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COUNTRY GARDEN SERVICES HOLDINGS COMPANY LIMITED

碧桂園服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6098)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is issued by Country Garden Services Holdings Company Limited (the “**Company**”) pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Capitalised terms used herein have the same meanings as those defined in the announcement of the Company dated 28 April 2020.

Please refer to the attached offering circular in relation to the Bonds Issue (the “**Offering Circular**”), which is available on the website of the SGX.

The posting of the Offering Circular on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes. The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase of any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

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

Hong Kong, 1 June 2020

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

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE PERSONS OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Best Path Global Limited (the “**Issuer**”) or Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) (the “**Company**”) as a result of such access.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to UBS AG Hong Kong Branch (the “**Sole Lead Manager**”), that (1) you are outside the United States, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and, to the extent you purchase the securities described in the attached offering circular, you will be doing in an offshore transaction so pursuant to Regulation S under the Securities Act AND (2) that you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

Section 309B Notification—In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds (as defined herein) are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The attached offering circular is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

Prohibition of Sales to EEA and UK Retail Investors—The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”) or in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

The communication of the attached offering circular and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“**FSMA**”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the securities described in the attached offering circular are only available to, and any investment or investment activity to which the attached offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached offering circular or any of its contents.

Restrictions: The attached document is an offering circular and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Company, the Sole Lead Manager, the Trustee (as defined herein), the Agents (as defined in the Conditions) or any of their respective directors, employees, representatives, agents, advisers, officers or affiliates, or any person who controls any of them, accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Sole Lead Manager will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer or the Company of the securities or the Sole Lead Manager to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Sole Lead Manager and its affiliates on behalf of the Issuer or the Company in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

BEST PATH GLOBAL LIMITED

(incorporated in the British Virgin Islands with limited liability)

Guaranteed by



碧桂園服務

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)

HK\$3,875,000,000 Zero Coupon Guaranteed Convertible Bonds due 2021

Issue Price: 100.00 per cent.

The HK\$3,875,000,000 Zero Coupon Guaranteed Convertible Bonds due 2021 (the "**Bonds**"), which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "*Terms and Conditions of the Bonds*" (the "**Conditions**") and each of the Conditions, a "**Condition**") and consolidated and forming a single series therewith) will be issued by Best Path Global Limited (the "**Issuer**") on May 20, 2020 (the "**Issue Date**"). The Bonds will be guaranteed by Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) (the "**Company**"). The issue price of the Bonds shall be 100.00 per cent. of the aggregate principal amount of the Bonds and the denomination of each Bond shall be HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to the Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Company will unconditionally and irrevocably guarantee (the "**Guarantee**") the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantee will constitute direct, unsubordinated, unconditional and (subject to the Conditions) unsecured obligations of the Company. The payment obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Each Bondholder (as defined in the Conditions) will have the right to convert any Bonds held by it into ordinary shares of par value US\$0.0001 each in the share capital of the Company (the "**Shares**") at any time during the Conversion Period (as defined in the Conditions). The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK\$39.68 per Share. The Conversion Price is subject to adjustment in accordance with the Conditions. The Shares are listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") under stock code 6098. The closing price of the Shares on April 27, 2020 was HK\$35.75 per Share.

Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Issuer will redeem each Bond at 100.00 per cent. of its principal amount on May 18, 2021. On giving not less than 30 nor more than 60 days' notice to the Bondholders, the Issuer may redeem all, but not some only, of the Bonds at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) (a) on the occurrence of certain tax-related events or (b) if, prior to the date of such notice being given, Conversion Rights (as defined in the Conditions) shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions have been effected in respect of 90 per cent. or more in principal amount of the Bonds original issued (which shall for this purpose include any further bonds issued in accordance with the Conditions and consolidated and forming a single series therewith), in each case, pursuant to and in accordance with the Conditions. If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days (as defined in the Conditions), on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange (as defined in the Conditions)) or (b) there is a Change of Control (as defined in the Conditions), the holder of each Bond will have the right at such holder's option to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at the redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. See "*Terms and Conditions of the Bonds—Redemption, Purchase and Cancellation*".

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Offering, the Issuer, the Company, any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. Conditional approval for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange has been granted by the Hong Kong Stock Exchange. The Bonds are not intended to be initially placed and may not be initially placed to "connected persons" of the Issuer or the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") ("**Connected Persons**"). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer, the Company and the Sole Lead Manager that it is not a Connected Person of the Issuer and the Company and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer and the Company. Each prospective investor will be deemed to have agreed with the Issuer, the Company and the Sole Lead Manager that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the "**SFC**"), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this offering circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

Investing in the Bonds and the Shares involves certain risks. See "*Risk Factors*" beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds may only be offered outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this offering circular, see "*Subscription and Sale*".

The Bonds will initially be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"), and together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

UBS

The date of this offering circular is May 15, 2020.

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THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the Offering described herein. If investors are in any doubt about any of the contents of this offering circular, they should obtain independent professional advice.

PRIIPs REGULATION / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS—The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”) or in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

The communication of this offering circular and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “**FSMA**”). Accordingly, such

documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which this offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering circular or any of its contents.

Each of the Issuer and the Company, having made all reasonable enquiries, confirms that to its best knowledge and belief (i) this offering circular contains all information with respect to the Issuer, the Company and their respective subsidiaries taken as a whole (collectively, the “**Group**”) and to the Bonds and Shares, which is material in the context of the issue and offering of the Bonds and the giving of the Guarantee (including information which is required by applicable laws and regulations of the British Virgin Islands, Cayman Islands and Hong Kong and the rules and regulations of the Hong Kong Stock Exchange), (ii) all statements of fact contained in this offering circular are true and accurate in all material respects and not misleading in any material respect, (iii) all statements of opinions, intention or expectation contained in this offering circular are truly and honestly held and have been made after due and careful consideration of all relevant circumstances and have been based on the assumptions stated in this offering circular, (iv) no fact or matter has been omitted from this offering circular: (a) which is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Company and any other member of the Group and of the rights attaching to the Bonds, the Guarantee and the Shares, (b) the omission of which will make any statement in this offering circular misleading in any material respect, or (c) which in the context of the issue and offering of the Bonds and the giving of the Guarantee is material for disclosure in this offering circular, and (v) all reasonable enquiries have been made by the directors of the Issuer and the Company to ascertain such facts and to verify the accuracy of all the foregoing information and statements. This offering circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Issuer, the Company and the Group. Each of the Issuer and the Company accepts full responsibility for the information contained in this offering circular.

This offering circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this offering circular. The distribution of this offering circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by the Issuer, the Company and the Sole Lead Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this offering circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable upon conversion of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected

therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this offering circular, see "*Subscription and Sale*".

No person has been or is authorized to give any information or to make any representation concerning the Issuer, the Company, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Company, the Sole Lead Manager, Citicorp International Limited as the trustee (the "**Trustee**") or the Agents (as defined in the Conditions) or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. Neither the delivery of this offering circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This offering circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. This offering circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this offering circular, and nothing contained in this offering circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. None of the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them has independently verified any of the information contained in this offering circular and none of them can give any assurance that this information is accurate, truthful or complete. This offering circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Company, the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them that any recipient of this offering circular should purchase the Bonds.

Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this offering circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group and the terms of the Offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this offering circular acknowledges that such person has not relied on the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any

person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them accepts any responsibility for the contents of this offering circular. Each of the Sole Lead Manager, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. None of the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this offering circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

Except as otherwise indicated in this offering circular, all non-company specific statistics and data relating to the industry or to the economic development of Hong Kong or any other jurisdiction have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Company, the Trustee, the Agents or the Sole Lead Manager or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them, and none of the Issuer, the Company, the Trustee, the Agents, the Sole Lead Manager or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

In connection with the issue of any Bonds, the Sole Lead Manager in its role as stabilizing manager (the “**Stabilizing Manager**”) (or persons acting on behalf of a Stabilizing Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager (or persons acting on behalf of a Stabilizing Manager) in accordance with all applicable laws and rules.

We reserve the right to withdraw the offering of Bonds at any time, and the Sole Lead Manager reserves the right to reject any commitment to subscribe for the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of Bonds sought by such purchaser. The Sole Lead Manager and certain related entities may acquire for their own account a portion of the Bonds.

Certain definitions, conventions and currency presentation

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) itself, or to Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by the Issuer, the Company, the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them and none of the Issuer, the Company, the Sole Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering circular summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

In this offering circular, all references to “USD”, “US\$”, “U.S.\$” and “U.S. dollars” are to United States dollars, the official currency of the United States; all references to “HK\$”, “H.K. dollars” and “HKD” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); all references to “RMB” or “Renminbi” are to the Renminbi, the official currency of the People’s Republic of China.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.9618 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2019, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7850 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2019. All such translations in this offering circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange rates.”

References to “CGH Group” are to Country Garden Holdings Company Limited (碧桂園控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2007) and its subsidiaries.

References to the “**PRC**” and “**China**” and “**Mainland China**” are to the People’s Republic of China and, for the purposes of this offering circular, except where the context requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC (“**Macau**”), or Taiwan. The “**PRC government**” or the “**State**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.

Forward-looking statements

This offering circular includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include, the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to identify and integrate suitable acquisition targets;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices in the industry and markets in which we operate; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk factors*” and elsewhere in this offering circular. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this offering circular. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any

forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering circular might not occur in the way we expect, or at all.

Enforcement of civil liabilities

We are an exempted company incorporated in the Cayman Islands with limited liability, and the Issuer is incorporated in the British Virgin Islands with limited liability. The Cayman Islands, the British Virgin Islands and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets are located outside the United States. In addition, all of our directors and officers are nationals or residents of countries other than the United States (principally, the PRC), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such persons or to enforce against us or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

Conyers Dill & Pearman, our counsel as to Cayman Islands laws, has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States against the Company under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Conyers Dill & Pearman, our counsel as to British Virgin Islands laws, has advised us that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States against the Issuer under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the British Virgin Islands and (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands.

Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court

in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or a definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules) according to Hong Kong rules;
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

Further, we have been advised by our PRC legal counsel, Deheng Law Offices, and our Cayman Islands legal counsel, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the PRC and the Cayman Islands, respectively, would (i) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC and the Cayman Islands, respectively, against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

Presentation of financial information

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which differ in certain material respects from generally accepted accounting principles in other jurisdictions. Our reporting currency is the Renminbi. See *"Risk factors—Risks relating to the Bonds and the Shares—There may be less publicly available information about us than is available in certain other jurisdictions."*

Glossary of technical terms

In this offering circular, unless the context otherwise requires, explanations and definitions of certain terms used in this offering circular in connection with us and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

- “cloud computing”** an Internet computing method that can provide shared computer processing resources and data on demand to computers and other devices
- “commission basis”** a revenue generating model for our property management services whereby our fee income from property management services consists only of a specified percentage, or a fixed amount, of the total management fees payable by the property owners or property developers while the remainder of such management fees would be used to cover the expenses incurred in our management of the relevant properties and any excess or shortfall of the property management (after deducting the relevant expenses) belong to or are borne by the property owners
- “common area”** common areas in residential properties jointly-owned by the property owners, mainly including parking lots, swimming pools, advertisement bulletin boards, and club houses
- “contracted GFA”** GFA managed or to be managed by us under operating property management service contracts, including both delivered and undelivered GFA
- “CRM”** customer relationship management
- “ERP”** enterprise resource planning
- “GFA”** gross floor area
- “IC card”** a plastic card containing a microchip which enables the holder to access restricted areas, various services and information, or to perform other operations requiring data stored on the microchip
- “IRBA systems”** intelligent remote building automation management systems
- “IT”** information technology
- “lump sum basis”** a revenue generating model for our property management services whereby we charge a pre-determined property management fee per sq.m. of revenue-bearing GFA which represents the “all-inclusive” fees for all of the property management services provided by our teams and our sub-contractors with respect to the managed properties and we bear the costs and expenses in managing the relevant properties
- “overall strength”** China Index Academy ranks the overall strength of property management companies by evaluating the following aspects:
- property management scale, taking into account total assets, number of properties under management, total contracted GFA

under management and number of cities where the company operates;

- operational performance, taking into account the total revenue, net profit, revenue per employee and operating costs as a percentage to total revenue;
- service quality, taking into account customer satisfaction rate, property management fee collection rate, property management contract renewal rate and number of star-level communities;
- growth potential, taking into account revenue growth, total contracted GFA under management growth, reserved GFA for management and number and composition of employees; and
- social responsibility, taking into account amount of tax paid, number of job opportunities created, total GFA under management of affordable housing and amount of enterprise donation

“revenue-bearing

GFA” contracted GFA of properties that have been delivered, or are ready to be delivered, for which we have started to provide property management services and are entitled to collect the relevant property management fees as at the relevant date

“Top 100 Property Management

Companies” an annual ranking of China-based property management companies by overall strength published by China Index Academy based on a number of key indicators, including property management scale, operational performance, service quality, growth potential and social responsibility, where the number of companies for each of 2017, 2018, 2019 and 2020 exceeded 100 as multiple companies with very close scores were assigned the same ranking

Summary

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire offering circular, including the section entitled "Risk factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

We are a leading comprehensive property management service provider in China focused on residential property management, ranking No. 1 in terms of overall strength, property management scale and operational performance among the Top 100 Property Management Companies in China in 2020, according to China Index Academy.

