of the Company was RMB471.1 million, representing an increase of 133.1% as compared to that for the same period of 2017. The basic earnings per share were RMB18.84 cents.

The Group won the honor of ranking No. 1 among Chinese Community Service Providers in 2018 by YIHAN (億翰智庫) and achieved contracted Gross Floor Area (“**GFA**”) of approximately 386.0 million sq.m., representing an increase of 17.2% as compared to the end of 2017, and 56.4% as compared to that for the same time of 2017; the revenue-bearing GFA was approximately 136.8 million sq.m., representing an increase of 11.4% as compared to that at the end of 2017 and 27.4% as compared to that for the same time of 2017.

As we are in an ever-changing era with rapid development and consumption upgrading in China, the property management and services market is expanding rapidly. Consumption needs expand from the traditional four services, namely, cleaning, greening, security and maintenance to everyday life (clothing, food, shelter, transportation, education, shopping, entertainment, healthcare, nutrition, etc.) asset management (asset management/trade/consultancy, insurance, wealth management services for residents and customers), real estate service, aftersales market service, operation of cities/communities, and to the technological upgrading and corporate empowerment for the purpose of upgrading to smart properties, applying AI technologies and big data-based services. The markets and customers raise new demands on service constantly, which call for the integration of services and consumption upgrading. The application of technologies is advancing rapidly — from facility and equipment management to the ubiquitous Internet of Things and AI, from the integration of information management platforms to the generation of voluminous information-making it possible to upgrade smart properties and apply data under the community-based scenarios. By virtue of the expedition of the pace of business innovation and a large and growing population of property owners, abundant resources within communities, wealth and life demands have been translated into commercial opportunities, whereby stimulating various sectors to be innovative and unleash their potential in a community-based scenario.

# CHAIRMAN'S STATEMENT

Today, as we stand at the starting point of this new era, we propose our new vision and mission: “**focus on customer satisfaction, strive to become customers' first choice and a globally-recognised all-round innovative service group by building up good industry reputation with excellent basic service quality and leveraging our advantages in core resources covering a large population, assets and channels through our asset management service and the community ecological platform**”. We have the ability and opportunities to create more value for our customers and society through innovation on our services, technologies and business models.

**We are seeking to become customers' top choice.** Customers' choices are the most direct manifestations of the quality and value of the services. The Group notices that the diversification and personalization of customer demand require the Group to be a top-notch professional service provider which is capable of identifying and catering for customers' demands in a timely manner. Currently, the Group provides community services to millions of property owners. The Group is capable of providing satisfactory services to its customers on a daily basis, at every stage of their growth, and in relation to every aspect of their lives.

**The Group integrates innovative technologies into service experience thoroughly.** Through practice and exploration of community services in the Group's long history, the Group notes that the application of artificial intelligence, as an advanced technology, has promising prospects in the sector of community services, and it plays an important role in improving customer experience and service efficiency. Therefore, the Group has elevated the development of artificial intelligence community to one of our strategic initiatives. Currently, we have established comprehensive strategic partnerships with a number of companies (such as Tencent) and applied such technology in the community extensively. Looking forward, we will continue to deepen the application of technology such as image recognition, voice recognition, natural language processing and machine learning to various fields.

**We make efforts to build a more open community ecological platform.** As the market of community services matures over years, more partners enter the industry. We must, with an open mind, develop a new community ecological platform, which is more collaborative, and empower our partners in this regard.

**We always adhere to the people-oriented philosophy.** We have a management and service team of over 25,000 staff, of which the proportion of those aged below 30 is on the rise. One of the Group's responsibilities is to ensure a harmonious cooperation among multiple groups of staff, and help them gain sense of accomplishment and career development, while highly value the health and welfare of all employees. As we carried out localized operations, we made contributions to the communities and nations where we operate, in respect of employment, economic development, disaster relief and poverty relief. We always firmly believe that our success is measured by the contributions we make to the progression of the society.

On behalf of the board of directors, I would like to express our appreciation to all our staff and the management team for their unwavering contribution to our Company. I would also like to extend my sincere appreciations to all our shareholders and stakeholders for their trust and support. The Group is honored to be included in the Hang Seng Composite Index and the MSCI China All Shares Index and is well recognized by many major institutions although it has not entered the capital market for very long. We will make every day a better day through constant innovation, and let more people enjoy our services.

**We wish to create a better society with our existence.**

**Yang Huiyan**

*Chairman of the Board of Directors*

Hong Kong, 22 August 2018



# MANAGEMENT DISCUSSION AND ANALYSIS



## BUSINESS REVIEW

### Business Overview

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

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

### Property Management Services

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

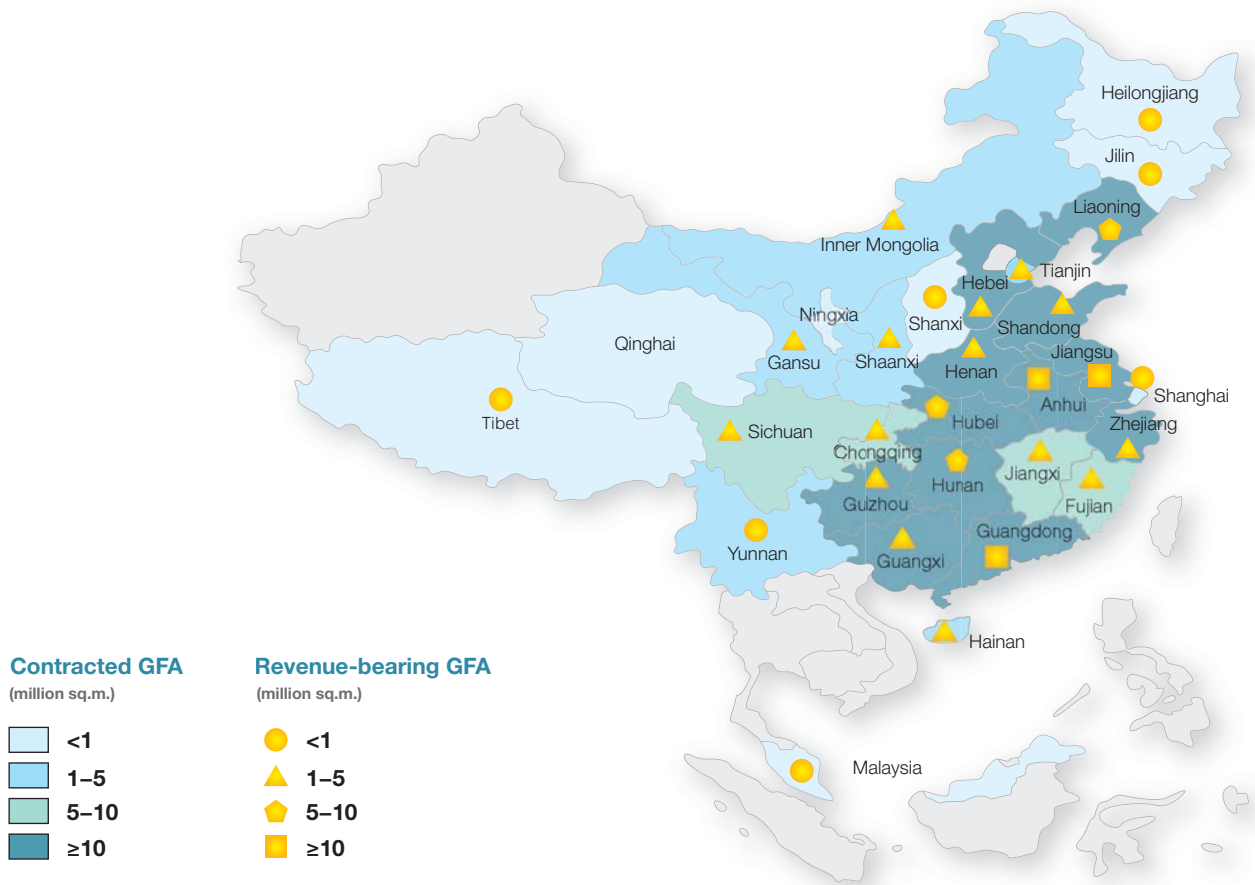
As at 30 June 2018, we had a large property management portfolio covering more than 260 cities across 29 provinces, municipalities and autonomous regions in China; For overseas markets, our business has expanded to Malaysia. Our total contracted GFA amounted to approximately 386.0 million sq.m.. We managed 536 properties and provided property management services to more than 1 million property owners with an aggregate revenue-bearing GFA of approximately 136.8 million sq.m.. During the Period, our collection rate was 91.68%, representing an increase of approximately 3.5 percentage points as compared to 88.14% for the same period of last year.

