COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

碧 桂 園 服 務 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6098)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

— The revenue of the Group for the Period increased from approximately RMB2,015.8 million for the same period in 2018 to approximately RMB3,515.7 million, representing an increase of approximately 74.4%.

— The gross profit of the Group for the Period increased from approximately RMB786.1 million for the same period in 2018 to approximately RMB1,377.9 million, representing an increase of approximately 75.3%. Gross profit margin increased by 0.2 percentage points to approximately 39.2% from approximately 39.0% for the same period in 2018.

— During the Period, the percentage of general and administrative expenses of the Group decreased by approximately 1.4 percentage points to 13.2% compared to 14.6% for the same period in 2018.

— The net profit of the Group for the Period increased from approximately RMB479.6 million for the same period in 2018 to approximately RMB826.2 million, representing an increase of approximately 72.3%. If the RMB58.3 million of one-off reversal of the overprovision of income tax expense for 2017 were excluded from the net profit for the corresponding period of 2018, the net profit of the Company would have been increased from approximately RMB421.3 million for the same period in 2018 to approximately RMB826.2 million, representing an increase of approximately 96.1%.

— The profit attributable to the owners of the Company for the Period increased from approximately RMB471.1 million for the same period in 2018 to approximately RMB816.9 million, representing an increase of approximately 73.4%. Excluding the above reversal of the income tax expense, the profit attributable to the owners of the Company would have been increased from approximately RMB412.8 million for the same period in 2018 to approximately RMB816.9 million, representing an increase of approximately 97.9%.

— During the Period, the basic earnings per share increased from approximately RMB18.84 cents for the same period in 2018 to approximately RMB30.87 cents, representing an increase of approximately 63.9%. Excluding the above reversal of the income tax expense, the basic earnings per share would have been increased from approximately RMB16.51 cents for the same period in 2018 to approximately RMB30.87 cents, representing an increase of approximately 87.0%.

— During the Period, the diluted earnings per share increased from approximately RMB18.84 cents for the same period in 2018 to approximately RMB30.34 cents, representing an increase of approximately 61.0%. Excluding the above reversal of the income tax expense, the diluted earnings per share would have been increased from approximately RMB16.51 cents for the same period in 2018 to approximately RMB30.34 cents, representing an increase of approximately 83.8%.

— As at 30 June 2019, the total bank deposits and cash of the Group were approximately RMB5,179.8 million (31 December 2018: approximately RMB3,874.3 million). The net cash generated from operating activities of the Group increased to approximately RMB863.5 million from approximately RMB426.8 million for the same period in 2018, with an increase of approximately 102.3%. The net cash generated from operating activities for the Period was 1.05 times of the net profit for the Period (30 June 2018: 0.89 times).

— As at 30 June 2019, the revenue-bearing gross floor area ("GFA") of the property management services of the Group increased by approximately 35.3 million sq.m. to approximately 216.8 million sq.m. from approximately 181.5 million sq.m. as at 31 December 2018, representing an increase of approximately 80.0 million sq.m. compared with approximately 136.8 million sq.m. as at 30 June 2018. The contracted GFA of the property management services of the Group increased by approximately 79.2 million sq.m. to approximately 584.2 million sq.m. from approximately 505.0 million sq.m. as at 31 December 2018, representing an increase of approximately 198.2 million sq.m. compared to approximately 386.0 million sq.m. as at 30 June 2018.

The board (the "**Board**") of directors (the "**Directors**") of Country Garden Services Holdings Company Limited (the "**Company**" or "**CG Services**") announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Period**") as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue	*6*	**3,515,687**	2,015,771
Cost of services	*6, 8*	**(2,137,759)**	(1,229,710)
Gross profit		**1,377,928**	786,061
Selling and marketing expenses	*8*	**(20,127)**	(8,812)
General and administrative expenses	*8*	**(465,408)**	(293,594)
Net impairment losses on financial assets	*8*	**(22,824)**	(4,990)
Other income		**18,671**	5,108
Other gains — net	*7*	**40,276**	19,221
Operating profit		**928,516**	502,994
Finance income	*9*	**68,314**	12,895
Finance cost	*9*	**(495)**	—
Finance income — net	*9*	**67,819**	12,895
Share of results of joint ventures		**1,356**	2,720
Share of results of associates		**—**	(2,818)
Profit before income tax		**997,691**	515,791
Income tax expense	*10*	**(171,511)**	(36,152)
Profit for the period		**826,180**	479,639
Profit attributable to:			
— Owners of the Company		**816,891**	471,082
— Non-controlling interests		**9,289**	8,557
		826,180	479,639

	Note	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000*
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Currency translation differences		**80**	—
Total other comprehensive income for the period, net of tax		**80**	—
Total comprehensive income for the period		**826,260**	479,639
Total comprehensive income attributable to:			
— Owners of the Company		**816,971**	471,082
— Non-controlling interests		**9,289**	8,557
		826,260	479,639
Earnings per share attributable to the owners of the Company (expressed in RMB cents per share)			
— Basic	*11*	**30.87**	18.84
— Diluted	*11*	**30.34**	18.84

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**144,289**	118,835
Intangible assets	*13*	**887,767**	686,307
Investments in joint ventures		**28,381**	27,025
Financial assets at fair value through other comprehensive income		**15,558**	15,558
Deferred income tax assets		**6,124**	3,363
		1,082,119	851,088
Current assets			
Inventories		**8,704**	8,460
Trade and other receivables	*14*	**1,314,163**	788,059
Financial assets at fair value through profit and loss	*15*	**1,042,552**	—
Restricted bank deposits		**10,608**	5,366
Cash and cash equivalents		**5,169,184**	3,868,921
		7,545,211	4,670,806
Total assets		**8,627,330**	5,521,894
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	*16*	**1,681,019**	1,584
Other reserves		**542,619**	601,003
Retained earnings		**2,248,782**	1,658,200
		4,472,420	2,260,787
Non-controlling interests		**57,643**	68,919
Total equity		**4,530,063**	2,329,706

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**6,434**	—
Deferred income tax liabilities		**103,164**	65,044
		109,598	65,044
Current liabilities			
Contract liabilities		**1,283,478**	1,000,156
Trade and other payables	*17*	**2,605,988**	2,060,176
Current income tax liabilities		**91,853**	66,812
Lease liabilities		**6,350**	—
		3,987,669	3,127,144
Total liabilities		**4,097,267**	3,192,188
Total equity and liabilities		**8,627,330**	5,521,894

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

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

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

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

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

This interim financial information for the six months ended 30 June 2019 ("**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated.

2. Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34, 'Interim Financial Reporting'. This Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2018 ("**2018 Financial Statements**"), 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**").