Our main businesses include (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners and (iv) "Three Supplies and Property Management" businesses (currently including property management services and heat supply business), which form an integrated service offering to our customers and cover the entire value chain of property management.

We have a large property management portfolio. As of December 31, 2019, apart from the property management services under the "Three Supplies and Property Management" businesses, our contracted GFA was approximately 684.7 million sq.m., and our revenue-bearing GFA was approximately 276.1 million sq.m. In addition, our contracted GFA and revenue-bearing GFA of the property management services under the "Three Supplies and Property Management" businesses were approximately 84.9 million sq.m. as of December 31, 2019. We managed 2,405 property projects covering more than 350 cities across 31 provinces, municipalities and autonomous regions in China and overseas markets, providing quality property management services to more than 3.46 million property owners as of December 31, 2019.

For the years ended December 31, 2017, 2018 and 2019, our revenue was RMB3,121.9 million, RMB4,675.3 million and RMB9,644.9 million (US\$1,385.4 million), respectively, representing a CAGR of 75.8% from 2017 to 2019.

Our Shares have been listed on the Hong Kong Stock Exchange since June 19, 2018 under stock code 6098.

Competitive strengths

- We are a leading residential property management service provider in China with strong brand recognition and a large and extensive property management portfolio;
- We have strong leverage on the large project portfolio and landbank of the CGH Group leading to highly visible growth opportunities;
- We have wide sources of revenue generated from our diversified property management portfolio and service offerings;
- We have a mix of locations across cities of different tiers and substantial that focus on large-scale properties in China, contributing to profitability at industry-leading levels;

- Our strong service platform operation and value creation capabilities in building a community ecosphere with five-star living experience for property owners and residents; and
- We have an experienced and professional management team supported by an effective human resources system.

Business strategies

- Further expand the scale of our property management business through multiple channels;
- Achieve optimal operational efficiency and customer satisfaction through service standardization and differentiation under professional lean management;
- Continue to deliver a diverse range of differentiated value-added services to develop the personalized community ecosphere and to enhance customer experience and our value creation capability;
- Further enhance our standardized and automated operations with upgraded information technology and smart management to maximize cost efficiency and enhance service standards; and
- Continue to improve our human resources training and incentive system to support the sustainable growth of our business.

Recent Developments

The COVID-19 pandemic outbreak

The COVID-19 virus has spread across the PRC and the rest of the world in early 2020. The COVID-19 outbreak poses potential risks to our business operation and financial condition. See *"Risk Factors—Risks Relating to Our Business and Industry—Risks relating to natural disasters, epidemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business"* and *"Risk Factors—Risks Relating to Our Business and Industry—We may be adversely affected by fluctuations in the global economy and financial markets at the macroeconomic level"*.

Since the outbreak of COVID-19, we have taken the initiative to assume social responsibilities, and have fought together with all sectors in the forefront of the pandemic. Property management companies have formed a government-enterprise linkage mechanism with local governments to implement work deployments and have undertaken certain epidemic prevention work, including: personnel inspection, vehicle recording, providing access statistics to communities, temperature measurements of residents, providing advice on wearing masks, isolation and quarantine of suspected cases, publicity on epidemic prevention and control in communities, frequent sanitization and disinfection in public areas, distribution of masks to property owners, and purchasing and delivering supplies for property owners under quarantine.

The COVID-19 outbreak has had certain impacts on the daily operations of property management companies, including us, in the short term, but we believe in the long term, it will present an opportunity for us due to the following reasons: (1) the property management industry will be

respected by society and the government, and its exposure and sense of presence will be significantly improved compared to before; (2) high-quality property management services can provide property owners with an intuitive experience, therefore enhance owners' trust in property management companies and demand for quality properties, which has a positive impact on the collection rate of subsequent property management fees; (3) it will facilitate the building of good service reputation and brand. The reputation and brand building of property management services usually take time, and the COVID-19 outbreak may help high-quality property management companies build a good service reputation and brand image faster. Property owners will be inclined to choose leading companies with reputation, ability and good services. The integration of small and medium-sized property management companies will also be strengthened, which may accelerate the improvement of industry consolidation; (4) the impact on the future development of the property management industry will be reflected in the further deployments of technology to replace labor. Leading companies with high technology can empower other small and medium-sized companies; and (5) governments at all levels have successively introduced supportive policies applicable to property management companies to alleviate the short-term adverse effects arising from the pandemic.

Acquisitions of 100% equity interest in Wenjin International Insurance Broker Co., Ltd. ("Wenjin International") and loans from Guangdong Elite Architectural Co., Ltd. ("Elite Architectural")

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

Proposed acquisition of equity interest in Hopefluent Group Holdings Limited

On April 15, 2020, Country Garden Property Services HK Holdings Company Limited ("**CG Property Services HK**"), our indirect wholly-owned subsidiary, entered into a concert group agreement with China-net Holding Ltd. ("**China-net**"). Pursuant to this agreement, the parties have conditionally agreed that CG Property Services HK shall first accept and acquire the Offer Shares (as defined below) in the lower amount of (i) a maximum purchase amount of HK\$120,000,000 (excluding any stamp duty or other fees or expenses arising in connection with the acquisition of the Offer Shares); and (ii) a maximum number of 67,380,000 Offer Shares, and thereafter China-net shall accept and acquire the remaining Offer Shares.

On April 15, 2020, China-net entered into share purchase agreements with certain vendors pursuant to which China-net agreed to purchase a total of approximately 11.87% equity interest in Hopefluent Group Holdings Limited (合富輝煌集團控股有限公司) ("**Hopefluent**"), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 733). The ordinary shares of Hopefluent (other than those already owned or agreed to be acquired by China-net and us or any persons acting in concert with any of China-net and us) that are subject to the unconditional

mandatory cash offer to be made for and on behalf of China-net and us are herein referred to as the Offer Shares. Completion of the share purchase agreements took place on April 17, 2020, and the offer price shall be HK\$1.50 per Offer Share. As such, CG Property Services HK shall first accept and acquire a maximum of 67,380,000 Offer Shares at a maximum total consideration of HK\$101,070,000.

General Information

The Issuer was incorporated in the British Virgin Islands on March 16, 2020, as an exempted company with limited liability, with the registered number 2033186. The Company was incorporated in the Cayman Islands on January 24, 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's head office and principal place of business in the PRC is at West Building of Country Garden Office, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC. The Company's principal place of business in Hong Kong is at 4th Floor, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. The Company's website is www.bgyfw.com. Information contained on our website does not constitute a part of this offering circular.

The Offering

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. The full Conditions are set out in the section of this offering circular entitled "*Terms and Conditions of the Bonds*." Capitalized terms used in this summary and not otherwise defined shall have the meaning given to them in the Conditions.

Issuer Best Path Global Limited.

Guarantor and

Guarantee The Company has unconditionally and irrevocably guaranteed (the "**Guarantee**") the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

The Guarantee is contained in the Trust Deed. The Guarantee will constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Company. The payment obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Bonds HK\$3,875,000,000 Zero Coupon Guaranteed Convertible Bonds due 2021.

The issue of the Bonds was authorized by a resolution of the Board of Directors of the Issuer passed on April 27, 2020.

Issue Price The Bonds will be issued at 100.00 per cent. of their principal amount.

Issue Date May 20, 2020.

Maturity Date May 18, 2021.

Redemption at

Maturity Unless previously redeemed, converted or purchased and cancelled as provided in Condition 8(A), the Issuer will redeem each Bond at 100 per cent. of its principal amount on May 18, 2021.

Status of the Bonds The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Conversion Period Subject to and upon compliance with the provisions of Condition 6, the Conversion Right (as defined in Condition 6(A)(i)) attaching to any

Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on or after June 30, 2020 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the "**Conversion Period**"). Please see Condition 6(A)(i).

Conversion Price The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK\$39.68 per Share but will be subject to adjustment in the manner provided in Condition 6(C).

Negative Pledge Each of the Issuer and the Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its Subsidiaries will create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company's or the Issuer's obligations under the Bonds are (i) secured equally and rateably by the same Security Interest or (ii) at the option of the Issuer or the Company (as applicable) by such other security, guarantee, indemnity or other arrangement (a) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders, or (b) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

Redemption for

Taxation Reasons At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 18, and to the Trustee and the Principal Agent in writing (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date (the "**Tax Redemption Date**") if the Issuer satisfies the Trustee immediately prior to the giving of the Tax

Redemption Notice that (a) the Issuer (or if the Guarantee was called, the Company) has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company) or, in each case, the PRC or in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after April 27, 2020, and (b) such obligation cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Please see Condition 8(c).

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal or premium to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. Please see Condition 8(c).

Redemption at the

Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent in writing (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid), at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith).

**Redemption for
Delisting or Change of
Control**

If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange) or (b) there is a Change of Control (as defined in Condition 8(D)) (each, a “**Relevant Event**”), the holder of each Bond will have the right at such holder’s option, to require the Issuer to redeem all or some only of such holder’s Bonds on the Relevant Event Redemption Date (as defined in Condition 8(D)) at a redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18.

**Form and Denomination
of Bonds**

The Bonds will be issued in registered form in the specified denomination of HK\$2,000,000 each and in integral multiples of HK\$1,000,000 in excess thereof. Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depository for, and representing Bonds registered in the name of a nominee of, the Clearing Systems.

Clearance

The Bonds will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

Global Certificate

For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a common depository, payments of principal and interest (if any) in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.

Selling Restrictions

There are restrictions on the offer, sale and/or transfer of the Bonds in, among others, the United States, the EEA, the United Kingdom,

Hong Kong, Singapore, Japan, the PRC, the British Virgin Islands, Bermuda, Cayman Islands, Switzerland and the Netherlands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "*Subscription and Sale*".

Listing Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Offering, the Issuer, the Company, any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$200,000 with a minimum of ten lots to be traded in a single transaction for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

The Company has submitted application for listing of the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange and has undertaken to apply to have the Shares, issuable upon conversion of the Bonds, approved for listing on the Hong Kong Stock Exchange and any Alternative Stock Exchange (as defined in Condition 6) on which its Shares are listed from time to time.

Trustee Citicorp International Limited.

Principal Agent Citibank, N.A., London Branch.

Registrar Citigroup Global Markets Europe AG.

Governing Law The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and construed in accordance with, English law.

Jurisdiction The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds.

Use of Proceeds We intend to use the net proceeds from this Offering, after deducting the underwriting discount and other estimated expenses payable by us, for potential mergers and acquisitions, strategic investments, working capital and general corporate purposes.

Lock-up Neither the Issuer, the Company nor any of their respective Subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them will, for a period from the date of the Subscription Agreement up to 90 days after the Issue Date (both dates inclusive), without the prior written consent of the Sole Lead Manager (a) issue, offer, sell, contract to sell,

pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities otherwise convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for (i) the Bonds and any new Shares issued pursuant to the conversion provisions of the Bonds; and (ii) the issuance of any Shares under the Company's publicly disclosed pre-listing share option scheme.

In addition, Ms. Yang Huiyan, a shareholder of the Company, has executed a shareholder lock-up undertaking dated April 27, 2020. Ms. Yang has undertaken that none of herself, Concrete Win Limited and Fortune Warrior Global Limited (each of which is wholly-owned by Ms. Yang), nor any other subsidiaries or affiliates over which Ms. Yang exercises management or voting control, nor any person acting on Ms. Yang's or their behalf will, for a period from the date of the shareholder lock-up undertaking up to 90 days after the Issue Date (both dates inclusive), without the prior written consent of the Sole Lead Manager (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Lock-up Shares or securities of the same class as the Bonds or the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Lock-up Shares or securities of the same class as the Bonds, the Lock-up Shares or other instruments representing interests in the Bonds, the Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the

foregoing. “**Lock-up Shares**” means the 1,451,120,428 Shares held by Ms. Yang Huiyan directly (or through nominees) or indirectly through trusts and/or companies controlled by her (or their nominees).

ISIN XS2156581550.

Common Code 215658155.

Summary consolidated financial data

The following tables present our summary consolidated financial data. The summary consolidated financial data as of and for each of the years ended December 31, 2017, 2018 and 2019 (except for amounts presented in U.S. dollars) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019. Our financial information has been prepared and presented in accordance with HKFRS, which differs in certain respects from generally accepted accounting principles in other jurisdictions.