# MANAGEMENT DISCUSSION AND ANALYSIS



Country Garden • East Coast (Hainan)

The map below illustrates the geographic coverage of the properties under the management of the Group as at 30 June 2018 in terms of (i) contracted GFA and (ii) revenue-bearing GFA respectively:





# MANAGEMENT DISCUSSION AND ANALYSIS



Country Garden • Silver Beach (Huizhou)

The table below sets out the top five cities in each of the following regions in China in terms of contracted GFA as at 30 June 2018:

Southern China: Guangzhou, Foshan, Huizhou, Shaoguan, Dongguan

Eastern China: Zhenjiang, Chuzhou, Suzhou, Nantong, Taizhou

Central China: Changsha, Zhengzhou, Hengyang, Wuhan, Chenzhou

Northeastern China: Shenyang, Dalian, Anshan, Suihua, Harbin

Northern China: Handan, Tianjin, Shijiazhuang, Hancheng, Zhangjiakou

Other Regions: Zunyi, Chongqing, Tongren, Luzhou, Nanchong

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the breakdowns of (i) the revenue derived from property management services and (ii) the revenue-bearing GFA by geographical area for the period or as at the dates indicated:

	For the six months ended/ As at 30 June 2018				For the six months ended/ As at 30 June 2017			
	Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Southern China	807,421	51.6	64,285	47.0	650,529	56.0	53,895	50.1
Eastern China	309,867	19.8	32,131	23.5	218,209	18.8	24,989	23.3
Central China	171,472	11.0	15,929	11.6	135,319	11.7	12,738	11.9
Northeastern China	76,856	4.9	6,448	4.7	64,425	5.6	5,946	5.5
Northern China	68,912	4.4	6,144	4.5	40,522	3.5	4,576	4.3
Other Regions	129,212	8.3	11,863	8.7	51,180	4.4	5,229	4.9
<b>Total</b>	<b>1,563,740</b>	<b>100.0</b>	<b>136,800</b>	<b>100.0</b>	<b>1,160,184</b>	<b>100.0</b>	<b>107,373</b>	<b>100.0</b>

During the Period, the properties under the Group's management were developed principally by the Country Garden Holdings Company Limited and its subsidiaries ("CGH Group"), while the rest were developed by independent third-party property developers. The table below sets out the breakdowns of (i) the Group's revenue-bearing GFA and (ii) the Group's revenue generated from the properties developed by the CGH Group and independent third-party property developers respectively, as at the dates or for the period indicated:

	For the six months ended/ As at 30 June 2018				For the six months ended/ As at 30 June 2017			
	Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA	
	(RMB'000)	(%)	('000 sq.m.)	(%)	(RMB'000)	(%)	('000 sq.m.)	(%)
Properties developed by the CGH Group	1,419,239	90.8	121,940	89.1	1,084,423	93.5	98,957	92.2
Properties developed by independent third-party property developers	144,501	9.2	14,860	10.9	75,761	6.5	8,416	7.8
<b>Total</b>	<b>1,563,740</b>	<b>100.0</b>	<b>136,800</b>	<b>100.0</b>	<b>1,160,184</b>	<b>100.0</b>	<b>107,373</b>	<b>100.0</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## Community Value-added Services

By focusing on the mature development cycle of communities, the family growth cycle of property owners and the property value cycle, we are committed to becoming an “integrated whole-cycle community life services operator”, through the provision of comprehensive community value-added services to property owners. During the Period, the revenue generated from community value-added services accounted for 8.5% of the Group’s total revenue, representing an increase of 0.6% as compared to that for the same period of 2017. During the same period, the development speed of value-added services business was significantly faster than the increase in revenue from property management services. In the past three years, in light of the pursuit of asset appreciation and daily needs of property owners, we provided a wide range of community value-added services to property owners and residents of the properties under our management, which mainly included: (1) home living services, such as purchase assistance, housekeeping, greening, gardening, turn-key furnishing and move-in, group purchase and other bespoke services; (2) real estate brokerage services, including real estate agency, real estate investment consultancy, property short-term lease, hosting services and property insurance; (3) common area value-added services, including venue operation and community media. We have initially built a well-established business category system and possessed the capability of sustainable development. The revenue structure of our community value-added services business was constantly optimized, which was evidenced by a balanced development and stronger sustainable operation capability.

## Value-added Services to Non-property Owners

We provide (i) consultancy services to property developers for their pre-sale activities, as well as consultancy services for properties managed by other property management companies, and (ii) cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage. During the Period, the revenue generated from value-added services to non-property owners accounted for 13.7% of the Group’s total revenue, representing an increase of 3.9% as compared to that for the same period of 2017, and the development speed of value-added services to non-property owners business was significantly faster than the revenue from property management services.



Country Garden • Wave Bay (Hainan)

## PROSPECTS AND FUTURE PLANS

### **Further expand the scale of property management business through various channels**

We will continue to expand our business scale and constantly increase our market share by expanding the total contracted and revenue-bearing GFA and the number of properties under our management. We also expect to achieve a more diversified and multi-layered organic growth apart from our existing business relationship and coverage with the CGH Group. We will continue to improve our operational capacity covering the whole country and make efforts to promote the reform of “Three Supplies and Property Management” in state-owned enterprises, and will continue to develop in this field in future to fully exert our own advantages. With our brand value and service quality, we are able to obtain new engagements from independent property developers and business opportunities from the provision of services to non-property owners to achieve business expansion. We will selectively evaluate opportunities in areas around our existing business locations with a view to maximising economies of scale, as well as maintaining a reasonable balance between the geographic coverage and level of profitability for our property management services. To diversify our property management portfolio and revenue streams, we also plan to provide comprehensive property management services to an increasing number of non-residential properties such as commercial properties, industrial properties, industrial parks, science parks, educational institutions, highway service stations, featured towns, government and public facilities through strengthening strategic cooperation with various business partners.

When the time is right, we may explore selective strategic investments in merger with or acquisitions of other property management companies. We will focus on partners that are consistent with our brand image and market positioning, and we anticipate our cooperation with them can increase the depth and breadth of our services and the portfolio of properties managed by us, so as to complement each other’s advantages.

### **Achieve optimal operational efficiency and customer satisfaction through service standardisation and differentiation under professional and lean management**

To improve customer experience, we aim to standardise our business by centering on customer touchpoints and classifying our management business into different levels, based on factors including locations, total revenue-bearing GFA, property management fee level and profiles of property owners and residents. We also plan to improve operational efficiency and our brand image by designing differentiated service packages targeting the diverse needs of customers. We believe these professionalization measures would help achieve progressive changes, which in turn improve our service efficiency and quality systematically.