3. Significant accounting policies

The accounting policies applied are consistent with those as described in the 2018 Financial Statements, except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2019. 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 2019 did not have a material impact to the Group, except for the adoption of HKFRS 16, 'Leases'.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact of the adoption of the standard is disclosed in Note 4.

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

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
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

None of the above new standards and amendments to existing standards is expected to have a significant impact on the Group's accounting policies.

4. Changes in accounting policies

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7%. There is no finance lease across the Group as at 1 January 2019 and 30 June 2019.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**10,366**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**9,251**
Less: short-term leases recognised on a straight-line basis as expense	**(596)**
Less: low-value leases recognised on a straight-line basis as expense	**(1,150)**
Lease liabilities recognised as at 1 January 2019	**7,505**
Of which are:	
Current lease liabilities	**1,885**
Non-current lease liabilities	**5,620**
	7,505
Lease liabilities recognised as at 30 June 2019	**12,784**
Of which are:	
Current lease liabilities	**6,350**
Non-current lease liabilities	**6,434**
	12,784

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	**1 January 2019**
	RMB'000	*RMB'000*
Properties	**12,399**	**7,322**
Motor vehicles	**229**	**183**
Equipment	**56**	**—**
Total right-of-use assets	**12,684**	**7,505**

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

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

The effect of the adoption of HKFR16 on the earnings per share for the six months ended 30 June 2019 was immaterial.

(i) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

The Group leases various properties, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 6 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise electronic equipment and vehicles.

5. 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 2018 Financial Statements .

6. Revenue and segment information

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

During the current period, 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.

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 by category for the six months ended 30 June 2019 and 2018 was as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from customers and recognised over time:		
— Property management services	**2,586,199**	1,563,740
— Community value-added services	**307,240**	171,164
— Value-added services to non-property owners	**595,664**	275,642
— Other services	**26,584**	5,225
	3,515,687	2,015,771

For the six months ended 30 June 2019, revenue from Country Garden Holdings Company Limited ("**CGH**") and its subsidiaries (together, the "**CGH Group**") contributed 15.2% of the Group's revenue (six months ended 30 June 2018: 14.4%). 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 2019 and 2018.

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

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

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities	**1,283,478**	1,000,156

7. Other gains — net

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Net fair value gains on financial assets at fair value through profit or loss	**37,552**	—
Gains/(losses) on disposal of property, plant and equipment	**210**	(187)
Gains on early termination of lease contracts	**9**	—
Revaluation gains on reclassification from investments in associates to financial assets at fair value through other comprehensive income	**—**	4,313
Gains on disposal of investments in associates	**—**	12,579
Others	**2,505**	2,516
	40,276	19,221

8. Expenses by nature

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Employee benefit expenses	**1,676,442**	1,070,685
Cleaning expenses	**409,886**	179,443
Utilities	**126,085**	63,237
Maintenance expenses	**101,318**	65,052
Greening and gardening expenses	**57,559**	29,843
Security expenses	**42,326**	2,444
Depreciation and amortisation charges	**36,454**	12,743
Transportation expenses	**31,959**	24,149
Office and communication expenses	**28,889**	18,830
Travelling and entertainment expenses	**27,882**	14,643
Net impairment losses on financial assets	**22,824**	4,990
Taxes and surcharges	**18,363**	11,582
Bank charges	**11,707**	6,493
Community activities expenses	**7,638**	4,826
Employee uniform expenses	**3,326**	5,354
Professional service fees	**4,465**	2,346
Listing expenses	**—**	9,480
Other expenses	**38,995**	10,966
	2,646,118	1,537,106

9. Finance income — net

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Finance income:		
Interest income on bank deposits	**36,885**	12,895
Net foreign exchange gains	**31,429**	—
	68,314	12,895
Finance cost:		
Interest expense on lease liabilities	**(495)**	—
Finance income — net	**67,819**	12,895

10. Income tax expense

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax — PRC		
— Provision of current income tax	**151,622**	80,653
— Withholding income tax on profits distributed	**—**	11,600
— Overprovision in previous years	**—**	(58,309)
	151,622	33,944
Deferred income tax		
— Corporate income tax	**(795)**	1,728
— Withholding income tax on profits to be distributed in future	**20,684**	480
	19,889	2,208
	171,511	36,152

11. 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 2019	2018
Profit attributable to the owners of the Company *(RMB'000)*	**816,891**	471,082
Weighted average number of ordinary shares in issue *(thousands shares)*	**2,646,384**	2,500,000
Basic earnings per share *(RMB cents)*	**30.87**	18.84

(b) Diluted

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

	Six months ended 30 June 2019	2018
Profit attributable to the owners of the Company *(RMB'000)*	**816,891**	471,082
Weighted average number of ordinary shares in issue *(thousands shares)*	**2,646,384**	2,500,000
Adjustments — pre-listing share option schemes *(thousands)*	**46,062**	—
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**2,692,446**	2,500,000
Diluted earnings per share *(RMB cents)*	**30.34**	18.84

12. Dividends

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

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

13. Intangible assets

	Software	Property management contracts and customer relationships	Goodwill	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(i)	*(ii) & (iii)*	
Six months ended 30 June 2019				
Opening net book amount	**21,142**	**159,803**	**505,362**	**686,307**
Acquisition of subsidiaries (Note 19)	**105**	**61,880**	**151,215**	**213,200**
Other additions	**5,419**	**—**	**—**	**5,419**
Amortisation	**(1,464)**	**(15,695)**	**—**	**(17,159)**
Closing net book amount	**25,202**	**205,988**	**656,577**	**887,767**
Six months ended 30 June 2018				
Opening net book amount	6,863	11,425	2,570	20,858
Additions	5,312	—	—	5,312
Amortisation	(819)	(666)	—	(1,485)
Closing net book amount	11,356	10,759	2,570	24,685

(i) Property management contracts and customer relationships

During the six months ended 30 June 2019, the Group acquired several companies (Note 19). Total identifiable net assets of these companies acquired as at their respective acquisition dates amounted to approximately RMB80,970,000, including identified property management contracts and customer relationships of RMB61,880,000 recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

Gross profit margin	19.6%–19.8%
Earnings before interest, taxes, depreciation and amortisation margin ("**EBITDA margin**")	9.8%–14.4%
Post-tax discount rate	15.6%

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

As there were no indicators for impairment of the cash-generating units ("**CGUs**") of the subsidiaries acquired as at 30 June 2019, management has not updated any impairment calculations.