We have adopted HKFRS 16 "Lease" ("**HKFRS 16**") retrospectively from January 1, 2019, but have not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing standard are therefore recognized in the opening balance sheet on January 1, 2019. For details of the impact of the adoption of HKFRS 16, please refer to note 2.1.1(c) of our audited consolidated financial statements as of and for the year ended December 31, 2019. As such, our audited consolidated financial information as of and for the year ended December 31, 2019 may not be directly comparable to our consolidated financial information as of and for the years ended December 31, 2017 and 2018.

The summary financial data below should be read in conjunction with our audited consolidated financial statements and the related notes included therein. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary consolidated income statement data

	For the year ended December 31,			
	2017	2018	2019	US\$
	RMB	RMB	RMB	(unaudited)
	<i>(in thousands)</i>			
Revenue	3,121,852	4,675,287	9,644,947	1,385,410
Cost of services	(2,086,266)	(2,913,665)	(6,592,706)	(946,983)
Gross profit	1,035,586	1,761,622	3,052,241	438,427
Selling and marketing expenses	(9,351)	(26,639)	(66,773)	(9,591)
General and administrative expenses	(455,272)	(759,735)	(1,207,591)	(173,460)
Net impairment losses on financial assets	(4,171)	(13,392)	(30,741)	(4,416)
Other income	13,067	31,112	51,144	7,346
Other gains—net	1,272	19,181	178,104	25,583
Operating profit	581,131	1,012,149	1,976,384	283,890
Finance income	35,185	53,845	94,253	13,539
Finance costs	(190)	-	(2,353)	(338)
Finance income—net	34,995	53,845	91,900	13,201
Share of results of joint ventures and associates	(7,929)	3,393	7,828	1,124
Profit before income tax	608,197	1,069,387	2,076,112	298,215
Income tax expense	(167,734)	(135,177)	(357,721)	(51,383)
Profit for the year	440,463	934,210	1,718,391	246,831
Profit attributable to:				
Owners of the Company	401,743	923,154	1,670,664	239,976
Non-controlling interests	38,720	11,056	47,727	6,856
	440,463	934,210	1,718,391	246,831

Summary consolidated financial position data

	As of December 31,			US\$ (unaudited)
	2017 RMB	2018 RMB	2019 RMB	
	<i>(in thousands)</i>			
Non-current assets				
Property, plant and equipment	78,575	118,835	311,873	44,798
Right-of-use assets	-	-	28,790	4,135
Intangible assets	20,858	686,307	1,603,853	230,379
Investments in joint ventures	13,834	27,025	73,522	10,561
Investments in associates	4,426	-	5,992	861
Financial assets at fair value through other comprehensive income	174	15,558	9,950	1,429
Deferred income tax assets	3,702	3,363	10,938	1,571
Total non-current assets	121,569	851,088	2,044,918	293,734
Current assets				
Inventories	6,123	8,460	13,943	2,003
Trade and other receivables	712,334	788,059	2,003,770	287,824
Financial assets at fair value through profit and loss	-	-	1,280,682	183,958
Restricted bank deposits	2,797	5,366	11,861	1,704
Cash and cash equivalents	2,634,297	3,868,921	6,914,148	993,155
Total current assets	3,355,551	4,670,806	10,224,404	1,468,644
Total assets	3,477,120	5,521,894	12,269,322	1,762,378
Non-current liabilities				
Lease liabilities	-	-	19,418	2,789
Deferred income tax liabilities	14,456	65,044	143,079	20,552
Total non-current liabilities	14,456	65,044	162,497	23,341
Current liabilities				
Contract liabilities	556,880	1,000,156	1,618,059	232,420
Trade and other payables	1,314,905	2,060,176	4,690,033	673,681
Current income tax liabilities	48,773	66,812	108,202	15,542
Lease liabilities	-	-	11,005	1,581
Total current liabilities	1,920,558	3,127,144	6,427,299	923,224
Total liabilities	1,935,014	3,192,188	6,589,796	946,565
Equity				
Equity attributable to owners of the Company				
Share capital and share premium	-	1,584	1,756,918	252,365
Other reserves	500,142	601,003	531,581	76,357
Retained earnings	921,031	1,658,200	3,084,657	443,083
Non-controlling interests	120,933	68,919	306,370	44,007
Total equity	1,542,106	2,329,706	5,679,526	815,812

Risk Factors

You should carefully consider the risks and uncertainties described below and other information contained in this offering circular before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth may not materialize as planned, and failure to manage any future growth effectively may have a material adverse effect on our business, financial position and results of operations

We have been expanding our business in recent years mainly through organic growth. As of December 31, 2017, 2018 and 2019, apart from the property management services under the “Three Supplies and Property Management” businesses, we were contracted to manage residential communities and non-residential properties with an aggregate contracted GFA of 329.5 million sq.m., 505.0 million sq.m. and 684.7 million sq.m., respectively. In addition, our contracted GFA of the property management services under the “Three Supplies and Property Management” businesses was approximately 84.9 million sq.m. as of December 31, 2019. We seek to expand continuously through increasing the total contracted GFA and the number of residential communities and non-residential properties under our management in existing and new markets. For details, see “*Business—Business Strategies—Further expand the scale of our property management business through multiple channels*”. However, our expansion is based upon our forward-looking assessment of market prospect. We cannot guarantee that our assessment will always turn out to be correct or we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Such factors include changes in the PRC’s economic condition in general and real estate market, in particular, government regulations, changes in supply and demand for our services, as well as availability of suitable and proficient property managers and third-party sub-contractors for our expansion efforts.

To succeed in our business expansion, we will need to recruit and train new managers and other employees, select third-party sub-contractors and other suppliers, continue to build our operations and reputation, and understand the needs and preference of the property owners and residents in the residential communities and non-residential properties we manage, within a relatively short period of time.

We may have limited knowledge of the local property management service markets or have little or no prior business experience in the new markets that we will expand into. In addition, we may face difficulties in adapting to the administrative, regulatory and tax environments in new markets, which could be substantially different from those in our established markets. We may not have the same level of familiarity with local business practices or relationships with local merchants, third-party sub-contractors, other suppliers and other business partners as we do in our established markets. We may have limited ability to leverage our brand name in new markets

in the way that we have done so in our established markets, and may face more intense competition from other property management companies or property developers that manage their own properties in those new markets.

Furthermore, our future growth depends on our management's ability to improve our administrative, technical, operational and financial infrastructure. Our ability to grow also depends on our ability to hire, retain, train, supervise and manage additional officers and employees, replicate our business model, allocate our human resources and manage our relationships with a growing number of customers, suppliers and other business partners. There can be no assurance that our future growth will materialize and that we will be able to manage our future growth effectively, and failure to do so would have a material adverse effect on our business, financial position and results of operations.

Our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, in particular, labor costs, and our profit margins and results of operations may be materially and adversely affected by the increase in labor or other operating costs

The property management industry is a labor intensive industry. For the years ended December 31, 2017, 2018 and 2019, labor costs accounted for approximately 66.3%, 62.5% and 45.7%, respectively, of our total cost of services. To maintain and improve our profit margins, it is critical for us to control and reduce our labor costs, as well as other operating costs. We face upward pressures of increase in our labor costs from various aspects, including but not limited to:

- increase in minimum wages. Minimum wages across China are set at the regional or district level based largely on standards determined by relevant provincial, municipal and autonomous region governments. The minimum wages in the regions and districts in which we operate have increased substantially in recent years, directly impacting our labor costs; and
- increase in headcount. As we expand our operations, we expect our headcount to continue to increase. In addition to our cost of labor, this increase in headcount also increases other associated costs such as those related to training and quality control measures. We will also need to retain and continuously recruit qualified employees to meet our growing demands for talent, which will further increase our total headcount. The competition for recruiting qualified employees in the PRC property management industry is intense and could require us to pay higher wages in our recruitment and employee retention efforts, resulting in an increase in our labor costs accordingly.

Our ability to maintain and improve our current profitability level depends upon whether we can control and reduce our labor costs and other operating costs as our business expands and we replicate the same cost model across different properties under management. We may not be successful in reducing our reliance on manual labor through our standardization, automation and smart management strategies and there can be a lapse in time between the commencement of our management services and the implementation of these strategies to reduce labor costs. Before we successfully implement such strategies, our ability to mitigate the impact of labor cost increase is limited. There is no assurance that we will be able to control or reduce our operating costs, improve our cost efficiency or to successfully pass the cost impact to the property management fees charged by us so as to maintain our profitability. If we cannot achieve this, our business, financial condition and results of operations may be materially and adversely affected.

We may not procure new property management service contracts as planned or at desirable pace or price

For the years ended December 31, 2017, 2018 and 2019, we generally procured new property management service contracts through a tender process. The selection of a property management company depends on a number of factors, including but not limited to the quality of services provided, the level of pricing and the operating history of the property management company. There is no assurance that we will be able to procure new property management service contracts in the future.

Furthermore, a substantial portion of our property management service contracts for the years ended December 31, 2017, 2018 and 2019 were related to the management of properties developed by the CGH Group. Any adverse development in the operations of the CGH Group or its ability to develop new properties may affect our ability to procure new property management service contracts. We cannot assure you that the CGH Group will actually engage us as their property management service provider for any property they develop, particularly because the appointment of property management companies is generally subject to a tender process under PRC laws. If we are not able to supplement any shortfall in managing properties developed by the CGH Group with managing properties developed by independent third-party property developers, our results of operations and growth prospects may be materially and adversely affected.

We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis

For the years ended December 31, 2017, 2018 and 2019, we primarily generated revenue from property management services on a lump sum basis, which accounted for 99.98%, 99.9% and 99.8% of our total revenue from property management services for the years ended December 31, 2017, 2018 and 2019, respectively. On a lump sum basis, we charge property management fees at a pre-determined fixed lump sum price per sq.m. of revenue-bearing GFA on a monthly basis, representing "all-inclusive" fees for the property management services provided. These management fees are fixed regardless of the actual amount of property management costs we incur. We recognize as revenue the full amount of property management fees we charge to customers, and recognize as our cost of services the actual costs we incur in connection with rendering our services. In the event that the amount of property management fees that we charge is insufficient to cover all the costs for property management service we incur, we are not entitled to collect the shortfall from the relevant property owners or property developers. As a result, we may suffer losses. If we are unable to raise property management fee rates and there is a shortfall in working capital after deducting the property management costs, our profit margins would be adversely affected. In such events, we may seek different measures to cut costs with a view to reducing the shortfall. However, our mitigating measures through cost-saving initiatives such as reducing labor costs and implementing automation and energy-saving measures may not be successful in raising our profit margin, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce customers' willingness to pay us higher property management fees and adversely affect our reputation, business operations and financial position.

We may not be able to collect property management fees from customers and as a result, may incur impairment losses on receivables

We may encounter difficulties in collecting property management fees from property owners and residents. Even though we seek to collect overdue property management fees through various collection measures, we cannot guarantee that such measures will be effective. In addition, before accepting new engagements, we may assess the historical collectability of management fees in these properties. However, there is no assurance that such assessment would enable us to accurately predict our future property management fee collection rates. Moreover, although most of the property management fees are paid to us through bank transfers, certain property owners and residents would pay their property management fees and community value-added service fee in cash, which may impose some cash management risk on us.

The balance of our allowance for impairment of trade receivables was RMB23.6 million, RMB33.2 million and RMB57.9 million (US\$8.3 million) as of December 31, 2017, 2018 and 2019, respectively. Although our management's estimation and the related assumptions were made in accordance with information available to us at the time the allowance was determined, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of the new information, we may need to make more of such impairment allowance, which may in turn materially and adversely affect our business, financial position and results of operations. For the years ended December 31, 2017, 2018 and 2019, our provision for loss allowance for other receivables amounted to RMB2.6 million, RMB5.0 million and RMB10.1 million (US\$1.4 million), respectively. If we are unable to collect property management fees from customers or experience a prolonged delay in receiving such fees, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

Our business and financial condition could be materially and adversely affected if we fail to maintain effective cash flow management

We had net cash inflow from operating activities of approximately RMB885.3 million, RMB1,548.7 million and RMB3,257.2 million (US\$467.9 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

While we have in the past financed our working capital needs primarily with our cash at banks and net cash generated from operating activities, we cannot assure you that we will always be able to generate net cash from operating activities. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. We cannot assure you that we will not suffer any decline in our future working capital or experience net cash outflow in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business and financial condition could be materially and adversely affected.

Termination or non-renewal of our property management services for a significant number of properties could have a material adverse effect on our business, financial position and results of operations

We generate a substantial part of our revenue from property management services performed under our property management service contracts. For the years ended December 31, 2017, 2018 and 2019, revenue generated from our property management services accounted for 81.5%, 73.7% and 60.3% of our total revenue, respectively. The majority of our preliminary property management service contracts do not have fixed terms. Such contracts can be terminated when the property owners select another property management service provider through the property owners' general meeting and a replacement property management service contract entered into by the property owners' association takes effect. The property management service contracts we entered into with property owners' associations generally have fixed terms which will need to be renewed upon expiry. For details, see "*Business—Property Management Service Contracts*". There is no assurance that our services can be provided at a satisfactory level for us to be selected by the relevant property owners to enter into subsequent property management service contracts or the relevant subsequent property management service contracts can be renewed when their terms expire. Termination or non-renewal of a significant number of management service contracts could have a material and negative impact on our revenue from property management services.