# MANAGEMENT DISCUSSION AND ANALYSIS



## **Develop personalised community services and enhance customer experience and our value-creation capability**

We always give top priority to catering for the needs of the property owners and residents. In the future, we will vigorously develop our value-added services business with a focus on customers' living conditions to comprehensively improve customer living experience and satisfaction, and enhance our service innovation and value-creation capability in building a personalised community ecosphere. We seek to maintain and explore more cooperation opportunities with leading third-party merchants in the industry in order to provide selected products and services to our property owners and residents. We will continue to strengthen the integration of our butler-style services with our community value-added services to improve customer experience. Currently, we have conducted small-scale trials on the agency sale of the tail part of parking lots and properties to explore market opportunities. If the trials are successful and the market is optimistic, we will expand the scale of this business in the future. If the business scale is expanded so that the transaction constitutes a disclosable connected transaction, we will comply with the disclosure obligations under the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). By leveraging our existing experience, we will further extend our offerings of value-added services to non-property owners to better tailor to their needs along the value chain of property development.

## **Enhance standardised and automated operations with smart property management to maximise cost efficiency and enhance service standards**

We aim to continue to provide high-quality services to our customers through standardised, automated and smart management and advanced information technology systems to so as to strengthen our operation efficiency in a cost effective way.

We will further extend the coverage of our various automation and smart management measures to all of our managed residential communities. These measures include the upgrading of IRBA systems for the management of equipment and facilities, such as face recognition systems for smart guest access and car-park management systems. We also plan to upgrade our internal information technology systems for property management, such as an ERP system for big data analysis and a CRM system for customer relationship management, designing standardised modular management functions covering a full range of service contact points with customers, which facilitate our day-to-day operations and to ensure a more focused quality control and direct internal management from our headquarters to each of our managed properties. We will develop advanced property management systems designed to enhance the gathering and consolidation of first-hand customer data and service record from our managed properties for us to analyse customer needs and behavior patterns when formulating customer-oriented business mode and strategies.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue is mainly derived from three main business lines, namely (i) property management services, (ii) community value-added services and (iii) value-added services to non-property owners. For the six months ended 30 June 2018, the total revenue increased by approximately 42.5% to approximately RMB2,015.8 million from approximately RMB1,414.9 million for the six months ended 30 June 2017.

#### (1) Property management services

During the Period, the revenue from property management services increased by approximately 34.8% to approximately RMB1,563.7 million from approximately RMB1,160.2 million for the six months ended 30 June 2017, accounting for approximately 77.6% of the total revenue (corresponding period in 2017: approximately 82.0%).

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

	For the six month ended/ As at 30 June 2018				For the six months ended/ As at 30 June 2017			
	Revenue (RMB'000)	(%)	Revenue- bearing GFA ('000 sq.m.)	(%)	Revenue (RMB'000)	(%)	Revenue- bearing GFA ('000 sq.m.)	(%)
Properties developed by the CGH Group	1,419,239	90.8	121,940	89.1	1,084,423	93.5	98,957	92.2
Properties developed by independent third-party property developers	144,501	9.2	14,860	10.9	75,761	6.5	8,416	7.8
<b>Total</b>	<b>1,563,740</b>	<b>100.0</b>	<b>136,800</b>	<b>100.0</b>	<b>1,160,184</b>	<b>100.0</b>	<b>107,373</b>	<b>100.0</b>

The revenue-bearing GFA increased by approximately 29.4 million sq.m. from approximately 107.4 million sq.m. for the same period in 2017 to approximately 136.8 million sq.m.; among which, the revenue-bearing GFA from management of properties developed by independent third-party property developers increased by approximately 76.6%, and the proportion of the total revenue-bearing GFA increased by 3.1 percentage points from 7.8% for the same period in 2017 to 10.9%.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **(2) Community value-added services**

During the Period, the revenue from community value-added services increased by approximately 52.9% to approximately RMB171.2 million from approximately RMB112.0 million for the six months ended 30 June 2017, accounting for approximately 8.5% of the total revenue (corresponding period in 2017: approximately 7.9%).

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

- (a) During the Period, the revenue from home living services increased by approximately 73.0% to approximately RMB96.7 million from approximately RMB55.9 million for the six months ended 30 June 2017.
- (b) During the Period, the revenue from real estate brokerage services increased by approximately 11.6% to approximately RMB49.9 million from approximately RMB44.7 million for the six months ended 30 June 2017.
- (c) During the Period, the revenue from common area value-added services increased by approximately 117.7% to approximately RMB24.6 million from approximately RMB11.3 million for the six months ended 30 June 2017.

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

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

During the Period, the revenue from value-added services to non-property owners increased by approximately 97.8% to approximately RMB275.6 million from approximately RMB139.3 million for the same period in 2017, accounting for approximately 13.7% of the total revenue (corresponding period in 2017: approximately 9.8%).

The increase in value-added services to non-property owners was mainly attributable to good sales performance achieved by the CGH Group in the first half of 2018 and the significant increase in the number of projects which involved consultancy services for the management of pre-sale activities provided by the Group.

## **Cost of Services**

The Group’s cost of services includes (i) staff cost, (ii) cleaning cost, (iii) maintenance cost, (iv) utilities, (v) greening and gardening cost, (vi) transportation cost, (vii) office and communication cost, (viii) taxes and surcharges, (ix) employee uniform cost, (x) depreciation and amortisation charges, (xi) community activities cost, (xii) travelling and entertainment cost and (xiii) others. During the Period, the cost of services was approximately RMB1,229.7 million, representing an increase of approximately 32.5% as compared with approximately RMB928.2 million for the six months ended 30 June 2017.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit and Gross Profit Margin

During the Period, the overall gross profit increased by approximately RMB299.4 million to approximately RMB786.1 million from approximately RMB486.7 million for the six months ended 30 June 2017.

During the Period, the overall gross profit margin increased by 4.6 percentage points to approximately 39.0% from approximately 34.4% for the six months ended 30 June 2017, which was mainly due to the increase in the gross profit margins of the three main business lines.

### (i) *Property management services*

During the Period, the gross profit margin of property management services increased by 3.9 percentage points to approximately 34.3% from approximately 30.4% for the six months ended 30 June 2017, which was mainly due to (i) the increase in project density of the Group, which helped achieve intensive management and further lowered the marginal staff cost, and (ii) the effect of the community intelligentisation and measures adopted to reduce costs and increase efficiency, such as energy-saving renovation.

### (ii) *Community value-added services*

During the Period, the gross profit margin of community value-added services increased by 7.3 percentage points to approximately 66.9% from approximately 59.6% for the six months ended 30 June 2017, which was mainly due to the fact that the Group further optimised its business structure and vigorously promoted the business with lower staff costs and higher gross profit margin.

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

During the Period, the gross profit margin of value-added services to non-property owners increased by 1.3 percentage points to approximately 47.6% from approximately 46.3% for the six months ended 30 June 2017, which was mainly due to the impact on revenue structure from the provision of value-added services to non-property owners in different cities by the Group during the Period.

## Other Gains – Net

During the Period, other gains – net were approximately RMB19.2 million, representing an increase of approximately RMB18.9 million as compared with approximately RMB0.3 million for the six months ended 30 June 2017.

The increase was mainly due to the gain of RMB12.6 million from disposal of certain equity interests in two associated companies, namely Guangdong Shunde Fenghuang Youxuan Commercial Company Limited (“**Fenghuang Youxuan**”) and Shenzhen Wangshenghuo Internet Technology Company Limited (“**Wangshenghuo**”) during the Period.

## Other Income

During the Period, other income was approximately RMB5.1 million, representing a decrease of approximately 32.9% as compared with approximately RMB7.6 million for the six months ended 30 June 2017.