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

Goodwill of RMB151,215,000 has been allocated to the CGUs of the subsidiaries acquired during the period for impairment testing. Management performed an impairment assessment on the goodwill prior to the period end. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

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

Revenue growth rates during the projection period	5.0%–15.0%
Gross profit margins during the projection period	19.8%–20.0%
EBITDA margins during the projection period	10.0%–14.4%
Terminal growth rate	3.0%
Pre-tax discount rates	20.7%–24.5%

Based on management's assessment on the recoverable amounts of the subsidiaries acquired during the period, no impairment provision was considered necessary to provide as at 30 June 2019.

14. Trade and other receivables

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables (a)		
— Related parties	**149,466**	66,844
— Third parties	**899,071**	533,806
	1,048,537	600,650
Less: allowance for impairment of trade receivables (b)	**(48,196)**	(33,166)
	1,000,341	567,484
Other receivables		
— Payments on behalf of property owners	**153,635**	105,845
— Tax recoverable	**—**	7,988
— Others	**108,816**	81,652
	262,451	195,485
Less: allowance for impairment of other receivables (c)	**(10,103)**	(4,976)
	252,348	190,509
Prepayments to suppliers	**56,850**	25,164
Prepayments for tax	**4,624**	4,902
	1,314,163	788,059

As at 30 June 2019 and 31 December 2018, 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, community value-added services 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 community value-added services and value-added services to non-property owners, customers are generally given a credit term of up to 60 days.

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

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
0 to 180 days	**762,541**	376,969
181 to 365 days	**99,565**	75,563
1 to 2 years	**101,605**	82,430
2 to 3 years	**47,902**	38,305
Over 3 years	**36,924**	27,383
	1,048,537	600,650

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

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**33,166**	23,550
Provision for loss allowance recognised in profit or loss	**17,697**	3,848
Receivables written off as uncollectable	**(2,667)**	(389)
At 30 June	**48,196**	27,009

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

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**4,976**	2,625
Provision for loss allowance recognised in profit or loss	**5,127**	1,142
At 30 June	**10,103**	3,767

15. Financial assets at fair value through profit or loss

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Wealth management products (i)	**867,552**	—
Investment in a close-ended fund (ii)	**175,000**	—
	1,042,552	—

(i) The Group invested in various wealth management products issued by financial institutions. These products have a term ranging from 8 months to 11 months. They have an expected return rate ranging from 8.1% to 8.5%. The fair values of these investments were determined based on the expected return as stipulated in relevant contracts with the counterparties.

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

16. Share capital and share premium

	Note	Number of shares	Nominal value of shares	Equivalent nominal value of shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Authorised						
Upon incorporation at 24 January 2018, HKD0.10 per share		3,800,000	380,000			
Cancellation of ordinary shares of HKD0.10 each		(3,800,000)	(380,000)			
Increase in authorised share capital of USD0.0001 each		10,000,000,000	1,000,000			
At 30 June 2018 and 30 June 2019		10,000,000,000	1,000,000			
Issued and fully paid						
At 1 January 2018		—	—	—	—	—
At 6 March 2018, issue of shares at HKD0.10 each		2	—	—	—	—
At 13 March 2018, issue of shares at HKD0.10 each		76	8	—	—	—
At 13 March 2019, repurchase of shares at HKD0.10 each		(78)	(8)	—	—	—
At 13 March 2018, issue of shares at USD0.0001 each		10,000	1	—	—	—
At 13 March 2018, issue of shares at USD0.0001 each		2,499,990,000	249,999	1,584	—	1,584
At 30 June 2018		2,500,000,000	250,000	1,584	—	1,584
At 1 January 2019		2,500,000,000	250,000	1,584	—	1,584
Issue of shares	(a)	168,761,000	16,876	114	1,679,321	1,679,435
At 30 June 2019		2,668,761,000	266,876	1,698	1,679,321	1,681,019

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

17. Trade and other payables

	30 June 2019 RMB'000	31 December 2018 RMB'000
Trade payables (a)		
— Related parties	**14,943**	8,782
— Third parties	**487,810**	341,893
	502,753	350,675
Other payables		
— Deposits	**460,263**	382,652
— Temporary receipts from properties owners	**600,449**	460,159
— Outstanding considerations payable for business combinations	**117,116**	132,569
— Accruals and others	**201,310**	144,591
	1,379,138	1,119,971
Dividend payables	**226,309**	—
Payroll payables	**449,148**	553,354
Other taxes payables	**48,640**	36,176
	2,605,988	2,060,176

As at 30 June 2019 and 31 December 2018, 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:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Up to 1 year	**480,893**	328,465
1 to 2 years	**11,566**	13,779
2 to 3 years	**4,178**	3,121
Over 3 years	**6,116**	5,310
	502,753	350,675

18. Transaction with non-controlling interests

Acquisition of additional interests in a subsidiary

On 31 March 2019, the Group acquired additional 30% equity interest in Beijing Shengshi Property Service Company Limited ("北京盛世物業服務有限公司") at a consideration of RMB90,000,000. The consideration was fully paid in March 2019. The effect of the acquisition is summarised as follows:

	Six months ended 30 June 2019 RMB'000
Consideration paid to non-controlling interests	**90,000**
Carrying amount of non-controlling interests acquired	**(24,350)**
Difference recorded within equity	**65,650**

19. Business combinations

In March 2019, the Group acquired 100% equity interest in Guangdong Yuanhai Asset Property Investment Management Company Limited ("廣東元海資產物業投資管理有限公司") ("**Yuanhai**") and 100% equity interest in Shanghai Lianyuan Property Development Company Limited ("上海聯源物業發展有限公司") ("**Lianyuan**") from third parties at a fixed cash consideration of RMB80,000,000 and RMB93,450,000, respectively, and a contingent cash consideration not more than RMB20,000,000 and RMB42,550,000, respectively. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

The acquired companies' principle activities are property management and related services in PRC. Details of the purchase considerations, the net assets acquired and goodwill are as follows:

	Yuanhai *RMB'000*	**Lianyuan** *RMB'000*	**Total** *RMB'000*
Total purchase considerations			
— Fixed cash considerations	**80,000**	**93,450**	**173,450**
Settled up to 30 June 2019	**56,000**	**66,750**	**122,750**
Outstanding as at 30 June 2019	**24,000**	**26,700**	**50,700**
— Estimated contingent cash consideration	**18,173**	**40,562**	**58,735**
	98,173	**134,012**	**232,185**