In addition, the performance and development of our community value-added services business, to a large extent, rely upon the number of properties we manage for our property management services business. Therefore, any failure to renew our property management service contracts or termination of such contracts could also adversely affect the performance of our other businesses.

Our property management service contracts may have been obtained without going through the required tender and bidding process

Under PRC laws and regulations, property developers are typically required to enter into a preliminary property management service contract for residential properties with a property management company through a tender and bidding process. In addition, a public tender process may also be required under PRC laws and regulations for PRC government, public institutions and bodies with public fiscal funds to engage property management service providers for properties, such as government buildings and public facilities. A residential property developer may be required to take rectification measures within a prescribed period and would be fined if it fails to comply with such tender and bidding requirement under PRC laws for entering into preliminary property management service contracts.

We had a small portion of our preliminary property management service contracts as of December 31, 2019 from property developers which did not conduct the tender and bidding process under PRC laws and regulations and the compulsory requirement of relevant local authorities. For further details, see "*Business—Property Management Services—Growth of our Property Management Services Portfolio*".

The lack of a tender and bidding process for the selection of property management service providers for the aforementioned preliminary property management service contracts was not caused by us but the relevant property developers. However, such preliminary property management service contracts may be determined to be invalid by the local judicial authorities

depending on the circumstances of the case. If this occurs, the relevant property developer may need to organize a tender and bidding process to select a property management service provider for their developed projects. In the case that we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

We rely on third-party sub-contractors to perform certain property management services and may be held responsible for their substandard services to our customers

We delegate certain property management services, including cleaning, gardening, greening and repair and maintenance services, to third-party sub-contractors. For the years ended December 31, 2017, 2018 and 2019, our sub-contracting costs accounted for 16.4%, 20.3% and 25.1% of our total cost of services, respectively. We may not be able to monitor the services of our sub-contractors as directly and effectively as with our own employees. They may take actions contrary to our instructions or requests, or be unable or unwilling to fulfil their obligations. As a result, we may have disputes with our sub-contractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions, and potentially expose us to litigation and damage claims. We may be able to recover from a sub-contractor the amounts we are required to pay to customers due to the sub-contractor's failure to perform pursuant to the agreements that we enter into with the sub-contractor, but there is no guarantee that we will be able to do so. Upon the expiration of our agreements with our current sub-contractors, there can be no assurance that we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all. In addition, if our third-party sub-contractors fail to maintain a stable team of qualified labor or have easy access to a stable supply of qualified labor, the work process may be interrupted. Any interruption to the sub-contractors' work process may potentially result in a breach of the contract that we entered into with our customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

We are subject to the regulatory environment and measures affecting the PRC property management industry

Our operations are affected by the regulatory environment and measures affecting the property management industry in the PRC. In particular, the fees that property management companies may charge in connection with property management services are subject to regulation and supervision by relevant regulatory authorities. For example, for our operations in the PRC, the relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow PRC government guidance prices. Although government-imposed price controls on property management fees may continue to relax over time pursuant to the Circular of the National Development and Reform Commission on Relaxing Price Controls in Certain Services (國家發展改革委關於放開部分服務價格意見的通知)(發改價格[2014] 2755號), which became effective on December 17, 2014, our property management fees may still need to follow guidance prices imposed by various local governments in the PRC. For more information, please see "*Business—Property Management Fees—Pricing of Property Management Fees*". Government-imposed limits on fees, coupled with rising labor and other

operating costs, could have a negative impact on our earnings. For properties that are managed on a lump sum basis, we may experience a decrease in profit margin. We cannot guarantee that the government regulations on fees and other matters concerning the property management industry will not have an adverse effect on our business, financial condition and results of operations, which may be material.

We may be adversely affected by fluctuations in the global economy and financial markets at the macroeconomic level

In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. More recently, trade tensions between the U.S. and China escalated, where both countries have increased tariff on certain products in their bilateral trade. China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the real estate industry remains uncertain.

Further, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("**Brexit**"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact and increase volatility in the global market.

In addition, the COVID-19 virus has spread across the PRC and the rest of the world in early 2020. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has caused stock markets worldwide to lose significant value since February 2020. Market interest rates have declined significantly, and central banks around the world have introduced or are considering fiscal and monetary stimulus measures including tax cuts, direct subsidies, interest rates cuts and the suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the pandemic, stabilize markets and provide liquidity easing. In the PRC, government regulators have promulgated a series of measures to encourage PRC financial institutions to increase financial support to business and consumers to combat the challenges arising from the COVID-19 pandemic. There is no assurance that any such measures may be introduced in time or will be sufficient or effective in stabilizing markets or mitigating the economic impact of COVID-19. As a result, the global economy is facing significant uncertainties and global financial markets are experiencing significant volatilities.

These and other issues contributing to the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the general demand for real estate property in the PRC, which may adversely impact our property sales. There is no assurance that further economic slowdown will not occur in the near future, or the PRC government's economic recovery will be sustainable or successful to address the economic slowdown. If market conditions deteriorate or a market downturn occurs again and becomes more severe, longer lasting or broader than expected, we could defer our expansion plans, delay our projects under development or face weakened sales and pre-sales which in turn could cause us to face a material loss of customers and revenue and our shareholder value and overall business prospects could be materially and adversely affected. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be adversely affected.

We are affected by the PRC government regulations on the PRC real estate industry, which may limit our business growth

Our business performance is primarily dependent on the total contracted and revenue-bearing GFA and the number of properties we manage. As such, our business growth is, and will likely continue to be, affected by the PRC government regulations of the real estate industry. The PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations. Furthermore, any economic slowdown, recession or other developments in the social, political, economic or legal environment of the PRC could result in fewer new property development projects, or a decline in the purchasing power of residents or tenants living in the properties we manage, resulting in

lower demand for our services and lower revenue for us. As such, our business, financial condition and results of operations could be materially and adversely affected.

Our community value-added services business may not grow as planned and our development of relevant service platforms may not be successful

We plan to grow our community value-added services by expanding our service offerings and customer base and improving the integration of our relevant service platforms. For further information on our community value-added services, see “*Business—Community Value-added Services*”. However, there is no assurance that we could grow such business as planned, and our related costs incurred may not be recovered. We need to recruit qualified employees with relevant experience to grow our community value-added services business. As the market is competitive, there is no assurance that we will be able to recruit sufficient number of qualified employees to support our growth plan. In addition, the development of community value-added services also relies on our ability to tap our existing customer base from our managed properties for community value-added services, as well as our ability to identify suitable products and services to be marketed and sold via our relevant service platforms, in particular through collaboration with various third-party merchants. However, our current planning may be changed or certain community value-added services that we plan to offer may not be realized due to changes in demand from customers and market trends. For instance, we aim to expand the functionality of our online service platform through the further development of our “Phoenix Club” mobile application. The future growth of our mobile application depends on our ability to continue to attract new users as well as to increase the spending and repeat purchase rate of existing users. Changing consumer preferences have historically affected, and will continue to affect, the e-commerce industry. As a result, we must stay abreast of emerging lifestyle and consumer preferences and anticipate product trends that will appeal to existing and potential users. New products and services, or entrance into new markets, may require substantial time, resources and capital, and profitability targets may not be achieved. We cannot assure you that the residents will use the services and products on our online service platform. If our residents cannot access their desired products or services within our portfolio at attractive prices or at all, our residents may lose interest in our mobile application and thus may use our mobile application less frequently, if at all, which in turn, may adversely affect our business, our results of operations and our financial position.

We are in a competitive business with various competitors and if we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected

The PRC property management industry is competitive and fragmented. Our major competitors include national and regional property management companies. Competition may intensify as our competitors expand their service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors, including property management portfolio, brand recognition, financial resources, price and service quality. Our competitors may have better track records, longer operating histories and greater financial, technical, sales, marketing and other resources, as well as greater name recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale, and support of their services. In addition to competition from established companies, emerging companies may enter our existing or new markets. There can

be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We believe our current success can be partially attributed to our standardization, automation and smart management of operations in providing our property management services. We plan to continue to refine our service standardization, automation, smart management and upgrades of IT systems, to enhance the quality and consistency of our services, improve our on-site service teams' efficiency and reduce our costs. If we fail to continue to improve such practices, our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

Our business is subject to third-party payment processing related risks

We accept payments using a variety of methods, including payments with credit cards and debit cards issued by banks in China, as well as payment through third-party online payment platforms. We may be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment options. We are also subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers, which are subject to change or reinterpretation that could make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from customers, process electronic funds transfers or facilitate other types of any online payments, and our business, financial position and results of operations could be adversely affected.

System interruption and security risks, including security breaches and identity theft, may result in reduced use by our customers of our relevant service platforms, and expose us to the risk of litigation which could negatively affect our financial and operational results and damage our reputation

We may experience occasional system interruptions, delays or other technical problems that make any of our relevant online applications and their services unavailable or difficult to access, and prevent us from promptly responding or providing products or services to our customers, which may reduce the attractiveness of such service applications. If we are unable to continue to effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of our systems, there may be system interruptions or delays which will adversely affect our operating results. In addition, our community value-added services utilizing any online platform, such as mobile applications, are subject to security risks, including security breaches and identity theft. We must be able to provide secured transmission of confidential information over public networks when providing such services. Any penetration of network security or other misappropriation or misuse of personal information could cause interruptions in the operations of our business and subject us to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation.

Risks relating to natural disasters, epidemics, including the COVID-19 pandemic, acts of terrorism or war in the PRC and globally may materially and adversely affect our business

Natural disasters, epidemics, including the COVID-19 pandemic, acts of terrorism or war or other factors that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of people in the areas where we have or plan to have business operations. In particular, due to their geographic regions, some of these areas are susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as Ebola, SARS, H1N1, H5N1, H7N9 or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. Any of such events could result in tremendous proprietary damages and losses, personnel injuries and live losses, as well as disruption or destruction of our business operations.

In particular, the outbreak of COVID-19 has endangered the health of many people in China and other countries, resulting in numerous confirmed cases and deaths and significantly disrupted travels and local economies in and outside of China. To prevent further transmission of COVID-19, the PRC Government has adopted a series of measures nationwide, including among others, locking down Wuhan, restrictions on enterprises from resuming work, traffic control, travel bans, management and control over commencement schedules of construction in new and existing construction sites. As of December 31, 2019, we had 32 projects with a total GFA of approximately 6.2 million sq.m. under management located in Wuhan and 22 projects for which we provide value-added services to non-property owners located in Wuhan. We had a total of over 1,800 employees located in Hubei province, as of the same date. As of December 31, 2019, we also had projects and employees located in other cities in China that were affected by COVID-19 outbreak. Therefore, we are subject to certain risks, which include among others:

- we may not be able to collect property management fees from property developers, property owners and residents in Wuhan and other cities subject to lockdown due to COVID-19 as scheduled on time in the near future;
- we may not be able to provide on-site services, such as property agency services and home decoration services in the near future and our sales assistance services at property sales venue in Wuhan or other cities where the PRC government imposed lockdown or other containment measures may be affected;
- we may not be able to further expand in Hubei province and other cities subject to lockdown due to COVID-19 in the near future as planned and our tender or bidding process may be postponed which may adversely affect our business expansion;
- any transmission within the community under our management may harm our reputation;
- we may incur extra costs in relation to our precautionary measures and disinfection works carried out by us which may result in losses under our lump sum charge;
- the delivery of properties for which we have been contracted to provide property management services may be delayed; and
- we may be required to quarantine some or all of our employees, or disinfect the community to prevent the spread of the disease if any of our employees were suspected of contracting or contracted an epidemic disease.

The occurrence of any of the above events may adversely affect our operations and results of operations. The overseas patients who visit the cities in which we operate may affect the local

population and our local operations. Furthermore, such adverse epidemics may severely affect and restrict the level of economic activity in China as the government in each region we operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China and the world. In response to the COVID-19 pandemic, governments across the world have imposed travel restrictions and/or lockdown to contain its transmission. As the pandemic continue to spread worldwide, more countries may impose similar or more severe containment measures. There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measure may, however, adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. The reduction in demand and supply may adversely and materially affect economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect our business, financial condition, results of operations and growth prospects.