The decrease in other income was mainly due to the receipt of a one-off subsidy RMB3 million for a share transformation from the government authority in Shunde District in 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling and Marketing Expenses

During the Period, selling and marketing expenses were RMB8.8 million, representing an increase of approximately 109.5% as compared with approximately RMB4.2 million for the six months ended 30 June 2017.

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

## General and Administrative Expenses

During the Period, general and administrative expenses were RMB293.6 million, representing an increase of approximately 45.1% as compared with approximately RMB202.3 million for the six months ended 30 June 2017.

The increase in general and administrative expenses were mainly due to (i) the retention of more support personnel responsible for headquarter functions and other central management services, as a result of the increase in the total revenue-bearing GFA of the Group as it expanded its business scale, and (ii) the listing expense and share-based compensation expense incurred during the Period in relation to the listing of the Group in Hong Kong of approximately RMB9.5 million and RMB3.7 million, respectively.

## Finance Income

During the Period, finance income was approximately RMB12.9 million, representing an increase of approximately 72.0% as compared with approximately RMB7.5 million for the six months ended 30 June 2017.

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

## Share Option Scheme

A pre-listing share option scheme (the “**Pre-Listing Share Option Scheme**”) was approved by the shareholders’ meeting of the Company held on 13 March 2018. On 21 May 2018, 71,302,000 share options and 61,646,000 share options (132,948,000 options in total) were granted to certain directors, senior management and employees of CGH and the Group respectively at the exercise price of HK\$0.94 per share. The share-based compensation expenses charged to profit or loss for the six months ended 30 June 2018 was approximately RMB3.7 million.

## Income Tax Expense

During the Period, income tax expense was approximately RMB36.2 million, representing a decrease of approximately 51.5% as compared with approximately RMB74.6 million for the six months ended 30 June 2017.

The decrease in income tax expense was mainly due to the fact that our PRC subsidiary CG Property Services received the certificate of “High and New Technology Enterprise” in May 2018 under which it is entitled to a preferential PRC income tax rate of 15% in each of the three years from 1 January 2017 to 31 December 2019. Therefore, the overprovision for income tax expense for the year ended 31 December 2017 of RMB58,309,000 was reversed during the six months ended 30 June 2018, and provision for income tax expense was made at the income tax rate of 15% during the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit for the Period

During the Period, net profit of the Group was approximately RMB479.6 million, representing an increase of approximately 117.0% as compared with approximately RMB221.0 million for the six months ended 30 June 2017.

During the Period, profit attributable to the owners of the Company increased from approximately RMB202.1 million for the six months ended 30 June 2017 to approximately RMB471.1 million, representing an increase of approximately 133.1%.

During the Period, profit attributable to the non-controlling interests of the Company decreased by approximately 54.5% from approximately RMB18.9 million for the six months ended 30 June 2017 to approximately RMB8.6 million.

## Property, Plant and Equipment

Property, plant and equipment of the Group comprise transportation equipment, machinery equipment, electronic equipment, office equipment and other fixed assets. As at 30 June 2018, the property, plant and equipment of the Group was approximately RMB83.9 million, representing an increase of approximately RMB5.3 million from approximately RMB78.6 million as at 31 December 2017, mainly due to an increase in the purchase of transportation equipment, machinery equipment and electronic equipment for the purpose of meeting the requirements of the Group's business development during the Period, which was partly offset by the depreciation during the Period.

## Trade and Other Receivables

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

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

As at 30 June 2018, the Group recorded total trade receivables of approximately RMB451.9 million, representing an increase of approximately RMB80.3 million as compared with approximately RMB371.6 million as at 31 December 2017, due to a significant increase in the total revenue of the Group during the Period.

Other receivables decreased from approximately RMB322.6 million as at 31 December 2017 to approximately RMB174.6 million as at 30 June 2018, mainly due to the settlement of receivables from related parties of RMB233.5 million.

## Trade and Other Payables

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2018, trade payables of the Group were approximately RMB244.0 million, representing an increase of approximately RMB5.0 million as compared with approximately RMB239.0 million as at 31 December 2017, primarily due to an increase in the procurement costs driven up by the increase in the revenue of the Group during the Period.

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) accruals and others mainly in relation to withholding funds for utilities and reimbursement.

Other payables increased from approximately RMB654.1 million as at 31 December 2017 to approximately RMB724.0 million as at 30 June 2018, primarily due to an increase in other income generated from common area value-added services that are payable to properties owners.

## **Contract Liabilities**

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

The contract liabilities increased from approximately RMB556.9 million as at 31 December 2017 to approximately RMB702.3 million as at 30 June 2018, representing an increase of approximately RMB145.4 million, primarily due to an increase in the revenue-bearing GFA of the Group during the Period.

## **Liquidity, Financial and Capital Resources**

As at 30 June 2018, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB3,094.0 million, representing an increase of approximately RMB456.9 million as compared with approximately RMB2,637.1 million as at 31 December 2017. Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB2.8 million (31 December 2017: approximately RMB2.8 million) mainly represent the cash deposits in bank as performance security for property management services according to the requirements of local government authorities.

Our financial position remained sound. As at 30 June 2018, the net current assets of the Group was approximately RMB1,700.5 million (31 December 2017: approximately RMB1,435.0 million). The current ratio (current assets/current liabilities) of the Group was 1.8 times (31 December 2017: 1.7 times).

For the six months ended 30 June 2018, the Group did not have any loan or borrowing.

## **Foreign Exchange Risk**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Employees and Remuneration Policies**

As at 30 June 2018, the Group had approximately 25,343 employees (31 December 2017: approximately 23,961 employees). During the Period, the total staff costs were RMB1,070.7 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 the 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 the employees. The Group has also adopted a share option scheme, details of which are disclosed in the paragraph headed "Pre-listing Share Option Scheme" in this report.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIVIDEND DISTRIBUTION

After taking into account the business development needs of the Group and the return on investment of the shareholders, a dividend of RMB0.03756 per share totaling RMB93,900,000 was declared and paid to the then shareholder of the Company, Wise Fame Group Limited (“**Wise Fame**”) according to the shareholders’ resolution of the Company dated 5 May 2018.

## CHARGE ON ASSETS

As at 30 June 2018, the Group did not have any charges on its assets.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

## INTERIM DIVIDEND

The Board resolved that no interim dividend shall be declared for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the period from 19 June 2018 (the “**Listing Date**”) to 30 June 2018, the Company has complied with all applicable code provisions set out in the Corporate Governance Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the “**Securities Dealing Code**”). The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code for the period from the Listing Date to 30 June 2018 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period.

## AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Rui Meng, Mr. Mei Wenjue and Mr. Chen Weiru, with Mr. Rui Meng as the chairman of the committee. The audit committee has reviewed the unaudited interim results and interim report for the Period and has discussed the matters of risk management and internal control with the management. In addition, the independent auditors of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period from the Listing Date to 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

# INTERESTS DISCLOSURE

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares (the “**Shares**”), underlying Shares and debentures of the Company and of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), which were required pursuant to Section 352 of the SFO to be entered in the register, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Long positions in 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	As at 30 June 2018 % of total Shares in issue	Number of debentures held
Ms. Yang Huiyan	Interest of controlled corporations	1,416,985,624 <sup>(1)</sup>	—	1,416,985,624	56.68%	—
Ms. Wu Bijun	Beneficial owner	56,190 <sup>(3)</sup>	12,964,000 <sup>(2)</sup>	13,020,190	0.52%	—
Mr. Li Changjiang	Beneficial owner	—	12,964,000 <sup>(2)</sup>	12,964,000	0.52%	—
Mr. Xiao Hua	Beneficial owner	37 <sup>(3)</sup>	4,762,000 <sup>(2)</sup>	4,762,037	0.19%	—
Mr. Guo Zhanjun	Beneficial owner	—	4,699,000 <sup>(2)</sup>	4,699,000	0.19%	—