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

— Property, plant and equipment	**290**	**360**	**650**
— Property management contracts and customer relationships (Note 13)	**36,999**	**24,881**	**61,880**
— Other intangible assets (Note 13)	**58**	**47**	**105**
— Trade and other receivables	**18,876**	**7,193**	**26,069**
— Inventories	**261**	**—**	**261**
— Cash and cash equivalents	**4,465**	**63,071**	**67,536**
— Restricted bank deposits	**4,795**	**—**	**4,795**
— Contract liabilities	**—**	**(178)**	**(178)**
— Trade and other payables	**(20,829)**	**(42,675)**	**(63,504)**
— Current income tax liabilities	**(990)**	**(184)**	**(1,174)**
— Deferred income tax liabilities	**(9,250)**	**(6,220)**	**(15,470)**

Total identifiable net assets	**34,675**	**46,295**	**80,970**
Goodwill	**63,498**	**87,717**	**151,215**
	98,173	**134,012**	**232,185**
Outflow of cash to acquire business, net of cash acquired:			
— Partial settlement of cash considerations	**56,000**	**66,750**	**122,750**
— Cash and cash equivalents in the subsidiaries acquired	**(4,465)**	**(63,071)**	**(67,536)**
Net cash outflow on acquisitions	**51,535**	**3,679**	**55,214**

(a) Intangible assets including identified property management contracts and customer relationships of RMB61,880,000 in relation to the acquisitions have been recognised by the Group (Note 13).

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

(c) The acquired businesses contributed total revenues of RMB41,813,000 and net profits of RMB3,668,000 to the Group for the Period from their respective acquisition dates to 30 June 2019. Had these companies been consolidated from 1 January 2019, the consolidated statements of comprehensive income would show pro-forma revenue of RMB3,556,559,000 and net profit of RMB830,384,000.

MANAGEMENT DISCUSSION AND ANALYSIS — BUSINESS REVIEW

Business Overview

The Group is a leading integrated property management service provider which takes residential projects as the major industry format in China, and has the honor of ranking Top 3 in terms of overall evaluation and No. 1 in terms of operating performance among the Top 100 Property Management Companies in China, according to China Index Academy and No. 1 among Chinese Community Service Providers in 2019 according to YIHAN (億翰智庫).

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

Property Management Services

We provide a range of property management services to property owners, residents and property developers, including security, cleaning, greening, gardening and repair and maintenance services, with a current focus on residential communities. With the steady growth of our third-party projects, our property management portfolio is becoming increasingly diversified, covering non-residential properties, including commercial properties, office buildings, multi-purpose complexes, government, hospitals, other public facilities, industrial parks, highway service stations, parks, scenic areas and schools.

We own a large property management portfolio, and our projects cover more than 300 cities across 31 provinces, municipalities and autonomous regions in China as well as overseas with total contracted GFA of approximately 584.2 million sq.m., an aggregate revenue-bearing GFA of approximately 216.8 million sq.m. as of 30 June 2019. We managed 1,055 properties and provided property management services to approximately 2.3 million property owners.

Community Value-added Services

In respect of community value-added services, we are committed to becoming an "integrated whole-cycle community life services operator" by focusing on the mature development cycle of communities, the family growth cycle of property owners and the property value cycle to provide comprehensive community value-added services to property owners. In the past few years, in view of the daily needs of property owners, the Group has vigorously developed the community value-added services business, opened up integrated marketing and construction channels through our butlers to link external merchant resources with the needs of the owners, and provided a wide range of community value-added services, including: (i) home living services, such as purchase assistance, housekeeping, greening, gardening, turn-key furnishing and move-in, group purchase, supporting services to corporate marketing and other bespoke services; (ii) real estate brokerage services, including real estate agency, real estate investment consultancy, property short-term lease, hosting services and property insurance; and (iii) community area services, including venue operation and community media spaces.

During the Period, the revenue from our community value-added services was RMB307.2 million and accounted for approximately 8.7% of the Group's total revenue, representing an increase of approximately 79.4% and 0.2 percentage points respectively as compared to that of the same period of 2018, and the proportion in total revenue realized continuous growth. During the Period, we deeply explored the market demand for community housekeeping services and community media services, expanded its service types and sources of income, and promoted the rapid growth of such services, which became a new point of income growth for community value-added services. The "Phoenix Club" APP is our online portal for the development of community value-added products and services, which also helps to improve the availability of our services and the customer satisfaction rate and loyalty of our property owners. As of 30 June 2019, the number of registered users on our "Phoenix Club" has exceeded 3 million. During the Period, the business system of our community value-added services has been further optimized with sustainable operation capability, and the revenue structure has been constantly optimized with both balanced development and sustainable operation capability being significantly improved.

Value-added Services to Non-property Owners

During the Period, the revenue from our value-added services to non-property owners was RMB595.7 million and accounted for approximately 16.9% of the Company's total revenue, representing an increase of approximately 3.2 percentage points as compared to that of the same period of 2018. The value-added services to non-property owners we provided mainly include (i) consultancy services to property developers for their pre-sale activities, as well as consultancy services for properties managed by other property management companies, (ii) cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage, and (iii) sales and leasing agency services of unsold parking spaces and properties.

Property Management and Heat Supply Business from "Three Supplies and Property Management" Reform

In 2018, the Group has set up a joint venture company and started to enter the field of "Three Supplies (water, electricity and heat supplies) and Property Management" separation and transfer reform. During the Period, we promoted the smooth transition and takeover of the "Three Supplies and Property Management" reform projects in an orderly manner, and on the basis of service standardization and regional pricing differentiation, we focused on promoting the negotiation and execution of the acceptance agreements at project level, basically completed the construction of organizational structure and management team and realized part of the takeover of property management and heat supply business. During the Period, property management business has generated a revenue of approximately RMB44.1 million; heat supply business has generated a revenue of approximately RMB21.1 million.

PROSPECTS AND FUTURE PLANS

Maintain the high-quality scale expansion and further leverage the strengths of scale effect

We have a wide geographical coverage of property projects and a large scale of contracted GFA. With strong brand strength and service quality, we plan to continue to promote low-cost brand expansion and achieve business expansion through securing new business from the customers such as small and medium property developers, governments, industry parks, schools and obtaining business opportunities from the provision of pre-delivery services to non-property owners. In addition to continuing to expand business scale, we will also maintain the improvement of service quality and owners' satisfaction rate, as well as focus on developing the benchmarking projects of our expansion and provide sustainable resource security for stable operation of the subsequent potential large-scale expansion businesses. We will selectively evaluate the opportunities in the surrounding areas of our existing business locations, increase the density of projects through business expansion, and realize geographical synergy and complementary effects among regions, so as to further enhance our management efficiency, maximize our economies of scale effect and maintain a reasonable balance between the geographic coverage and profitability of our property management services.