Damage to the common areas of the properties we manage as a result of any natural disasters, intended or unintended actions of property owners or residents or other events could adversely affect our business, results of operations and financial position

The common areas of the properties we manage may be damaged in a variety of ways that are out of our control, including but not limited to natural disasters, residents' intended or unintended actions, and epidemics. For example, in the event of natural disasters, such as earthquake, typhoon or flood, the common areas may be materially damaged. Although the special fund for residence maintenance could cover all or part of the cost, there can be no assurance that such fund will be sufficient. If any person purposely or recklessly sets fire or causes flooding in an apartment or common area, the exterior of the building, corridors and stairways may be damaged, or if a person commits or is suspected of having committed criminal activities within the properties, we need to allocate additional resources to assist the police and other governmental authorities on their investigations. In the event of any damage that affects the common areas, our current residents may be affected and we may have to fix the damages with our own resources and then attempt to collect fees from the property developers or property owners to cover our expenses. However, we may face difficulties in collecting such fees from them. The additional costs we incur due to damage to the common areas may increase along with our business growth and geographic expansion. For example, certain areas where we operate may be located on earthquake belt or may be subject to frequent typhoons. Although none of our assets, business, results of operations and financial positions were materiality affected during the years ended December 31, 2017, 2018 and 2019, we continue to be exposed to such risks that our managed properties may suffer damage due to reasons such as natural disasters, epidemics, and residents' intended or unintended actions or any other events.

Our future acquisitions may not be successful and we may face difficulties in integrating acquired operations with our existing business

We have been expanding our business through acquisitions and we plan to continue to evaluate opportunities to acquire other property management companies and other businesses that are supplementary to our existing business and integrate their operations into our business.

However, there can be no assurance that we will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

Furthermore, we may face difficulties in integrating acquired operations with our existing business, particularly when integrating the existing workforce of regional property management with companies we may acquire. Such difficulties could disrupt our ongoing business, distract our management and employees or increase our expenses, any of which could materially and adversely affect our business, financial position and results of operations.

We are exposed to risks in relation to work safety and occurrence of accidents

Work injuries and accidents may occur during the course of our business. We provide repair and maintenance services to our customers and managed properties through our own employees or third-party sub-contractors. Repair and maintenance services such as for elevators and fire control facilities involve the operation of heavy machinery and therefore, are subject to risks of work injuries or accidents. During the years ended December 31, 2017, 2018 and 2019, we did not experience any work injury incident or accident in the course of our operations that resulted in a material and adverse effect on our business, financial position and results of operations. Nevertheless, there can be no assurance that any such incident or accident, which could result in property damage, personal injury or even death to the residents, property owners, our employees or sub-contractors, will not occur in the future. In such events, these occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability and we may be held liable for the losses. In addition, we are exposed to claims that may arise due to employees' or third-party sub-contractors' negligence or recklessness when performing our services. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining requisite government approvals or licenses in carrying out our operations

We are required to obtain and maintain certain licenses, permits, certificates and approvals for our business operations such as real estate brokerage license and insurance agency license. We must meet various specific conditions in order for the government authorities to issue or renew any such certificate or permit. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to our services or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our relevant business development plans, and our business, financial condition and results of operations may be adversely affected.

The preferential income tax treatment that we enjoy in the PRC may be altered or terminated

We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. Certain subsidiaries of our Group in the PRC are located in western cities and are subject to a preferential income tax rate of 15% in certain years. In addition, in May 2018 our PRC subsidiary Country Garden Life Services Group Co., Ltd. (碧桂園生活服務集團股份有限公司) (“**CG Life Services**”) received the certificate of “High and New Technology Enterprise” under which CG Property Services is entitled to a preferential PRC income tax rate of 15% for each of 2017, 2018 and 2019.

We cannot assure you that our subsidiaries will continue to enjoy the aforementioned preferential income tax treatment. For instance, under applicable PRC laws and regulations, the preferential income tax treatment for a “High and New Technology Enterprise” is subject to renewal every three years and can be revoked by the relevant local authorities upon a review process on the eligibility of such accreditation. We cannot assure you that CG Life Services will continue to be accredited as a “High and New Technology Enterprise” upon expiration of the relevant certificate, or that such accreditation will not otherwise be revoked by the relevant local authorities. If we fail to renew any preferential tax treatment qualification in time or at all, or if any change or termination of preferential tax treatment occurs, the increase in our tax charge or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees and resignation of any member of our senior management would affect our operation

Our continued success is highly dependent upon the efforts of our senior management and other key employees. If either of them or any of our other key employees leaves and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend in part on our ability to attract and retain qualified personnel in all aspects of our business, including but not limited to corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position

We have registered and are in the process of registering a number of intellectual property rights in the PRC. We consider these intellectual properties are crucial business assets and key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our brand, trade names and trademarks to increase brand recognition and to further develop our brand. The unauthorized reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. For details, see “*Business—Intellectual Property Rights*”. Our measures to protect intellectual property rights may afford limited protection and policing

unauthorized use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, operating results and financial position.

For the years ended December 31, 2017, 2018 and 2019, we had been licensed by Foshan Shunde Country Garden Property Development Company Limited ("**Shunbi Property**"), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CGH, to use several of its trademarks for our operation on a royalty free basis. For details, see "*Business—Intellectual Property Rights*". If the relevant licensor ceases to authorize such trademarks to us, our business, financial position and results of operations may be materially and adversely affected. We are also exposed to the risk that a third-party may successfully challenge the licensor's ownership of, or our right to use, the relevant licensed trademarks or if a third-party uses such trademarks without authorization.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter

We maintain certain insurance coverage primarily including public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations, personal accident insurance for some of our employees and vehicle insurance. See "*Business—Insurance*". We believe our insurance coverage is in line with industry practice for similar property management companies in the PRC. However, we cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations.

We may be involved in legal and other disputes and claims from time to time arising from our operations

We may, from time to time, be involved in disputes with and subject to claims by our customers, such as property developers, property owners or residents, to whom we provide property management and other services. Disputes may also arise if they are dissatisfied with our services. In addition, property owners may take legal actions against us if they perceive that our services are inconsistent with the prescribed service standards contained in the property management service contracts. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our employees, third-party sub-contractors, other suppliers, other third parties who sustain injuries or damages while visiting properties under our management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

The expansion of our business may expose us to increased risks of non-compliance with rules and regulations issued by a number of governments at provincial and local levels

As we expand our business operations into new geographic regions and broaden the range of services we perform, we are subject to an increasing number of provincial and local rules and regulations. In addition, because the size and scope of our operations had increased over the years, the difficulty of ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliance have increased. If we fail to comply with the related local regulations, we may be subject to penalties by the competent PRC authorities. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase our costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our reputation, business, financial position and results of operations.

We may be exposed to liabilities from disputes involving products and services offered and advertised on our online service platform such as the “Phoenix Club” mobile application

To facilitate the development of our community value-added services, we sell goods (including food) and provide living related services through the “Phoenix Club” mobile application. We also collaborate with third-party merchants and advertise their products and services on our mobile application. We may therefore be subject to product liability arising from reselling or advertising the products or services on the mobile application under the Laws on the Protection and Rights and Interests of Consumers of the PRC, the Tort Law of the PRC, the Advertising Law of the PRC and other relevant PRC laws and regulations. For instance, claims may be brought against us by purchasers, regulatory authorities or other third parties alleging, among other things, that: (i) the quality of the products sold or services provided by or through us via our service platform fail to conform to required product quality; (ii) advertisements made on our service platform with respect to such products or services are false, deceptive, misleading, libelous, injurious to the public welfare or otherwise offensive; (iii) such products or services are defective or injurious and may be harmful to others; and (iv) such marketing, communications or advertising infringe on the proprietary rights of other third parties.

We currently do not carry any product liability insurance coverage. Any product liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay substantial damages as a result of such claim or action. A material design, manufacturing or quality failure in the products or services offered or advertised on our relevant service platform, safety issues or heightened regulatory scrutiny could each result in a product recall and increased product liability claims. Furthermore, customers may not use the products offered on our service platform in accordance with product usage instructions, possibly resulting in customer injury. All of these events could materially harm our brand and reputation and marketability of such products or services, cause us to lose our existing mobile application users with lower user engagement, divert our management’s attention and have a material adverse effect on our business, financial position and results of operations.

We may be subject to fines for our failure to register for and/or contribute to social insurance and housing provident funds on behalf of some of our employees

During the years ended December 31, 2017, 2018 and 2019, we did not register for and/or fully contribute to the social insurance and housing provident funds for certain employees. As our

Directors considered the total amount of such contributions as of December 31, 2017 was immaterial, we did not make provision thereto during the years ended December 31, 2017, 2018 and 2019. The relevant PRC authorities may demand that we pay the outstanding social insurance contributions by a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, and if we fail to make such payments, application may be made to a people's court in the PRC for compulsory enforcement. We cannot assure you that the relevant PRC authorities would not notify and require us in the future to complete registration and/or pay the outstanding contributions by a stipulated deadline. In the case we fail to pay the outstanding contributions, or to complete the housing fund registration in accordance with PRC laws and as required by the relevant PRC authorities, we may be subject to a penalty fine and/or an order from the relevant people's court to enforce such payment.

We occupy certain management offices in the PRC which are not those that are required to be provided to us by property developers under PRC laws, some landlords may not have provided to us relevant title certificates with respect to some of our leased properties in the PRC and some of our lease agreements were not registered with the relevant government authorities

Under PRC laws and regulations, property developers are required to plan and provide property management office space for property management companies to use for free. As of December 31, 2019, we occupied certain management offices in the PRC which were not those required to be provided to us by property developers under PRC laws. We are subject to the risk of relocation of the property management offices if demanded by the relevant property owner or the local authorities. If such events occur, we may incur additional relocation costs and our property management services to the relevant residential communities may be disrupted.

As of December 31, 2019, some of our landlords failed to provide valid title certificates with respect to some of our leased properties in the PRC. If our landlords are not the owner or not authorized by the real owner to lease the properties to us, we might need to seek alternative properties and incur additional costs relating to such relocation. Any dispute or claim in relation to the rights to use or lease of the properties occupied by us, including any litigation involved allegations of illegal or unauthorized use of these properties, may require us to relocate our business premises. If any of our leases were terminated as a result of any challenge by third-parties or any failures of our landlords to renew the leases or obtain their legal titles or the requisite government approval or consent to lease the relevant properties, we may need to seek alternatives premises and incur additional costs for relocation.

As of December 31, 2019, some of the lease agreements entered into by us were not registered with the relevant government authorities. We may be subject to fines for the failure to register the lease agreements, which could disrupt our financial conditions and results of operations.

Our reputation may be adversely affected by customer complaints relating to the services provided by our Group even if they may be frivolous or vexatious

Our customers may file complaints or claims against our Group regarding our services. Our customers are largely individual property owners and residents and our business is to provide

property management and other services to them, which includes addressing the everyday needs of their homes and their families. These property owners and residents, even though living in the same property under our management, come from all walks of life and may have different expectations on how their properties and neighborhoods should be managed. As a result, during our ordinary course of business, we need to strike a balance among these varying expectations among different groups of property owners and residents.

Although we have established procedures to monitor the quality of our services and maintained communication channels through which customers may provide feedbacks and complaints, there is no assurance that all property owners' and residents' expectations and demands can be addressed in a timely and effective manner. There is no guarantee that certain individual property owners and residents and/or groups of property owners and residents of a property under our management will not have specific demands or expectations which are beyond what we can provide within our normal course of operations. Furthermore, there is no guarantee that, in order to compel us to meet these demands, such property owners and residents will not attempt to exert pressure on our Group by means beyond our control, such as by way of lodging or making frivolous or vexatious complaints directly to us or through various media sources. Any of such events or any negative publicity thereof, regardless of veracity, may distract our management's attention and may have an adverse effect on our business, our reputation and the trading price of our Shares.

During the years ended December 31, 2017, 2018 and 2019, we did not receive any complaints from our customers that may have a material adverse impact on our operations and financial position. Nevertheless, our Directors cannot assure you that we will not receive customer complaints which may affect our reputation even if the complaints are frivolous or vexatious.

Any inability to comply with our environmental responsibilities may subject us to liability

We are subject to environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental issues, and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed in the future. If we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may materially and adversely impact our business, financial condition, results of operations and growth prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic, political and social conditions and government policies in China may have an adverse effect on our business

During the years ended December 31, 2017, 2018 and 2019, our business operations were conducted in China and substantially all of our revenue was derived from the PRC market. As a result, we are susceptible to changes in the economic, political and social conditions in China. The economy of China differs from the economies of most developed countries in many respects, including the degree of government involvement, degree of development, growth rate, control

of foreign exchange and import and allocation of resources. In the past, the PRC government has implemented measures emphasizing the utilization of market forces for economic reform. However, the PRC government continues to play a significant role in regulating industrial development and the allocation, production, pricing and management of resources. We may not in all cases be able to capitalize on the economic reform measures adopted by the PRC government. In addition, the implementation of PRC laws and regulations involves a degree of uncertainty. We cannot predict the future development of the PRC legal system, including any promulgation of new laws, change to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws, and the effect it may have on us. Changes in the economic, political and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof) and fiscal or financial measures, could have an adverse effect on the overall economic growth of China, which could subsequently hinder our business, growth strategies, financial condition and results of operations.