#### Notes:

- (1) As at 30 June 2018, Concrete Win Limited (“**Concrete Win**”), Genesis Capital Global Limited (“**Genesis Capital**”) and Golden Value Investments Limited (“**Golden Value**”) held 1,078,901,840 Shares, 326,436,781 Shares and 11,647,003 Shares respectively. Concrete Win, Genesis Capital and Golden Value are beneficially wholly-owned by Ms. Yang Huiyan. By virtue of the SFO, Ms. Yang Huiyan is deemed to be interested in the same number of Shares in which Concrete Win, Genesis Capital and Golden Value were interested.
- (2) The relevant interests are unlisted physically settled options granted pursuant to the Company's Pre-listing Share Option Scheme. Upon exercise of the share options in accordance with the Pre-listing Share Option Scheme, the corresponding number of ordinary Shares of HK\$0.94 each will be issued. The share options are personal to the respective Directors.
- (3) These Shares represent the Shares of the Company distributed to the Directors by virtue of the shares of CGH held by them prior to the spin-off and separate listing of the Shares of the Company on the main board of the Stock Exchange.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company (including their spouses and children under the age of 18) had any interest in, or had been granted any right to subscribe for the Shares and options of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such rights.



## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, according to 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 long positions of 5% or more 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:

### Interests and long positions in the Shares

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate percentage of interest
Concrete Win	Beneficial owner	1,078,901,840	43.16%
Genesis Capital	Beneficial owner	326,436,781	13.06%
Mr. Chen Chong <sup>(1)</sup>	Interest of spouse	1,416,985,624	56.68%

Note:

- (1) By virtue of the SFO, Mr. Chen Chong is deemed to be interested in the Shares held by his spouse, Ms. Yang Huiyan, whose interests are disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company".

Save as disclosed above, as at 30 June 2018, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision 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.

# INTERESTS DISCLOSURE

## PRE-LISTING SHARE OPTION SCHEME

On 13 March 2018, the Pre-Listing Share Option Scheme was adopted by the then shareholders of the Company.

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

Category and name of grantees	Outstanding as at 1 January 2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Options to subscribe for Shares		Date of grant	Exercise period	
					Lapsed during the Period	Outstanding as at 30 June 2018			Exercise price per Share (HKD)
<b>Directors</b>									
Ms. Wu Bijun	–	12,964,000	–	–	–	12,964,000	0.940	21 May 2018	Vesting date <sup>(1)</sup> – 20 May 2023
Mr. Li Changjiang	–	12,964,000	–	–	–	12,964,000	0.940	21 May 2018	Vesting date <sup>(1)</sup> – 20 May 2023
Mr. Xiao Hua	–	4,762,000	–	–	–	4,762,000	0.940	21 May 2018	Vesting date <sup>(1)</sup> – 20 May 2023
Mr. Guo Zhanjun	–	4,699,000	–	–	–	4,699,000	0.940	21 May 2018	Vesting date <sup>(1)</sup> – 20 May 2023
Sub-total	–	35,389,000	–	–	–	35,389,000			
<b>Other participants</b>									
Sub-total	–	97,559,000	–	–	–	97,559,000	0.940	21 May 2018	Vesting date <sup>(1)</sup> – 20 May 2023
<b>Total</b>	–	132,948,000	–	–	–	132,948,000			

Notes:

- Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the auditors' report of the Company for the relevant financial year was issued. (a) For the purpose of the financial year in which the Shares of the Company were listed on the Listing Date, 40% of the total number of shares granted pursuant to the share options will be vested to the relevant grantees; (b) for the financial year immediately following the Listing Date, 30% of the total number of shares granted pursuant to the share options will be vested to the relevant grantees; and (c) for the second financial year following the Listing Date, 30% of the total number of shares granted pursuant to the share options will be vested to the relevant grantees.
- The closing price of the Shares of the Company immediately preceding the grant date of 21 May 2018 is not applicable as the Shares of the Company were listed on the Main Board of the Stock Exchange on 19 June 2018.
- The share-based compensation expenses charged to profit or loss for the six months ended 30 June 2018 was approximately RMB3.7 million. The relevant accounting policy is depicted in Note 2.19 "Share-based Payments" of Appendix I to the Company's listing document dated 6 June 2018.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
<b>Revenue</b>	7	<b>2,015,771</b>	1,414,934
Cost of services	7, 9	<b>(1,229,710)</b>	(928,197)
<b>Gross profit</b>		<b>786,061</b>	486,737
Selling and marketing expenses	9	<b>(8,812)</b>	(4,162)
General and administrative expenses	9	<b>(293,594)</b>	(202,284)
Net impairment losses on financial assets		<b>(4,990)</b>	—
Other income		<b>5,108</b>	7,567
Other gains — net	8	<b>19,221</b>	300
<b>Operating profit</b>		<b>502,994</b>	288,158
Finance income	10	<b>12,895</b>	7,491
Share of results of joint ventures		<b>2,720</b>	2,829
Share of results of associates		<b>(2,818)</b>	(2,924)
<b>Profit before income tax</b>		<b>515,791</b>	295,554
Income tax expense	11	<b>(36,152)</b>	(74,601)
<b>Profit and total comprehensive income for the period</b>		<b>479,639</b>	220,953
<b>Profit and total comprehensive income attributable to:</b>			
— Owners of the Company		<b>471,082</b>	202,060
— Non-controlling interests		<b>8,557</b>	18,893
		<b>479,639</b>	220,953
<b>Earnings per share</b> (expressed in RMB cents per share)			
— Basic and diluted earnings per share	12	<b>18.84</b>	8.08

The notes on pages 30 to 48 are an integral part of this interim financial information.

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	83,892	78,575
Intangible assets	14	24,685	20,858
Investments in joint ventures		16,554	13,834
Investments in associates		—	4,426
Financial assets at fair value through other comprehensive income		5,360	174
Deferred income tax assets		1,790	3,702
		<b>132,281</b>	121,569
<b>Current assets</b>			
Inventories		7,166	6,123
Trade and other receivables	15	641,597	712,334
Restricted bank deposits	16	2,819	2,797
Cash and cash equivalents	16	3,091,215	2,634,297
		<b>3,742,797</b>	3,355,551
<b>Total assets</b>		<b>3,875,078</b>	3,477,120

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	1,584	—
Other reserves	18	492,119	500,142
Retained earnings	19	1,298,213	921,031
		<b>1,791,916</b>	1,421,173
<b>Non-controlling interests</b>		<b>26,114</b>	120,933
<b>Total equity</b>		<b>1,818,030</b>	1,542,106
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		14,752	14,456
<b>Current liabilities</b>			
Contract liabilities	7	702,332	556,880
Trade and other payables	21	1,280,125	1,314,905
Current income tax liabilities		59,839	48,773
		<b>2,042,296</b>	1,920,558
<b>Total liabilities</b>		<b>2,057,048</b>	1,935,014
<b>Total equity and liabilities</b>		<b>3,875,078</b>	3,477,120