As the property management industry is still in a growing stage, the industry concentration will continue to improve rapidly in the future, allowing the industry leaders to better capture market opportunities. We will selectively invest in, cooperate with or acquire quality property management companies, and will strengthen post-expansion management, including improving operational efficiency and management efficiency through the introduction of CG Services' management platform, smart application platform, talent training system and quality control system. Besides, leveraging on the strengths of high-quality projects from our partners, business layout and business scale, we will strive to expand the service sectors, enlarge the distribution coverage of customers, enhance the capabilities of our value-added services and jointly seek for long-term and steady development.

Implement the integrated operation of city services steadily and explore smart industrial park property management

We launched City Service product system — Urban Symbiotic Plan of CG Services in 2018. In 2019, we officially entered into and provided integrated intelligent services to Kaiyuan City in Liaoning Province, and have achieved outstanding performance in many aspects such as urban environment improvement, emergency linkage services of public disasters and gradually launched and implemented the value-added service model. In the future, CG Services will act as an explorer of new type of public services of urban governance and progressively form an urban big property model based on digital city operation and maintenance platform, by utilizing the integrated operation of municipal public services which consolidates multiple industry formats including infrastructure, scenic parks, cultural and sports venues, transportation hubs, hospitals and schools, commercial office buildings and residential communities.

We also actively explored and implemented intelligent industrial park property management. We have released the "Level 1 Environmental Services Handbook for Industrial Park Property" (《產城物業 — 級環境服務手冊》), "Corporate Butler and Business Reception Services Solution for Industrial Park Property"(《產城物業企業管家及商務接待服務方案》) etc. We provide pre-engineering consulting services, demonstration area property management services, investment attraction and industrial services, business reception conference services and corporate butler services to enterprises, so as to promote the standardized and refined management of industrial park property project services and provide continuous assistance to the development of enterprises. In the future, with the gradual completion and delivery of the intelligent industrial parks, the relevant transportation facilities, catering facilities and corporate employee dormitory services will also be transferred to CG Services to manage. We will preferentially consider the functions such as industrial agglomeration, cross-border integration, innovative ecology and industrial services in the industrial park projects and provide enterprises with all-round services.

Promote technology empowerment, build smart communities to highlight market competitiveness

In recent years, we have continued to invest in and develop the application of artificial intelligence and supporting technologies in property management, and have already achieved initial results in improving owners' satisfaction rate and efficiency by promoting technology empowerment and building smart communities, which further highlighted our market competitiveness.

We launched the first "AI+IoT-based" artificial intelligence integrated solution product system in the industry, including all products in the cloud, edge and end structures, providing a complete solution for smart communities. CLOUD (雲端) represents an artificial intelligence platform that cooperates with Tencent, and can be customized according to the community scenes; EDGE (邊緣端) represents a community edge intelligent server that cooperates with Hikvision, which can empower the terminal in the community and realize the smart community; END (端) represents the sensor for control and perception of all terminals of daily facilities in the community, such as elevators and fire-fighting equipment. We plan to apply the intelligent IoT product system to our new and old communities. In terms of services, we will deeply deploy intelligent community, safe community, smart business circle, smart environmental sanitation and other fields, use intelligent technologies to match business needs, shorten the response time in providing services to the property owners and improve owners' satisfaction rate; in terms of security, we will realize the safety upgrade within the communities, and greatly reduce elevator accidents, fire accidents, and criminal robbery accidents through intelligent intercom, open flames detection, behavior identification, route tracking and linkage command against invasion by outsiders. We have established a cooperation laboratory with Bright Dream Robotics (博智林機器人), and the parties will jointly develop and promote the application of cleaning robots and logistics robots in the communities. In addition, we will conduct strategic cooperation with telecommunication service providers to jointly build 5G smart communities and build a residential wireless network based on 5G technology.

Centering on "Big Property Management", expand service mode both vertically and horizontally

We are in the grand era of property management, there is huge space for the expansion of property management companies both in the horizontal and vertical dimensions within the context of "big property management". In the future, on the basis of providing security, cleaning, greening, maintenance and butler services, we will explore more professional services vertically and deeply, including making full use of our advantages in terms of population, assets, channels in virtue of the large scale of our property management portfolio to develop more extensive and diversified value-added services; providing high-tech and digital facilities and equipments management services on the basis of the integrated property services through intensive management and technology empowerment; realizing the full coverage of asset facilities operation and asset value management through the upgrading of professional capabilities. At the same time, we will further promote the horizontal extension of service types to extend the services to the ends of living and assets. In the space of "big property management", we will open up more room for development by means of cooperation, merger and acquisition, self-development to drive the Group to fulfill the corporate vision of becoming an international leading technology-based integrated services group.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from 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 2019, the total revenue increased by approximately 74.4% to approximately RMB3,515.7 million from approximately RMB2,015.8 million for the six months ended 30 June 2018.

(1) Property management services

During the Period, the revenue from property management services increased by approximately 65.4% to approximately RMB2,586.2 million from approximately RMB1,563.7 million for the six months ended 30 June 2018, accounting for approximately 73.6% of the total revenue (for the corresponding period in 2018: approximately 77.6%). Among that, as the Group has entered into the "Three Supplies and Property Management" field and gradually taken over the property management business, approximately RMB44.1 million of additional revenue had been generated.

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

	For the six months ended/As at 30 June 2019				For the six months ended/As at 30 June 2018			
	Revenue *(RMB'000)*	*(%)*	**Revenue-bearing GFA** *('000 sq.m.)*	*(%)*	Revenue *(RMB'000)*	*(%)*	Revenue-bearing GFA *('000 sq.m.)*	*(%)*
Properties developed by the CGH Group	**1,986,417**	**76.8%**	**172,405**	**79.5%**	1,419,239	90.8%	121,940	89.1%
Properties developed by independent third-party property developers	**599,782**	**23.2%**	**44,407**	**20.5%**	144,501	9.2%	14,860	10.9%
Total	**2,586,199**	**100.0%**	**216,812**	**100.0%**	1,563,740	100.0%	136,800	100.0%

The revenue-bearing GFA increased by approximately 80.0 million sq.m. from approximately 136.8 million sq.m. for the same period in 2018 to approximately 216.8 million sq.m.; among which, the revenue-bearing GFA from management of properties developed by independent third-party property developers increased by 198.8%, and its percentage of the total revenue-bearing GFA increased by 9.6% percentage points from 10.9% for the same period in 2018 to 20.5%, which demonstrated that we have achieved initial results in market expansion.

(2) Community value-added services

During the Period, the revenue from community value-added services increased by approximately 79.4% to approximately RMB307.2 million from approximately RMB171.2 million for the six months ended 30 June 2018, accounting for approximately 8.7% of the total revenue (for the corresponding period in 2018: approximately 8.5%)

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

(a) The revenue from home living services increased by approximately 103.1% to approximately RMB196.4 million from approximately RMB96.7 million for the six months ended 30 June 2018.