Governmental control of currency conversion may limit our ability to use capital effectively

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Our ability to access credit and capital markets may be adversely affected by factors beyond our control

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

We may be considered a PRC “resident enterprise” under the EIT Law and income tax on the dividends that we receive from our PRC operating subsidiaries may increase

Our Company was incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered PRC “resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. On April 22, 2009, the State Administration of Taxation of the PRC (the “SAT”) released the Notice Regarding the Determination of Chinese-Controlled offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“Circular 82”) (which was amended on December 29, 2017), setting out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or a PRC enterprise group is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. In addition, Circular 82 also requires that the determination of “de facto management body” shall be based on the principle that substance is more important than form. Further to Circular 82, the SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which took effect on September 1, 2011 and was amended on June 1, 2015, June 28, 2016 and June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises”. Currently, our management is primarily based in the PRC, and may continue to be based in the PRC in the future.

If we were considered a PRC resident enterprise, we would be subject to enterprise income tax at the rate of 25% on our global income, and any dividend or gain on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. We invest in our PRC operating subsidiaries through our subsidiary

incorporated in Hong Kong. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Hong Kong Tax Treaty**”), our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated an announcement on February 3, 2018, effective as at April 1, 2018 (“**SAT Announcement [2018] No. 9**”), which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a “substance over form” analysis to determine whether or not to grant tax treaty benefits to a “conduit” company. It is unclear whether SAT Announcement [2018] No. 9 applies to dividends from our PRC operating subsidiaries paid to us through our Hong Kong subsidiary. It is possible, however, that under, our Hong Kong subsidiary would not be considered the “beneficial owner” of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business

The income and expenses of our PRC subsidiaries have been and are expected to continue to be primarily denominated in Renminbi and it is exposed to the risks associated with the fluctuation in the currency exchange rate of Renminbi. The value of the Renminbi against the U.S. dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC’s policies and international economic and political developments. Under the current policy, the RMB is pegged against a basket of currencies, as determined by the PBOC, against which it can rise or fall within stipulated ranges each day. As a result of the historical and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the U.S. dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars (which are pegged to the U.S. dollar), of our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars or Hong Kong dollars into Renminbi for such purposes.

Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to you

Our operations and assets in the PRC are governed by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China, or may be unclear or inconsistent. In particular, since the property management service

industry is in its developmental stage in the PRC, the laws and regulations relating to this industry are unspecific and may be incomprehensive. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a PRC court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after such violation. Finally, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. The materialization of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts

A majority of our Directors and senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible.

RISKS RELATING TO THE BONDS AND THE SHARES

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly U.S. dollars

The Bonds are denominated in Hong Kong dollars, which is pegged to the U.S. dollar, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further on May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. Although the exchange rate between the Hong Kong dollar and the U.S. dollar has been effectively pegged, there can be no assurance that the Hong Kong dollar will remain pegged to the U.S. dollar, especially in light of the significant international pressure on the Chinese government to permit the free floatation of the Hong Kong dollar or the Renminbi, which could result in an appreciation of the Hong Kong dollar or the Renminbi against the U.S. dollar. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special

Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or Hong Kong dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds and the Guarantee.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In connection with our other U.S. dollar-denominated liabilities, we may enter into foreign exchange or interest rate hedging agreements. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

We may be able to redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC “resident enterprise”

In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. As described in Condition 8(C), in the event we are required to pay additional amounts as a result of certain changes in specified tax laws or any change in the general application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after April 27, 2020, such as a change that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise”, we may, subject to Condition 8(C), redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Bonds depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. Our PRC subsidiaries receive substantially all of their revenues in Renminbi. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid). Pursuant to the EIT Law, which became effective in January 1, 2008, if we are deemed a “non-resident enterprise”, dividends distributed to us by our PRC subsidiaries and interest payments made to us by our PRC subsidiaries (to the extent permitted by law) are subject to a 10% withholding tax. Prior to making such interest payments, the relevant PRC subsidiary must also present evidence of payment of 10% withholding tax. If any such PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including the failure of SAFE to approve the registration of the relevant intercompany loans or to approve the payments under such loans, the PRC subsidiary will be unable to pay us dividends or interest and principal, when

due, on the relevant intercompany loans, which may affect our ability to satisfy our obligations under the Bonds.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations, including under the Guarantee, will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt alternative strategies. These may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

Holders of the Bonds are not entitled to rights with respect to the Shares, but are subject to changes made with respect to the Shares

Holders of the Bonds are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Bondholders convert the Bonds for Shares and are themselves registered as holders thereof. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Company's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares

Any issuance of our equity securities after this Offering of the Bonds could dilute the interest of our existing shareholders and could substantially decrease the trading price of the Shares. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the

public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair our ability to raise capital through the sale of additional equity securities. There is no restriction on our ability to issue Shares or the ability of any of our shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that we will not issue Shares or that our shareholders will not dispose of, encumber or pledge the Shares. We cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

Bondholders will bear the risk of fluctuations in the price of the Shares

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds.

There is a risk that the Bonds will be required to be registered with the NDRC

The National Development and Reform Commission of the PRC (the “NDRC”) issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (FAGAIWAIZI [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “NDRC Circular”) on September 14, 2015, which came into effect on the same day. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, the enterprise must, prior to issuing such bonds, make filing with the NDRC so as to obtain a registration certificate from the NDRC in respect of the issuance. Such enterprise must also notify certain details of the bonds to the NDRC within 10 business days of the completion of the bond issuance.

The issuance of the Bonds has not been registered with the NDRC pursuant to the NDRC Circular as the NDRC Circular only applies to offshore offerings of debt by PRC enterprises with a tenor of over one year. However, as the NDRC Circular is a relatively new regulation, uncertainties remain regarding its interpretation, implementation and enforcement by the NDRC and, in particular, there is a risk that the NDRC could in the future amend the rules relating to the NDRC Circular or the interpretation thereof (including with retroactive effect), such that debt instruments similar to the Bonds will be subject to the registration and other requirements under the NDRC Circular. In the event that the Bonds are required to be registered with the NDRC and the Company is unable to complete such registration within the prescribed timeframe, the Company may need to refinance the Bonds.

Our results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares

The trading price of the Shares will be influenced by our operational results (which in turn are subject to the various risks to which our businesses and operations are subject) and by other

factors such as changes in the regulatory environment that may affect the markets in which we operate and capital markets in general. Corporate events such as share sales, reorganizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Conversion of the Bonds may dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares

The conversion of some or all of the Bonds may dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

Holders have limited anti-dilution protection

The Conversion Price (as defined in the Conditions) will be adjusted on the occurrence of certain events, including a subdivision, consolidation or reclassification of Shares, rights issue of Shares or options over Shares, capital distributions, capitalization of profits or reserves or other events as specified in Condition 6. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

The Bonds will have limited liquidity and the transfer of the Bonds will be restricted

No public market exists for the Bonds. There is no current intention to list the Bonds other than on the SGX-ST. If any of the Bonds are traded after the initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar Bonds and other factors, including general economic conditions and our financial condition, performance and prospects. No assurance can be given as to the future price level of the Bonds after their initial issue.

The Bonds or the Shares issuable upon conversion of the Bonds are not registered under the Securities Act or other securities laws. Unless and until the Bonds or the Shares are registered under the Securities Act, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the Shares thereof will not be freely tradable absent registration or an exemption from registration.

The Bonds will contain provisions regarding modification, waivers and substitution, which could affect the rights of Bondholders

The Trust Deed will contain provisions for convening meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all holders of Bonds, including holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority. In addition, the Trust Deed will provide that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or a resolution passed by way of electronic consents through the Clearing Systems (in a form satisfactory to the Trustee)

by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall be valid and effective as a duly passed Extraordinary Resolution of the Bondholders. The Conditions will also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except for certain reserved matters as set out in Condition 14(A) or in the Trust Deed) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, and (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorization or waiver shall be binding on the holders of Bonds.

The Issuer may not have the ability to redeem the Bonds

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash all or some of their Bonds upon a transaction or event constituting a Change of Control or a delisting within the meaning of paragraph (i) of the definition of “Relevant Event” set out in Condition 8(D), as described in Condition 8(D). The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer’s ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness it holds.

The insolvency laws of the British Virgin Islands, Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar

Because the Issuer and the Company are incorporated under the laws of the British Virgin Islands and the Cayman Islands, respectively, an insolvency proceeding relating to the Issuer or the Company, even if brought in other jurisdictions, would likely involve British Virgin Islands or Cayman Islands (as the case may be) insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct substantially all of our business operations through our PRC-incorporated subsidiaries in the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyze the risks and uncertainties carefully before investing in the Bonds.

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds and the information contained in this offering circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- understand thoroughly the terms of the Bonds; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take any such steps and/or actions and/or institute any such proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Trust Deed and the Conditions and applicable laws and regulations, it will be for the Bondholders to take any such steps and/or actions and/or institute any such proceedings directly.

Lack of a public market for the Bonds

The Bonds are a new issue of securities for which there is currently no established trading market when issued, and one may never develop. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, there can be no assurance that we will be able to maintain such a listing or that, if listed, a trading market will develop for the Bonds on the SGX-ST. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- the financial condition, financial performance and future prospects of the Issuer and the Company;
- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to the Company; and
- changes in the industry and competition affecting the Group.

The liquidity and price of the Bonds following the offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Changes in our revenues, earnings and cash flows and proposals of new investments, strategic alliances or acquisitions, interest rates, prices for comparable companies, government regulations applicable to our industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Sole Lead Manager, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them

Facts and statistics in this offering circular relating to China's economy and the property industry are derived from various official or other publications available in China. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Sole Lead Manager, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them and, therefore, we and they make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differ in certain respects from the generally accepted accounting principles in other jurisdictions which might be material to the financial information contained in this offering circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and generally accepted accounting principles in other jurisdictions.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which may be different from those applicable to debt securities listed in certain other countries

We will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

The Bonds will initially be held in book-entry form, and therefore, you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

The Bonds will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Bonds represented by global certificates will trade in book-entry form only, and the Bonds in definitive registered form, or definitive registered bonds, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Bonds. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Bonds. Payments of principal, interest and other amounts owing on or in respect of the Global Certificate representing the Bonds will be made to the Principal Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Bonds and credited by such participants to indirect participants. After payment to the nominee of the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Bonds under the Trust Deed.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Bonds. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default (as defined in Condition 10), unless and until definitive registered bonds are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds.

Use of proceeds

The gross proceeds from this offering will be HK\$3,875,000,000. We intend to use the gross proceeds from this offering, after deducting the underwriting commission and other estimated expenses payable by us, for potential future merger and acquisition, strategic investments, working capital and general corporate purposes.

Exchange rate information

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by the PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was widened to 1.0% on April 16, 2012 and further revised to 2.0% on March 17, 2014. From July 21, 2005 to June 30, 2014, the value of the Renminbi appreciated by approximately 30% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorized the China Foreign Exchange Trading Center, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Period end	Noon buying rate		
		Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
November	7.0308	7.0199	7.0389	6.9766
December	6.9618	7.0137	7.0609	6.9618
2020				
January	6.9161	6.9184	6.9749	6.8589
February	6.9906	6.9967	7.0286	6.9650
March	7.0808	7.0205	7.1099	6.9244
April	7.0622	7.0708	7.0989	7.0341
May (through May 8, 2020)	7.0732	7.0742	7.1031	7.0622

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

HONG KONG

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Period end	Noon buying rate		
		Average ⁽¹⁾	High	Low
(HK\$ per US\$1.00)				
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
November	7.8267	7.8279	7.8365	7.8208
December	7.7894	7.8045	7.8289	7.7850
2020				
January	7.7665	7.7725	7.7889	7.7661
February	7.7927	7.7757	7.7951	7.7630
March	7.7513	7.7651	7.7863	7.7511
April	7.7514	7.7512	7.7530	7.7498
May (through May 8, 2020)	7.7512	7.7520	7.7534	7.7505

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

Capitalization

The following table sets forth on an actual basis our consolidated cash and cash equivalents and capitalization as of December 31, 2019, and as adjusted to give effect to the issuance of the Bonds now being issued before deducting the underwriting commission and other estimated expenses of this offering. The following table should be read in conjunction with the summary consolidated financial data, the audited consolidated financial statements and related notes included elsewhere in this offering circular. Except as otherwise disclosed in this offering circular, there has been no material change in our capitalization since December 31, 2019.

(in millions)	As of December 31, 2019			
	Actual		As Adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
Cash and cash equivalents⁽¹⁾	6,914.1	993.1	10,379.7	1,490.9
Borrowings				
Bonds to be issued ⁽²⁾	-	-	3,465.6	497.8
Total equity attributable to owners of the Company	5,373.2	771.8	5,373.2	771.8
Total capitalization⁽³⁾	5,373.2	771.8	8,838.8	1,269.6

Notes:

(1) Cash and cash equivalents exclude restricted bank deposits of RMB11.9 million (US\$1.7 million).