The notes on pages 30 to 48 are an integral part of this interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited					Total equity RMB'000
		Attributable to owners of the Company				Non- controlling interests RMB'000	
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>Balance at 1 January 2018</b>		–	500,142	921,031	1,421,173	120,933	1,542,106
<b>Comprehensive income</b>							
Profit for the period		–	–	471,082	471,082	8,557	479,639
<b>Transactions with owners of the Company</b>							
Issue of shares	17	1,584	–	–	1,584	–	1,584
Effect of the Reorganisation	1.2	–	(2)	–	(2)	–	(2)
Acquisition of non-controlling interests	22	–	(11,759)	–	(11,759)	(103,441)	(115,200)
Employee share schemes							
– value of employee services	20	–	3,738	–	3,738	–	3,738
Capital injection from non-controlling interests		–	–	–	–	1,760	1,760
Dividends	13	–	–	(93,900)	(93,900)	(1,695)	(95,595)
<b>Total transactions with owners</b>		1,584	(8,023)	(93,900)	(100,339)	(103,376)	(203,715)
<b>Balance at 30 June 2018</b>		1,584	492,119	1,298,213	1,791,916	26,114	1,818,030
<b>Balance at 1 January 2017</b>							
<b>Comprehensive income</b>							
Profit for the period		–	454,914	564,516	1,019,430	63,913	1,083,343
		–	–	202,060	202,060	18,893	220,953
<b>Transactions with owners of the Company</b>							
Capital injection from non-controlling interests		–	–	–	–	7,575	7,575
<b>Balance at 30 June 2017</b>		–	454,914	766,576	1,221,490	90,381	1,311,871

The notes on pages 30 to 48 are an integral part of this interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	502,362	206,605
Income tax paid	(75,514)	(71,618)
<b>Net cash generated from operating activities</b>	<b>426,848</b>	<b>134,987</b>
<b>Cash flows from investing activities</b>		
Payments for acquisition of subsidiaries, net of cash acquired	(114)	—
Payments for investments in associates	—	(7,010)
Purchases of property, plant and equipment	(17,263)	(13,352)
Purchases of intangible assets	(5,312)	(1,978)
Payments for financial assets at fair value through other comprehensive income	(236)	—
Proceeds from disposal of investments in associates	13,550	—
Proceeds from disposal of property, plant and equipment	501	1,799
Interest received on financial assets at fair value through other comprehensive income	11	—
Repayments by related parties	233,489	284
Interest received	12,895	7,491
<b>Net cash generated from/(used in) investing activities</b>	<b>237,521</b>	<b>(12,766)</b>
<b>Cash flows from financing activities</b>		
Capital injection from non-controlling interests	1,760	7,575
Issue of shares	1,584	—
Acquisition of non-controlling interests	(115,200)	—
Dividends paid to the then shareholder of the Company	(93,900)	—
Dividends paid to non-controlling interests	(1,695)	—
<b>Net cash (used in)/generated from financing activities</b>	<b>(207,451)</b>	<b>7,575</b>
<b>Net increase in cash and cash equivalents</b>	<b>456,918</b>	<b>129,796</b>
Cash and cash equivalents at beginning of the period	2,634,297	1,774,434
<b>Cash and cash equivalents at end of the period</b>	<b>3,091,215</b>	<b>1,904,230</b>

The notes on pages 30 to 48 are an integral part of this interim financial information.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1. General information and group reorganisation

### 1.1 General information

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

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

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

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 June 2018.

On 29 May 2018, the board of directors of Country Garden Holdings Company Limited (“CGH”) declared a special dividend to be satisfied wholly by way of a distribution in specie to its then qualifying shareholders of an aggregate of 2,500,000,000 shares of the Company, representing the entire issued share capital of the Company (Note 17), in proportion to their shareholdings in CGH as at 13 June 2018 (the “CGH Distribution”). The CGH Distribution was conditional on the listing committee of the Stock Exchange’s granting approval for the listing by way of introduction of, and permission to deal in, the Company’s shares on the Main Board of the Stock Exchange. Prior to the CGH Distribution, the immediate holding company of the Company was Wise Fame Group Limited (“Wise Fame”); after the CGH Distribution, the Company has no immediate holding company and it is ultimately controlled by Ms. Yang Huiyan.

This interim financial information for the six months ended 30 June 2018 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated.

### 1.2 Group reorganisation

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

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

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

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

### 1.2 Group reorganisation *(Continued)*

- (2) On 24 January 2018, Tibet Shunqi Investment Center LLP (西藏順琪投資中心(有限合夥)) (“Tibet Shunqi”) transferred its 4% and 4% equity interest in Guangdong Country Garden Property Services Co., Ltd. (廣東碧桂園物業服務股份有限公司) (“CG Property Services”) to Foshan Country Garden Management Services Company Limited (佛山市碧桂園管理服務有限公司) (“CG Management Services”) and Foshan Country Garden Management Consultation Company Limited (佛山市碧桂園管理顧問有限公司) (“CG Management Consultation”) at a consideration of RMB57,600,000 and RMB57,600,000, respectively. The considerations were fully paid in February 2018. Upon completion of such transfer, CG Property Services, which is a holding company of all the PRC operating subsidiaries engaged in the Listing Business, is owned as to 50% by CG Management Services and 50% by CG Management Consultation.
- (3) On 5 February 2018, Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司) (“CG Property Services HK”) was incorporated in Hong Kong. The initial issued and paid-up share capital was one share at HKD1.00 and held by United Gain.
- (4) On 6 March 2018, the Company acquired 100% of the issued share capital of United Gain from Wise Fame at a consideration of United States Dollar (“USD”) 200. The consideration was satisfied by (i) crediting as fully-paid at par the nil-paid share held by Wise Fame in the Company and (ii) allotting and issuing one new share, credited as fully paid at par, of the Company to Wise Fame.
- (5) On 7 March 2018, CG Property Services HK acquired 100% of the equity interest in CG Management Services and CG Management Consultation from United Gain, at a consideration of RMB6,150,000 and RMB6,150,000, respectively. The consideration was satisfied by the allotment and issue of a total of two shares of CG Property Services HK to United Gain on 13 March 2018.

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

## 2. Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. This Interim Financial Information should be read in conjunction with the historical financial information of the Group for the years ended 31 December 2015, 2016 and 2017 included in the appendix I to the Company’s listing document dated 6 June 2018 (the “Historical Financial Information”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 3. Significant accounting policies

The accounting policies applied are consistent with those as described in the Historical Financial Information, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2018. Income tax expense was recognised based on management's estimate of the annual income tax rate expected for the full financial year.

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

The Group has early adopted HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" in previous years as disclosed in the Historical Financial Information.

- (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
HKFRS 16	Leases	1 January 2019
HKFRIC 23	Uncertainty over income tax treatment	1 January 2019
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group is yet to assess the impact of the above new standards, amendments and interpretations to existing standards on the Group's financial statements.

## 4. Estimates

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

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 5. Financial risk management

### 5.1 Financial risk factors

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

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

There have been no significant changes in the risk management policies since the year ended 31 December 2017.

### 5.2 Liquidity risk

Compared to the year ended 31 December 2017, there were no material changes in the contractual undiscounted cash out flows for financial liabilities.

## 6. Segment information

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

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

The major operating entity of the Group is domiciled in the PRC. Accordingly, most of the Group's revenue were derived in the PRC during the six months ended 30 June 2018 and 2017.

As at 30 June 2018 and 31 December 2017, all of the non-current assets were located in the PRC.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 7. Revenue and cost of services

Revenue mainly comprises of proceeds from provision of property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue and cost of services by category for the six months ended 30 June 2018 and 2017 was as follows:

	Six months ended 30 June			
	2018		2017	
	Revenue RMB'000	Cost of services RMB'000	Revenue RMB'000	Cost of services RMB'000
<b>Revenue from customer and recognised over time:</b>				
Property management services	1,563,740	1,027,490	1,160,184	807,620
Community value-added services	171,164	56,582	111,976	45,327
Value-added services to non-property owners	275,642	144,349	139,284	74,767
Other services	5,225	1,289	3,490	483
	<b>2,015,771</b>	<b>1,229,710</b>	1,414,934	928,197

For the six months ended 30 June 2018, revenue from CGH and its subsidiaries (the "CGH Group") contributed 14.4% of the Group's revenue (six months ended 30 June 2017: 13.9%). 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 six months ended 30 June 2018 and 2017.