(b) The revenue from real estate brokerage services increased by approximately 37.9% to approximately RMB68.8 million from approximately RMB49.9 million for the six months ended 30 June 2018.

(c) The revenue from community area services increased by approximately 70.7% to approximately RMB42.0 million from approximately RMB24.6 million for the six months ended 30 June 2018.

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 the 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 explored the demand of the community ecosphere and achieved a significant growth in advertising media and housekeeping business, and in the future, we will further develop our existing businesses and incubate new businesses by building channel capacity to enhance the value of the community platform to our business partners, so as to promote the overall growth of revenue generated from community value-added services. With the stronger support to the community home service industry under the preferential tax policy in Mainland China, the development of the community value-added services such as community elderly care service and domestic service will be further boosted.

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

During the Period, the revenue from value-added services to non-property owners increased by approximately 116.1% to approximately RMB595.7 million from approximately RMB275.6 million for the same period in 2018, accounting for approximately 16.9% of the total revenue (for the corresponding period in 2018: approximately 13.7%), with an increase of 3.2 percentage points. Value-added services to non-property owners became a new highlight of revenue growth of the Group.

The increase in value-added services to non-property owners was mainly due to the fact that (i) the number of projects covered by the Group's consultancy services for pre-sales activities increased significantly; (ii) the Group recorded additional income of RMB81 million as we were commissioned by CGH Group to collect agency fees for the sales and leasing agency services of unsold properties and parking spaces since the second half of 2018; (iii) CGH Group achieved the growth of pre-delivery cleaning and other services as a result of a significant increase in number of properties delivered by the CGH Group during the Period.

(4) Other services

During the Period, the revenue from other services increased a lot when compared with the same period of 2018, which was mainly due to the Group has entered into the "Three Supplies and Property Management" field and has generated revenue of approximately RMB21.1 million from heat supply business.

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) security expenses, (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 RMB2,137.8 million, representing an increase of approximately 73.8% as compared to approximately RMB1,229.7 million for the six months ended 30 June 2018.

Such increase was mainly reflected in the increase in labour cost and various costs as a result of continuous expansion of the area under management of the Group.

Gross Profit and Gross Profit Margin

During the Period, the overall gross profit increased by approximately RMB591.8 million to approximately RMB1,377.9 million from approximately RMB786.1 million for the six months ended 30 June 2018. During the Period, the overall gross profit margin increased by 0.2 percentage points to approximately 39.2% from approximately 39.0% for the six months ended 30 June 2018, and the overall gross profit margin was basically flat and maintained relatively stable.

(i) Property management services

During the Period, the gross profit margin of property management services increased by 1.4 percentage points to approximately 35.7% from approximately 34.3% for the six months ended 30 June 2018.

The increase in the gross profit margin of property management services was mainly due to: (i) the wide coverage of the Group's business and the high project density formed effective management intensive effect and enhanced the marginal revenue; and (ii) during the Period, although per capita labour cost had a trend of rigid rising, the Group effectively controlled the cost and further reduced the labour cost of property management through measures such as improving labour efficiency, community intelligence and energy-saving renovation projects. The property management cost incurred by the Group may not be even during the first half and the second half of the year as it was impacted by certain seasonal factors.

(ii) Community value-added services

During the Period, the gross profit margin of community value-added services decreased by 4.1 percentage points to approximately 62.8% from approximately 66.9% for the six months ended 30 June 2018.

The decrease in the gross profit margin of community value-added services was mainly due to: the Group deployed more dedicated staff and increased special incentive policies in a short time to promote the more professional and sustainable development of community value-added services; meanwhile, with the adjustment of strategic layout (for example, the increases in the proportions of housekeeping business and other living services business), the change of revenue structure resulted in the dilution of gross margin of community value-added services during the Period.

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

During the Period, the gross profit margin of value-added services to non-property owners decreased by 5.3 percentage points to approximately 42.3% from approximately 47.6% for the six months ended 30 June 2018.

The decrease in the gross profit margin of value-added services to non-property owners was mainly due to the decrease in gross profit margin as a result of growth in businesses with lower gross profit margin including pre-delivery cleaning and other services.

Selling and Marketing Expenses

During the Period, selling and marketing expenses were approximately RMB20.1 million, representing an increase of approximately 128.4% as compared with approximately RMB8.8 million for the six months ended 30 June 2018.

The increase in selling and marketing expenses were mainly due to an increase in market personnel cost and expansion cost compared with the same period of 2018 as the Group actively expanded third-party properties and increased efforts to expand acquisition activities according to the current development requirements. Total contracted area developed by the third-party property developers of 17.5 million square meters was achieved during the Period, of which 8.1 million square meters were acquired through acquisitions.

General and Administrative Expenses

During the Period, general and administrative expenses were RMB465.4 million, representing an increase of approximately 58.5% as compared with approximately RMB293.6 million for the six months ended 30 June 2018.

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 business scale expansion, and (ii) share-based compensation expense of approximately RMB7.2 million (the same period of 2018: RMB3.7 million) incurred during the Period.

Other Income

During the Period, other income was approximately RMB18.7 million, representing an increase of approximately 266.7% as compared with approximately RMB5.1 million for the six months ended 30 June 2018.

The increase in other income was mainly due to (i) increase in employment, tax refund and other relevant government subsidies compared to the same period of last year as the Group expanded its business; (ii) increase in other income of RMB2.8 million for the Period arising from the taxation benefit of 10% on deductible input tax enjoyed by the Group as a taxpayer in the industries of living services from 1 April 2019 to 31 December 2021 with the implementation of the policies on substantial reduction of value added tax in mainland China.

Other Gains — Net

During the Period, other gains — net were approximately RMB40.3 million, representing an increase of approximately RMB21.1 million as compared with approximately RMB19.2 million for the six months ended 30 June 2018. The increase was mainly due to the unrealized gains from changes in fair value of financial assets at fair value through profit and loss of RMB37.6 million as the Group has made short-term and stable financial management for short-term idle funds in order to enhance capital gains and shareholder value.

Finance Income — Net

During the Period, the finance income — net was approximately RMB67.8 million, representing an increase of approximately 425.6% compared to approximately RMB12.9 million for the six months ended 30 June 2018.

On the one hand, the increase of the finance income — net was mainly due to the increase in interest income derived from deposits, mainly benefiting from a higher cash level and more efficient deposit management as compared to that as at the end of the corresponding period last year; on the other hand, exchange gains was generated on bank deposits that dominated in Hong Kong dollar that received by the Group from the issue of shares at the beginning of this year as a result of depreciation of RMB.