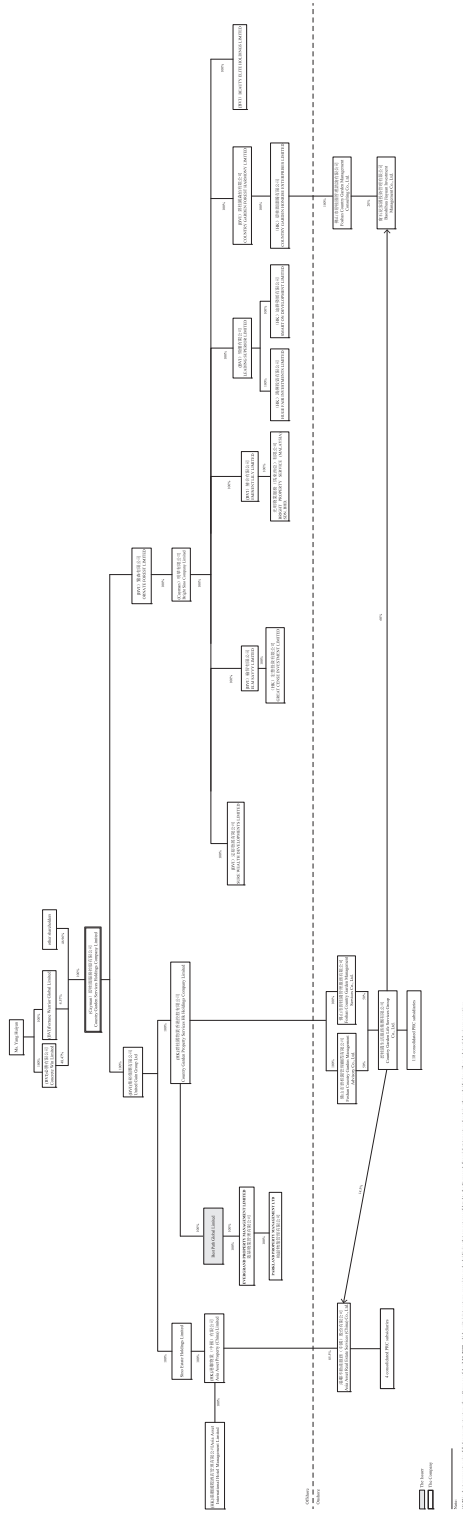
(2) In accordance with Hong Kong Accounting Standards 32 "Financial Instruments: Presentation", a convertible bond that can be converted to equity shares at the option of the holder which is accounted for as compound financial instruments contains both a liability component and an equity component. For purpose of the capitalization table and illustration, the gross proceeds we are expecting to receive from the issuance of the Bonds (before deducting the underwriting commission and other estimated expenses in relation to the issuance of the Bonds) will be assumed as the liability component, and no allocation to the equity component will be made.

(3) Total capitalization equals borrowings plus total equity attributable to owners of the Company.

We may incur additional indebtedness through bank borrowings or issuance of securities or otherwise in the ordinary course of business, including the issuance of additional debt securities.

Corporate structure

The following chart sets forth a simplified corporate structure of our Group as of April 30, 2020⁽¹⁾.



Description of the Issuer

Formation

The Issuer is a BVI business company with limited liability incorporated under the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands on March 16, 2020. The Issuer's registration number is 2033186. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer is an indirect wholly owned subsidiary of the Company.

Business activity

The Issuer is an indirect wholly-owned subsidiary of the Company. The Issuer will not carry on any business activity whatsoever other than in connection with the issue of the Bonds or other bonds and any other activities incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds and other bonds to any other subsidiary of the Company).

Financial statements

Under the British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep records and underlying documentation of the Company in such form as are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

Directors and officers

The directors of the issuer are Li Changjiang, Miao Chao and Weng Jie. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees.

Share capital

The Issuer is authorized under its memorandum of association to issue a maximum of 50,000 shares with US\$1.00 par value each of a single class and one hundred and one (101) shares have been issued and held by Country Garden Property Services HK Holdings Company Limited which is indirectly wholly owned by the Company. The register of directors of the Issuer is maintained at its registered office in the British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this offering circular, the issuer does not have any debt outstanding other than the Bonds offered hereby.

Business

Overview

We are a leading comprehensive property management service provider in China focused on residential property management, ranking No. 1 in terms of overall strength, property management scale and operational performance among the Top 100 Property Management Companies in China in 2020, according to China Index Academy.

We have a large property management portfolio. As of December 31, 2019, apart from the property management services under the “Three Supplies and Property Management” businesses, our contracted GFA was approximately 684.7 million sq.m., and our revenue-bearing GFA was approximately 276.1 million sq.m. In addition, our contracted GFA and revenue-bearing GFA of the property management services under the “Three Supplies and Property Management” businesses were approximately 84.9 million sq.m. as of December 31, 2019. We managed 2,405 property projects covering more than 350 cities across 31 provinces, municipalities and autonomous regions in China and overseas markets, providing quality property management services to more than 3.46 million property owners as of December 31, 2019.

Our four main business lines, namely, (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) the “Three Supplies and Property Management” businesses, form an integrated service offering 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 and residents, as well as property developers, including, among others, 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 and other public facilities, industrial park, highway service stations, parks, scenic areas and schools. We charge property management fees for property management services primarily on a lump sum basis, with a small portion charged on a commission basis.
- **Community value-added services.** We provide property owners and residents of our managed properties with a wide array of community value-added services, which mainly include: (i) housekeeping services, (ii) turnkey furnishing and move-in services, (iii) community media services, (iv) value-added innovations services; (v) real estate brokerage services, and (vi) community area services.
- **Value-added services to non-property owners.** We provide (i) consultancy services to property developers for the management of 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.
- **The “Three Supplies and Property Management” Businesses.** We established a joint venture in 2018 and began to enter the separation and transfer of property management and heat supply on “Three Supplies and Property Management” Reform. In 2019, we have completed the smooth and transitional takeover of the “Three

Supplies and Property Management” reform on the property management and heat supply businesses and provided water, electricity and heat supplies and property management services under the state-owned enterprises separation and reform program.

We believe our property management services business serves as the basis for us to generate revenue and expand business scale, as well as providing an ever increasing customer base for our community value-added services to property owners and residents. Our value-added services to non-property owners help us gain early access to property development projects and establish and cultivate business relationships with the property developers, putting us in a stronger position to secure engagements for property management services. Our community value-added services business, by offering a full range of diversified and bespoke services to property owners and residents, helps increase our engagement level with customers and improve their satisfaction and loyalty. The synergistic combination of our businesses leads to not only a greater market acceptance of our brand and services, but presents newer business opportunities for us to diversify revenue streams and enhance the width and depth of our services along the value chain of property development and management.

The table below sets out the breakdown of our revenue by business line for the years indicated:

	For the year ended December 31,						
	2017		2018		2019		
	RMB'000	%	RMB'000	%	RMB'000	US\$'000 (unaudited)	%
Property management services	2,544,665	81.5	3,445,489	73.7	5,816,961	835,554	60.3
Community value-added services	241,818	7.7	417,220	8.9	865,187	124,276	9.0
Value-added services to non-property owners ...	328,016	10.5	791,084	16.9	1,422,058	204,266	14.7
Other services ⁽¹⁾	7,353	0.3	21,494	0.5	25,368	3,644	0.3
Three Supplies and Property Management	-	-	-	-	1,515,373	217,670	15.7
Total	3,121,852	100.0	4,675,287	100.0	9,644,947	1,385,410	100.0

Note:

(1) Other services mainly include auxiliary services such as provision of property access IC cards to the property owners and residents of our managed properties.

For the years ended December 31, 2017, 2018 and 2019, our revenue was RMB3,121.9 million, RMB4,675.3 million and RMB9,644.9 million (US\$1,385.4 million), respectively, representing a CAGR of 75.8% from 2017 to 2019.

We are headquartered in Shunde, Guangdong province. We have established a three-level “headquarters—regional offices—project companies” structure to conduct our business and manage our internal resources. As of December 31, 2019, we had 31 regional offices and more than 2,000 project companies (including subsidiaries and branch offices) across 31 provinces, municipalities and autonomous regions in China. We believe such structure helps facilitate our geographic expansion, ensure consistent service quality across different regions and different properties under our management, as well as enables us to better capitalize on economies of scale for future expansion.

Competitive strengths

We believe that our success is mainly attributable to the following competitive strengths:

A leading residential property management service provider in China with strong brand recognition and a large and extensive property management portfolio

We are a leading residential property management service provider in China with a consistently strong market position established over the years. In 2020, we were ranked No. 1 in terms of overall strength, property management scale and operational performance among the Top 100 Property Management Companies in China, according to China Index Academy.

We have been providing property management services in China for more than 27 years. In 2005, we obtained the Level One Property Management Qualification in China. We pride ourselves as one of the first property management service providers to bring the “five-star hotel service” standards and philosophy from the hospitality industry into the property management industry in China, according to China Index Academy. As a result of our dedication to providing industry-leading and high-quality services over the years, our “Country Garden property management” brand and the service slogan “Country Garden, a Five-Star Home for You” (“碧桂園·給您一個五星級的家”) have gained market acceptance and industry recognition widely among our customers. We have received various awards and accolades over the years in recognition of our industry-leading brand and competitiveness. We believe that our brand appeal has helped and would continue to help us maintain a high renewal rate for property management service contracts and bring upon new engagement opportunities from customers as well as more business opportunities with industry participants.

We are also a leading property management service provider in China in terms of property management portfolio size and geographic coverage. As of December 31, 2019, apart from the property management services under the “Three Supplies and Property Management” businesses, our contracted GFA was approximately 684.7 million sq.m., and our revenue-bearing GFA was approximately 276.1 million sq.m. In addition, our contracted GFA and revenue-bearing GFA of the property management services under the “Three Supplies and Property Management” businesses were approximately 84.9 million sq.m. as of December 31, 2019. We managed 2,405 property projects covering more than 350 cities across 31 provinces, municipalities and autonomous regions in China and overseas markets, providing quality property management services to more than 3.46 million property owners as of December 31, 2019. We believe our extensive property management business coverage has served and would continue to serve as a strong basis for us to solidify our existing industry position against general or regional market fluctuations. It would also provide a large customer base for our community value-added services for better business synergies.

Strong leverage on the large project portfolio and landbank of the CGH Group leading to highly visible growth opportunities

Our proven track record of business cooperation with the CGH Group, a leading property developer in China, has helped us solidify our position as a reputable and experienced property management service provider. The CGH Group recorded RMB 552.2 billion in terms of contracted sales attributable to the shareholders of the CGH Group in 2019. As of December 31, 2019, the landbank in China attributable to the CGH Group was approximately 258.6 million sq.m. As of

December 31, 2019, the CGH Group had more than 2,500 property development projects across 31 provinces, municipalities and autonomous regions in China.

During the years ended December 31, 2017, 2018 and 2019, substantially all of the residential communities developed by the CGH Group were managed by us. In addition, we also provided value-added services to non-property owners, such as pre-sale consultancy services and pre-delivery cleaning services, to the CGH Group. The CGH Group obtained substantially all of these value-added services to non-property owners from us during the years ended December 31, 2017, 2018 and 2019 for its residential property development projects. We believe that our long-term and stable business relationship with the CGH Group will position us well to continue to benefit from its extensive and large project reserve, providing clear drivers for the continuing growth of our property management portfolio and further development of our value-added services to non-property owners business.

Wide sources of revenue generated from our diversified property management portfolio and service offerings

We have historically focused on the provision of property management services to residential communities in China by leveraging our business relationship with the CGH Group. In recent years, we have been successful in exploring market opportunities to diversify our property management portfolio and service offerings with wider sources of revenue:

- **Increased engagements from independent third-party property developers.** We achieved significant growth during the recent years with respect to property management engagements from independent third-party property developers in China, which was mainly attributable to the competitiveness of our brand and services, as well as the exemplary effect of our existing managed properties for obtaining property management engagements from communities in the vicinity.
- **Diversified types of managed properties.** In addition to residential communities, we have endeavored to diversify our property management portfolio by extending our services to an increasing variety of non-residential properties, including commercial properties, office buildings, multi-purpose complexes, government buildings, public facilities, industrial park, highway service stations, parks, scenic areas and schools. The diversification of our managed property types has enriched our service dimensions and operating revenue streams with business opportunities emerging from newer markets.
- **Broadened service offerings.** Apart from traditional property management services, we have developed and established other service types, namely community value-added services provided to property owners and residents and value-added services to non-property owners, such as property developers and other property management companies. Aggregate revenue contribution from our community value-added services and value-added services to non-property owners increased from 18.2% of our total revenue in 2017 to 23.7% of our total revenue in 2019 and they generally had a higher gross profit margin than our property management services business during the years ended December 31, 2017, 2018 and 2019.