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contract liabilities	702,332	556,880

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 8. Other gains – net

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Gains on disposal of investments in associates (i)	12,579	—
Revaluation gains on reclassification from investments in associates to financial assets at fair value through other comprehensive income	4,313	—
(Losses)/gains on disposal of property, plant and equipment	(187)	165
Others	2,516	135
	<b>19,221</b>	<b>300</b>

- (i) In March 2018, the Group disposed of its 30% equity interests in Guangdong Shunde Fenghuang Youxuan Commercial Company Limited to a subsidiary of CGH, at a cash consideration of RMB6,000,000, and disposed of its 15.1% equity interests in Shenzhen Wangshenghuo Internet Technology Company Limited to an independent third party at a cash consideration of RMB7,550,000, which resulted in an aggregate disposal gain of RMB12,579,000. The considerations of the above two transactions were fully paid in March 2018.

## 9. Expenses by nature

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Employee benefit expenses	1,070,685	791,741
Cleaning expenses	179,443	118,384
Utilities	63,237	52,264
Maintenance expenses	65,052	50,815
Transportation expenses	24,149	24,007
Greening and gardening expenses	29,843	21,758
Office and communication expenses	18,830	15,379
Travelling and entertainment expenses	14,643	10,243
Depreciation and amortisation charges	12,743	7,213
Taxes and surcharges	11,582	9,109
Listing expenses	9,480	—
Bank charges	6,493	4,309
Employee uniform expenses	5,354	6,319
Community activities expenses	4,826	3,712
Professional service fees	1,046	3,912
Provision for impairment of receivables	—	4,774
Auditor's remuneration		
— Audit services	1,300	127
Other expenses	13,410	10,577
	<b>1,532,116</b>	<b>1,134,643</b>

## 10. Finance income

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



# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 11. Income tax expense

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
<b>Current income tax – PRC</b>		
– Provision of current income tax	80,653	74,748
– Withholding income tax on profits distributed	11,600	–
– Overprovision in previous years	(58,309)	–
	<b>33,944</b>	74,748
<b>Deferred income tax</b>		
– Corporate income tax	1,728	(147)
– Withholding income tax on profits to be distributed in future	480	–
	<b>2,208</b>	(147)
	<b>36,152</b>	74,601

In May 2018, a principal subsidiary of the Group, CG Property Services received the certificate of “High and New Technology Enterprise” under which it is entitled to a preferential income tax rate of 15% for the three years from 1 January 2017 to 31 December 2019. In prior year, income tax expense of CG Property Services was provided at the then enacted tax rate of 25%, therefore, the overprovision of income tax expense for the year ended 31 December 2017 of RMB58,309,000 was reversed in the six months ended 30 June 2018, the related balance of tax recoverable as at 30 June 2018 was RMB 52,636,000.

## 12. Earnings per share

### (a) Basic

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

	Six months ended 30 June	
	2018	2017
Profit attributable to the owners of the Company (RMB'000)	471,082	202,060
Weighted average number of ordinary shares in issue (thousands shares)	2,500,000	2,500,000
Basic earnings per share (RMB cents)	<b>18.84</b>	8.08

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 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 Company has dilutive potential ordinary shares arising from the pre-listing share option scheme, details of which are set out in Note 20. For the pre-listing share option scheme, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. As disclosed in Note 20, the share options granted are subject to certain performance conditions. Such performance conditions have not been met as of 30 June 2018, therefore, for the six months ended 30 June 2018, no dilutive shares arising from the pre-listing share option scheme were included in the calculation of the diluted earnings per share and hence the diluted earnings per share was equal to the basic earnings per share.

For the six months ended 30 June 2017, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

## 13. Dividends

According to the shareholder's resolution of the Company dated 5 May 2018, a dividend of RMB0.03756 per share totaling RMB93,900,000 was declared and paid to its then shareholder, Wise Fame.

The Board resolved that no interim dividend shall be declared for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

## 14. Property, plant and equipment and intangible assets

	Property, plant and equipment RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2018</b>		
Opening net book amount	78,575	20,858
Additions	17,263	5,312
Disposals	(688)	—
Depreciation and amortisation	(11,258)	(1,485)
Net book amount	83,892	24,685
<b>Six months ended 30 June 2017</b>		
Opening net book amount	43,057	2,039
Additions	13,352	1,978
Disposals	(1,634)	—
Depreciation and amortisation	(6,800)	(413)
Net book amount	47,975	3,604

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 15. Trade and other receivables

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables (a)		
— Related parties (Note 23)	23,053	16,474
— Third parties	455,808	378,685
	<b>478,861</b>	395,159
Less: allowance for impairment of trade receivables	<b>(27,009)</b>	(23,550)
	<b>451,852</b>	371,609
Other receivables		
— Related parties (Note 23)	—	233,489
— Payments on behalf of property owners	81,269	59,493
— Tax recoverable (Note 11)	52,636	—
— Others	44,431	32,268
	<b>178,336</b>	325,250
Less: allowance for impairment of other receivables	<b>(3,767)</b>	(2,625)
	<b>174,569</b>	322,625
Prepayments to suppliers	10,965	7,314
Prepayments for tax	4,211	10,786
	<b>641,597</b>	712,334

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 15. Trade and other receivables *(Continued)*

As at 30 June 2018 and 31 December 2017, trade and other receivables were mainly denominated in RMB, and the fair value of trade and other receivables approximated their carrying amounts.

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

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

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

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

	<b>30 June 2018 RMB'000</b>	31 December 2017 RMB'000
0 to 180 days	288,401	190,479
181 to 365 days	68,667	95,038
1 to 2 years	70,715	67,379
2 to 3 years	29,804	23,365
Over 3 years	21,274	18,898
	<b>478,861</b>	395,159

## 16. Cash and cash equivalents and restricted bank deposits

	<b>30 June 2018 RMB'000</b>	31 December 2017 RMB'000
Cash at banks (a)	3,094,034	2,637,094
Less: Restricted bank deposits (b)	<b>(2,819)</b>	(2,797)
Cash and cash equivalents	<b>3,091,215</b>	2,634,297

# NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
RMB	3,091,525	2,637,070
Other currencies	2,509	24
	<b>3,094,034</b>	2,637,094

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

## 17. Share capital

		Number of shares	Nominal value of shares	Equivalent nominal value of shares RMB'000
<b>Authorised</b>				
Ordinary share of HKD0.10 each upon incorporation	(a)	3,800,000	380,000	
Cancellation of ordinary share of HKD0.10 each	(b)	(3,800,000)	(380,000)	
Increase in authorised share capital of USD0.0001 each	(b)	10,000,000,000	1,000,000	
		<b>10,000,000,000</b>	<b>1,000,000</b>	
<b>Issued and fully paid</b>				
At 6 March 2018, issue of HKD0.10 each (Note 1.2(4))		2	—	—
At 13 March 2018, issue of HKD0.10 each	(b)	76	8	—
At 13 March 2018, repurchase of HKD0.10 each	(b)	(78)	(8)	—
At 13 March 2018, issue of USD0.0001 each	(b)	10,000	1	—
At 13 March 2018, issue of USD0.0001 each	(c)	2,499,990,000	249,999	1,584
At 30 June 2018		<b>2,500,000,000</b>	<b>250,000</b>	<b>1,584</b>

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 17. Share capital *(Continued)*

- (b) On 13 March 2018, a written resolution was passed by the Company's shareholders, approving (i) the application for 76 Shares of HKD0.10 each, issued as fully paid at par, from Wise Fame; (ii) the increase of the authorised share capital to USD1,000,000.00 divided into 10,000,000,000 shares of a par value of USD0.0001 each (the "Increase of the Authorised Share Capital"); (iii) the allotment of 10,000 Shares of USD0.0001 each, issued as fully paid at par, to Wise Fame (the "Allotment of US Shares"), which was the funding for the Repurchase (as defined below); (iv) that the Company repurchased the 78 fully paid shares of a par value of HKD0.10 each (the "HK Shares") in the share capital of the Company in issue immediately prior to the Increase of the Authorised Share Capital at a price of HKD0.10 per HK Share which was paid out of the proceeds of the Allotment of US Shares mentioned above (the "Repurchase") and the HK Shares were cancelled; and (v) that upon completion of the Repurchase, all authorised but unissued shares of HKD0.10 each of the Company were diminished by the cancellation of all the 3,800,000 unissued shares of a par value of HKD0.10 each in the share capital of the Company.
- (c) On 13 March 2018, a written resolution was passed by the Company's shareholders, approving the Company's allotting and issuing of a total of 2,499,990,000 shares credited as fully paid at a par value of USD0.0001 each to Wise Fame. Upon completion, the total issued capital of the Company was USD250,000 divided into 2,500,000,000 shares of USD0.0001 each.