Income Tax Expense

During the Period, income tax expense was approximately RMB171.5 million, representing an increase of approximately 373.8% compared to approximately RMB36.2 million for the six months ended 30 June 2018. The increase was mainly due to the fact that the overprovision for income tax expense of approximately RMB58.3 million for the year ended 31 December 2017 of our major subsidiary, Guangdong Country Garden Property Services Co., Ltd (廣東碧桂園物業服務股份有限公司) (a wholly-owned subsidiary of the Company, "**CG Property Services**"), in the same period of last year was reversed during the six months ended 30 June 2018, while there was no such impact during the Period.

Profit for the Period

During the Period, the net profit of the Group was approximately RMB826.2 million, representing an increase of approximately 72.3% compared to approximately RMB479.6 million for the six months ended 30 June 2018. Excluding the reversal of the income tax for 2017 in 2018, the net profit of the Group increased from approximately RMB421.3 million for the same period in 2018 to approximately RMB826.2 million, representing an increase of approximately 96.1%.

During the Period, the profit attributable to the owners of the Company increased from approximately RMB471.1 million for the six months ended 30 June 2018 to approximately RMB816.9 million, representing an increase of approximately 73.4%. Excluding the reversal of the income tax for 2017 in 2018, the profit attributable to the owners of the Group increased from approximately RMB412.8 million for the same period in 2018 to approximately RMB816.9 million, representing an increase of approximately 97.9%.

During the Period, the profit attributable to the non-controlling interests of the Company increased by approximately 8.1% from approximately RMB8.6 million for the six months ended 30 June 2018 to approximately RMB9.3 million.

Property, Plant and Equipment

Property, plant and equipment of the Group comprise transportation equipment, machinery equipment, electronic equipment, right-of-use assets, leasehold improvement and other fixed assets.

As at 30 June 2019, the property, plant and equipment of the Group was approximately RMB144.3 million, representing an increase of approximately RMB25.5 million from approximately RMB118.8 million as at 31 December 2018, mainly due to an increase in the purchase of transportation equipment, machinery equipment, electronic equipment and right-of-use assets 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.

Intangible Assets

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

As at 30 June 2019, the intangible assets of the Group were approximately RMB887.8 million, representing an increase of RMB201.5 million compared to approximately RMB686.3 million as at 31 December 2018, which was mainly due to two equity acquisitions completed by the Group during the Period, resulting in goodwill of approximately RMB151.2 million and property management contracts and customer relationships of approximately RMB61.9 million. Besides, the amortization of property contracts and customer relationships arising from the acquisitions during the Period was approximately RMB15.7 million.

Trade and Other Receivables

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

As at 30 June 2019, the Group recorded net trade receivables of approximately RMB1,000.3 million, representing an increase of approximately RMB432.8 million compared to approximately RMB567.5 million as at 31 December 2018, mainly due to the significant increase in the total revenue of the Group.

Other receivables and prepayments to suppliers increased by 43.3% from approximately RMB215.7 million as at 31 December 2018 to approximately RMB309.2 million as at 30 June 2019, mainly due to the increase in security deposit and deposits of RMB18.5 million as compared to that of 2018, and the increase in the amount of utilities, garbage and other fees paid for properties owners of RMB64.5 million over that of 2018.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include wealth management products and investments in closed-end funds. On 30 June 2019, the balance of financial assets at fair value through profit or loss of the Group amounted to RMB1,042.6 million, which was mainly arising from the investments by the Group in various wealth management products and closed-end funds issued by financial institutions to make short-term and healthy wealth management with surplus idle capital. All the applicable percentages for such transactions calculated under the Listing Rules are less than 5%, therefore, related transactions do not constitute disclosable transactions.

Contract Liabilities

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

The contract liabilities increased from approximately RMB1,000.2 million as at 31 December 2018 to approximately RMB1,283.5 million as at 30 June 2019, representing an increase of approximately RMB283.3 million, which was mainly due to an increase in prepayment for property services as a result of an increase in the revenue-bearing GFA.

Trade and Other Payables

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

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

As at 30 June 2019, trade payables of the Group were approximately RMB502.8 million, representing an increase of approximately RMB152.1 million compared to approximately RMB350.7 million as at 31 December 2018, 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 and (iii) accruals and others mainly in relation to withholding funds for utilities and advance and other payables for enterprise acquisition.

Other payables increased from approximately RMB1,120.0 million as at 31 December 2018 to approximately RMB1,379.1 million as at 30 June 2019, primarily due to the impact of an increase in deposits from property owners for interior decorations and the income generated from community area services that belongs to properties owners.

Liquidity, Financial and Capital Resources

As at 30 June 2019, total bank deposits and cash (including restricted bank deposits) of the Group were approximately RMB5,179.8 million, representing an increase of approximately RMB1,305.5 million as compared with to approximately RMB3,874.3 million as at 31 December 2018. Out of the total bank deposits and cash of the Group, restricted bank deposits of approximately RMB10.6 million (as at 31 December 2018: approximately RMB5.4 million) mainly represented the cash deposits in bank as performance security for property management services according to the requirements of the local government authorities.

Our financial position remained sound. As at 30 June 2019, the net current assets of the Group were approximately RMB3,557.5 million (31 December 2018: approximately RMB1,543.7 million). The current ratio (current assets/current liabilities) of the Group was 1.9 times (31 December 2018: 1.5 times).

For the six months ended 30 June 2019, the Group did not have any loan or borrowing.

Key Risk Factors and Uncertainties

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

Industry Risk

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

Business Risk

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

Foreign Exchange Risk

The Group principally focuses on its business in the PRC. Except for bank deposits and trade receivables denominated in foreign currencies, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. During the 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.

Employees and Remuneration Policies

As at 30 June 2019, the Group had 39,551 employees (31 December 2018: 33,609 employees). During the Period, the total staff costs were approximately RMB1,676.4 million.

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

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

Employee Training and Development

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

During the Period, the Company held various kinds of trainings, the number of participants reached approximately 150,000 person-time and a total of tens of thousands of training hours, of which 16 trainings were for developing talents. This has effectively enhanced the management level of all senior management and the service ability of our frontline staff and further optimized our talent structure to make our talent team more accordant with the business development of the Company.

CHARGE ON ASSETS

As at 30 June 2019, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

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 for the Period. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE CODE

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

During the six months ended 30 June 2019, the Company has complied with all applicable code provisions of 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 the code of conduct regarding securities transactions by its Directors and employees (the "**Securities Dealing Code**"). The Company has made specific enquiry with all Directors on whether the Directors have complied with the required standard as set out in the Model Code for the six months ended 30 June 2019 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the above-mentioned period.