## 18. Other reserves

	Statutory Reserves RMB'000	Share-based payment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017 and 30 June 2017	61,457	—	393,455	454,912
At 1 January 2018	<b>106,685</b>	—	<b>393,457</b>	<b>500,142</b>
Effect of the Reorganisation (Note 1.2)	—	—	(2)	(2)
Acquisition of non-controlling interests (Note 22)	—	—	(11,759)	(11,759)
Employee share schemes – value of employee services (Note 20)	—	7,650	(3,912)	3,738
At 30 June 2018	<b>106,685</b>	<b>7,650</b>	<b>377,784</b>	<b>492,119</b>

## 19. Retained earnings

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
At 1 January	921,031	564,516
Profit for the period	471,082	202,060
Dividends (Note 13)	(93,900)	—
At 30 June	<b>1,298,213</b>	766,576



# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 20. Share-based payments

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

Pursuant to the terms of pre-listing share option scheme, the options granted are subject to certain performance conditions.

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

All the options under the pre-listing share option scheme should be exercisable after vesting but before the expiry of 5 years after the grant date at the exercise price of HKD0.94 per share.

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

	Average exercise price in HKD	Number of share options
As at 1 January 2018	—	—
Granted	0.94	132,948,000
As at 30 June 2018	0.94	132,948,000

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 20. Share-based payments *(Continued)*

The fair value of share options granted is HKD0.82 (equivalent to RMB0.66) per option, which was determined using the Binomial Model by an independent appraiser based on significant unobservable inputs. These inputs include:

Description	Fair value of share options granted	Unobservable inputs	Range of unobservable inputs	Relationship of Unobservable inputs to fair value
Pre-listing share options	HKD108,375,000 (equivalent to RMB86,667,000)	Suboptimal exercise factor	2.5	The higher the suboptimal exercise factor, the higher the fair value
		Volatility	44%	The higher the volatility, the higher the fair value
		Risk-free interest rate	1.6%	The higher the risk-free interest rate, the higher the fair value
		Dividend yield	2.9%	The lower the dividend yield, the higher the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The Group recognised the share-based compensation expenses in “General and administrative expenses” for the share options granted to the directors, senior management and employees of the Group and recognised as a deemed distribution to the shareholders in equity (recorded in “Other reserves”) for the share options granted to the directors and senior management of CGH, who did not provide significant services to the Group.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 21. Trade and other payables

	<b>30 June 2018 RMB'000</b>	31 December 2017 RMB'000
Trade payables (a)		
– Related parties (Note 23)	<b>12,691</b>	18,468
– Third parties	<b>231,351</b>	220,532
	<b>244,042</b>	239,000
Other payables		
– Related parties (Note 23)	–	439
– Deposits	<b>294,027</b>	274,249
– Temporary receipts from properties owners	<b>370,510</b>	314,763
– Accruals and others	<b>59,452</b>	64,606
	<b>723,989</b>	654,057
Payroll payables	<b>285,115</b>	402,234
Other taxes payables	<b>26,979</b>	19,614
	<b>1,280,125</b>	1,314,905

As at 30 June 2018 and 31 December 2017, 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:

	<b>30 June 2018 RMB'000</b>	31 December 2017 RMB'000
Up to 1 year	<b>226,123</b>	228,629
1 to 2 years	<b>10,020</b>	5,080
2 to 3 years	<b>3,133</b>	1,479
Over 3 years	<b>4,766</b>	3,812
	<b>244,042</b>	239,000

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 22. Transaction with non-controlling interests

### Acquisition of additional interests in subsidiaries

As disclosed in Note 1.2(2), on 24 January 2018, Tibet Shunqi transferred its 4% and 4% equity interest in CG Property Services to CG Management Services and CG Management Consultation at a consideration of RMB57,600,000 and RMB57,600,000, respectively. The considerations were fully paid in February 2018. The Group recognised a decrease in non-controlling interests of RMB103,441,000 and a decrease in equity attributable to owners of the Company of RMB11,759,000. The effect on the equity attributable to the owners of the Company during the period is summarised as follows:

	Six months ended 30 June 2018 RMB'000
Consideration paid to non-controlling interests	115,200
Carrying amount of non-controlling interests acquired	(103,441)
Difference recorded within equity	11,759

## 23. Related party transactions

### (a) Ultimate Controlling Shareholder

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 23. Related party transactions *(Continued)*

### (b) Transactions with related parties

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Provision of services		
– Entities controlled by the Ultimate Controlling Shareholder	289,661	196,311
– Entities jointly controlled by the Ultimate Controlling Shareholder	38,174	23,719
– Entities over which the Ultimate Controlling Shareholder has significant influence	22,015	–
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	412	398
– Key management and their close relatives	686	449
	<b>350,948</b>	220,877
Purchase of goods and services		
– Entities controlled by the Ultimate Controlling Shareholder	20,864	19,537
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	1,820	–
	<b>22,684</b>	19,537
Rental expenses		
– Entities controlled by the Ultimate Controlling Shareholder	638	344
Disposal of associates		
– Entity controlled by the Ultimate Controlling Shareholder	6,000	–

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

### (c) Free trademark license agreement

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

# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 23. Related party transactions *(Continued)*

### (d) Key management compensation

Compensations for key management is set out below:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Salaries and other short-term employee benefits	10,675	7,410
Share-based compensation expenses	2,763	—
	<b>13,438</b>	7,410

### (e) Balances with related parties

	30 June 2018 RMB'000	31 December 2017 RMB'000
	Receivables from related parties	
Trade receivables		
— Entities controlled by the Ultimate Controlling Shareholder	15,452	13,820
— Entities jointly controlled by the Ultimate Controlling Shareholder	3,567	—
— Entities over which the Ultimate Controlling Shareholder has significant influence	4,034	2,654
	<b>23,053</b>	16,474
Other receivables (i)		
— Entities controlled by the Ultimate Controlling Shareholder	—	233,489
	<b>23,053</b>	249,963



# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 23. Related party transactions *(Continued)*

	<b>30 June 2018 RMB'000</b>	31 December 2017 RMB'000
Payables to related parties		
Trade payables		
– Entities controlled by the Ultimate Controlling Shareholder	<b>9,259</b>	15,238
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	<b>3,432</b>	3,226
– Associates of the Group	–	4
	<b>12,691</b>	18,468
Other payables (ii)		
– Entities Controlled by the Ultimate Controlling Shareholder	–	439
	<b>12,691</b>	18,907

(i) Other receivables due from related parties were unsecured, interest-free and repayable on demand.

(ii) Other payables due to related parties were unsecured, interest-free and repayable on demand.