No incident of non-compliance was found by the Company for the six months ended 30 June 2019. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

MAJOR EVENTS DURING THE PERIOD

On 11 January 2019, the Company entered into an agreement with the placing agent, J.P. Morgan Securities PLC, and the vendor, Concrete Win, pursuant to which, the placing agent conditionally agreed to place, on a fully underwritten basis, 168,761,000 existing shares of the Company at the placing price of HK$11.61 per share and Concrete Win conditionally agreed to subscribe for the same number of new shares as the placing shares placed by the placing agent at the placing price. The Directors consider that the placing and the subscription represents an opportunity to raise capital for the Company while broadening its shareholder and capital base. The Company intends to apply 70% of the net proceeds from the proposed placing for mergers and acquisitions projects to expand geographical coverage or service scope in relation to the Company's core businesses or related businesses, and the remaining 30% for investments in technology and intellectualization, investments in urban services and value-added services new business development. On 24 January 2019, the Company completed the placing of the existing shares as well as the allotment and issuance of new shares under the general mandate. The net proceeds received by the Company after deducting relating fees and expense, were approximately HK$1,943.1 million. Please refer to the announcements of the Company dated 10 January 2019 and 11 January 2019 for further details.

On 19 March 2019, CG Property Services (as purchaser) entered into an equity transfer agreement with Mr. Liu Gang (as vendor), pursuant to which the purchaser has conditionally agreed to purchase and the vendor has conditionally agreed to sell the 30% equity interest in Beijing Shengshi Property Services Co., Ltd (北京盛世物業服務有限公司) at the consideration of RMB90,000,000 (equivalent to approximately HK$105,303,802). The Directors consider that such acquisition will enable the Group to further expand the scale and the scope of its business, and increase its influence and competitiveness in the market, which is in line with the strategic development needs of the Group. Please refer to the announcement of the Company dated 19 March 2019 for further details.

On 13 May 2019, the company name of CG Property Services has been changed to Country Garden Intelligent Services Group Co., Ltd (碧桂園智慧物業服務集團股份有限公司). The change of its company name will be conducive to further accentuate the vision of becoming an "international leading technology-based integrated services group" and highlight the development model of "Service + Science & Technology", reflecting its transformational achievements in realising the standardisation, automatisation, intelligentisation of property services and continuous upgrading of information systems. Please refer to the announcement of the Company dated 13 May 2019 for further details.

EVENTS AFTER THE PERIOD

On 10 July 2019, the Group entered into an equity transfer agreement with an independent third party to acquire 100% equity interest in Calxon Group Property Services Company Limited (嘉凱城集團物業服務有限公司) ("**Calxon Services**") at a maximum cash consideration of RMB190 million (the "**Calxon Acquisition**"). The Calxon Acquisition has not been completed as of the date of this announcement. Calxon Services will become a wholly-owned subsidiary of the Group upon completion of the Calxon Acquisition. As all the applicable percentage ratios under the Listing Rules in respect of the Calxon Acquisition are lower than 5%, the Calxon Acquisition does not constitute notifiable transaction of the Company as defined under the Chapter 14 of the Listing Rules.

On 10 July 2019, (i) United Gain Group Ltd ("**United Gain**") (a wholly-owned subsidiary of the Company) (as purchaser) entered into agreement I with Hopefluent (BVI) Limited (as the first vendor), pursuant to which United Gain has agreed to purchase and the first vendor has agreed to sell 100% equity interest in Sino Estate Holdings Limited, which indirectly owns 85.5% equity interest in Asia Asset Real Estate Services (China) Co., Ltd. ("**Asia Asset Real Estate Services (China)**"), at a maximum consideration of RMB316,350,000 (equivalent to approximately HK$358,424,550) (subject to adjustment); (ii) CG Intelligent Services (as purchaser) also entered into agreement II with Guangzhou YingFeng Information Technology Co., Ltd., Shanghai YiLiu Information Technology Co., Ltd and Guangzhou GaoYi Advisory Co., Limited (as the second vendors), pursuant to which CG Intelligent Services has agreed to purchase and each of the second vendors has agreed to sell a total of 5.5% equity interest in Asia Asset Real Estate Services (China) at a maximum total consideration of RMB20,350,000 (equivalent to approximately HK$23,056,550) (subject to adjustment) in aggregate; and (iii) CG Intelligent Services (as purchaser) entered into agreement III with Guangzhou YingLong Information Technology Co., Ltd. (as the third vendor), pursuant to which CG Intelligent Services has agreed to purchase and the third vendor has agreed to sell 9% equity interest in Asia Asset Real Estate Services (China) at a maximum consideration of RMB38,700,000 (equivalent to approximately HK$43,847,100) (subject to adjustment). These acquisitions have been completed as of the date of this announcement. Sino Estate Holdings Limited and its subsidiaries (including Asia Asset Real Estate Services (China)) have become subsidiaries of the Group upon the completion of the acquisitions. Please refer to the announcement of the Company dated 10 July 2019 for further details.

PRE-LISTING SHARE OPTION SCHEME

On 13 March 2018, a pre-listing share option scheme (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.

	Options to subscribe for Shares								
Category and name of grantees	**Outstanding as at 1 January 2019**	**Granted during the Period**	**Exercised during the Period**	**Cancelled during the Period**	**Lapsed during the Period**	**Outstanding as at 30 June 2019**	**Exercise price per Share (HK$)**	**Date of grant**	**Exercise period**
Directors									
Ms. Wu Bijun	12,964,000	—	—	—	—	12,964,000	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Mr. Li Changjiang	12,964,000	—	—	—	—	12,964,000	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Mr. Xiao Hua	4,762,000	—	—	—	—	4,762,000	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Mr. Guo Zhanjun	4,699,000	—	—	—	—	4,699,000	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Sub-total	35,389,000	—	—	—	—	35,389,000			
Other participants	97,559,000	—	—	—	—	97,559,000	0.940	21 May 2018	Vesting date[1] — 20 May 2023
Sub-total	97,559,000	—	—	—	—	97,559,000			
Total	132,948,000	—	—	—	—	132,948,000			

Notes:

(1) Subject to the satisfaction of certain vesting conditions, the vesting date shall be the date on which the audit 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.

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

(3) The share-based compensation expenses charged to profit or loss for the six months ended 30 June 2019 was approximately RMB7.2 million. The relevant accounting policy is depicted in Note 2.20 'Share-based payments' of the notes to the consolidated financial statements of the 2018 annual report of the Company published on 11 April 2019.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 23 August 2019

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