A mix of locations across cities of different tiers and substantial focus on large-scale properties in China, contributing to profitability at industry-leading levels

We maintain a relatively high profitability level for property management services and achieved the highest total net profit per sq.m. of revenue-bearing GFA.

Our relatively high profitability was partly attributable to a well-balanced geographic footprint of our managed properties across cities of different tiers in China. On one hand, we are able to charge relatively high property management fees for properties located in first- and second-tier cities in light of their higher population density and per capita disposable income levels. On the other hand, we have an extensive coverage in other cities in China which enabled us to benefit from the relatively low operating costs needed for managing properties as compared to first- and second-tier cities in China.

Our market-leading position in large-scale property management in China has also contributed to our relatively high profitability level. Due to our market-leading position in large-scale property management, we believe we will likely continue to benefit from the economies of scale created by our large-scale properties through optimizing the cost structure and tapping the abundant customer resources for synergistic development of our community value-added services.

Strong service platform operation and value creation capabilities in building a community ecosystem with five-star living experience for property owners and residents

To enhance our customer experience, satisfaction and loyalty, we have been dedicated to developing a personalized community ecosystem through our one-stop comprehensive and professional services which mainly comprise (i) our “Phoenix Butlers” service model, (ii) upgrade on information and smart management systems, and (iii) diversified services and community activities, underlined by our service platform operation and value creation capabilities.

We have adopted a butler-style service model with a total of over 3,800 professionally-trained “Phoenix Butlers” (鳳凰管家) stationed at substantially all of our managed residential communities as of December 31, 2019. As the main point of contact for property owners and residents, our butlers serve customers with timely, personalized, professional and effective solutions. We believe the property owners and residents have become increasingly accustomed to, and reliant on, seeking assistance from our butlers to address their daily needs and requests as a result of the close-knit and cordial customer relationship we have built through the butler-style service model.

We are enhancing the property owners and residents’ living experience by upgrading our information and smart management systems to develop smart residential communities. In collaboration with leading data management and cloud computing services providers, we have implemented our CRM and ERP systems to manage customer profiles and data for more personalized and timely services, as well as conducting big data analysis on the overall operational status of our managed properties to identify customer needs and behavioral pattern for better formulating our future service procedures and business strategies. In addition, our “Phoenix Club” mobile application serves as a service platform for registered customers to access and utilize our services both online and offline. Moreover, we have self-developed IRBA systems for the smart management of equipment and facilities in our managed communities which included, amongst others, our upgrades of smart carpark management systems implemented starting from 2017. All of these have provided a convenient and smart service interface to our

customers, facilitated our provision of property management services and improved the satisfaction of our customers. As of December 31, 2019, we had registered in the PRC 56 software copyrights and 12 patents and owned five high technology products which were primarily related to our efforts in developing smart residential communities. For further details, see “—Standardization, Automation, Smart Management and Upgrades of IT systems”.

We are able to provide a suite of diversified services to our property owners and residents based on their actual needs through our various communication channels. Besides our standard property management services, we have demonstrated our capability in service innovation and value creation and new business model exploration by providing a series of community value-added services in areas such as real estate brokerage, retailing and vehicle-sharing through our own resources and cooperation with different industry-renowned third-party merchants. In addition, we endeavor to build a cohesive community culture by regularly organizing diversified community cultural activities, sports and photography competition and holiday festivals which have strengthened our relationships with customers and have created a healthy and harmonious atmosphere among the communities we managed.

Through our unremitting efforts in providing a five-star living experience to property owners and residents, we have developed a personalized community ecosphere which covers the basic necessities of life, entertainment and other needs in our managed residential communities.

Experienced and professional management team supported by an effective human resources system

Our professional management team and employees are crucial to our success. Our executive Directors and senior management team have on average more than ten years of experience in the property management and related services industries. Our executive Director and general manager, Mr. Li Changjiang, has more than 23 years of experience in the property management industry in China. In addition, our general managers at our subsidiaries and branch offices have on average over 16 years of experience in the property management industry and approximately nine years of experience with us.

We have adopted a human resources system featuring differentiated employee cultivation, performance assessment and incentive schemes which tailor to the needs of different positions from entry-level staff to senior management with varying skill sets and career pursuits. We simulate real-life service scenarios to train our on-site staff better. We have designed competitive compensation packages and performance review and internal rating systems to incentivize our employees and boost productivity. We set up talent cultivation plans for eligible employees with sufficient professional qualifications and satisfactory work performance to be promoted to regional or project managers within a three to five-year fast track. We provide optional and personalized career paths to qualified butlers with managerial positions or senior butler promotions based on their individual capabilities and pursuits. We believe our results-driven and value-sharing culture and well-developed talent selection, cultivation and evaluation initiatives have enabled us to identify employees who share our fundamental values and who are highly motivated to serve our customers with professionalism, dedication and outstanding services that differentiate us from our competitors.

Business strategies

Further expand the scale of our property management business through multiple channels

We intend to expand our business scope and increase our market share in the industry by expanding the total contracted and revenue-bearing GFA and number of properties under management. We seek to achieve business expansion mainly through organic growth by leveraging our existing business relationship and coverage with the CGH Group, as well as by proactively obtaining new engagements from independent third-party property developers capitalizing our brand value and business opportunities from provision of value-added services to non-property owners. To increase our market share, we aim to evaluate opportunities selectively in areas around our existing locations where we have a presence with a view to maximizing our economies of scale, as well as maintaining a reasonable balance of our geographic coverage and level of profitability for property management services. To diversify our property management portfolio and revenue streams, we also intend to provide comprehensive property management services to an increasing number of non-residential properties, such as commercial properties, industrial parks, science parks, educational institutions, highway service stations, feature towns, apartments for long-term rent as well as government and public facilities, through strengthened strategic cooperation with various business partners.

When suitable opportunities arise, we may explore selective strategic investments in, alliances with or acquisitions of other property management companies in China. We may focus on companies that are consistent with our brand image and market positioning and with complementary business profile and know-how, such as companies with integrated facility management capabilities, that can increase the depth and breadth of our service offerings and our managed property portfolio. Moreover, we intend to gain a footing in overseas markets by tapping into the overseas project coverage of the CGH Group mainly in Southeast Asia.

Achieve optimal operational efficiency and customer satisfaction through service standardization and differentiation under professional lean management

To improve customer experience and business replicability, we aim to standardize our services by centering on customer touchpoints and classifying our managed properties into different levels, based on factors such as their locations, total revenue-bearing GFA, property management fee level and customer profiles of property owners and residents, and replicate such practice in part or in whole across all our managed properties with necessary adjustments. We also intend to improve operational efficiency and our brand image by designing differentiated service packages targeting the diverse needs of customers. We believe these professional measures would help systematically improve our service efficiency and quality through incremental changes and iterations.

Continue to deliver a diverse range of differentiated value-added services to develop the personalized community ecosystem and to enhance customer experience and our value creation capability

We intend to continue to develop our value-added services business to improve customer living experience and satisfaction, as well as enhancing our service innovation and value creation capability in building a personalized community ecosystem.

In view of this, we intend to tailor to the needs of the property owners and residents and enhance our capabilities in providing highly professional community value-added services, such as

our real estate brokerage and vehicle insurance agency services. We seek to maintain and explore more cooperation with industry-renowned merchants in order to provide selected products and services to our property owners and residents, as well as to replicate any successful cooperation model from one residential community to another. We also seek to improve the integration of our butler-style services with our community value-added services, as well as enhancing the functionality of the “Phoenix Club” mobile application to increase accessibility of our services and improve customer experience.

We intend to leverage our existing experience and further extend our offerings of value-added services to non-property owners to tailor to their needs better throughout the value chain of property development. For instance, leveraging the extensive customer base of our community value-added services and our experience in real estate brokerage services with respect to secondary sales of properties during the years ended December 31, 2017, 2018 and 2019, we aim to provide sales assistance services selectively to property developers by sourcing potential property purchasers with respect to primary sales of properties. In addition, we may also leverage our knowhow and experience in automation, smart management and information technologies and provide relevant consultancy services to other property management companies to facilitate their development of IT system infrastructure to enhance their business scalability.

Further enhance our standardized and automated operations with upgraded information technology and smart management to maximize cost efficiency and enhance service standards

We aim to continue to provide high-quality services to our customers through standardization, automation, smart management and upgrades of IT systems to enable us to strengthen our operating efficiency and control our costs effectively. For instance, we intend to extend the coverage of our various automation and smart management measures to all of our managed residential communities within the next few years. These measures include the upgrades of IRBA systems for the management of equipment and facilities such as face recognition systems for smart guest access and carpark management systems. We also plan to upgrade our internal IT systems for property management such as an ERP system for big data analysis and a CRM system for customer relationship management with more standardized modular management functions covering a full range of service contact points with customers to facilitate our day-to-day operations and ensuring a more focused quality control and straightforward internal management from our headquarters all the way to each of our managed properties. These upgraded property management systems will be designed to enhance the gathering and consolidation of first-hand customer data and service record from our managed properties for us to analyze customer needs and behavioral patterns when formulating customer-oriented business procedures and strategies.

Continue to improve our human resources training and incentive system to support the sustainable growth of our business

We will continue to devote resources to recruit, develop and retain qualified talent in various positions and functions. We will seek to further improve our comprehensive internal and external staff training systems through which we provide periodic presentation, lecture and courses targeted at different levels of our employees from on-site staff to mid-level managerial positions, as well as at induction, promotion and transfer to new positions. We also intend to increase our collaboration with specialized institutions and vocational schools for the cultivation and

recruitment of qualified graduates. We expect to continue to offer wider and long-term career development opportunities and create promotions through our internal transfers to cultivate and retain key employees. We plan to further implement various employee recognition initiatives and to ensure rewards are tied to performance to motivate employees and optimize employee remuneration.

Recent Developments

The COVID-19 pandemic outbreak

The COVID-19 virus has spread across the PRC and the rest of the world in early 2020. The COVID-19 outbreak poses potential risks to our business operation and financial condition. See *“Risk Factors—Risks Relating to Our Business and Industry—Risks relating to natural disasters, epidemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business”* and *“Risk Factors—Risks Relating to Our Business and Industry—We may be adversely affected by fluctuations in the global economy and financial markets at the macroeconomic level”*.

Since the outbreak of COVID-19, we have taken the initiative to assume social responsibilities, and have fought together with all sectors in the forefront of the pandemic. Property management companies have formed a government-enterprise linkage mechanism with local governments to implement work deployments and have undertaken certain epidemic prevention work, including: personnel inspection, vehicle recording, providing access statistics to communities, temperature measurements of residents, providing advice on wearing masks, isolation and quarantine of suspected cases, publicity on epidemic prevention and control in communities, frequent sanitization and disinfection in public areas, distribution of masks to property owners, and purchasing and delivering supplies for property owners under quarantine.

The COVID-19 outbreak has had certain impacts on the daily operations of property management companies, including us, in the short term, but we believe in the long term, it will present an opportunity for us due to the following reasons: (1) the property management industry will be respected by society and the government, and its exposure and sense of presence will be significantly improved compared to before; (2) high-quality property management services can provide property owners with an intuitive experience, therefore enhance owners’ trust in property management companies and demand for quality properties, which has a positive impact on the collection rate of subsequent property management fees; (3) it will facilitate the building of good service reputation and brand. The reputation and brand building of property management services usually take time, and the COVID-19 outbreak may help high-quality property management companies build a good service reputation and brand image faster. Property owners will be inclined to choose leading companies with reputation, ability and good services. The integration of small and medium-sized property management companies will also be strengthened, which may accelerate the improvement of industry consolidation; (4) the impact on the future development of the property management industry will be reflected in the further deployments of technology to replace labor. Leading companies with high technology can empower other small and medium-sized companies; and (5) governments at all levels have successively introduced supportive policies applicable to property management companies to alleviate the short-term adverse effects arising from the pandemic.

Acquisitions of 100% equity interest in Wenjin International Insurance Broker Co., Ltd. (“Wenjin International”) and loans from Guangdong Elite Architectural Co., Ltd. (“Elite Architectural”)

On April 9, 2020, Guangdong Country Garden Modern Life Property Management Co., Ltd (“**CG Modern Life**”), our indirect wholly-owned subsidiary, entered into an equity transfer agreement and a loan transfer agreement with Elite Architectural to acquire (i) 100% equity interest in Wenjin International and (ii) non-interest bearing long-term loans receivable by Elite Architectural as creditor amounting to an aggregate of RMB48,193,000 as of the date of the loan transfer agreement. The aggregate consideration payable by CG Modern Life for such transfers is RMB84,113,000, comprising (i) RMB35,920,000 for the equity transfer and (ii) RMB48,193,000 for the loans transfer.

Proposed acquisition of equity interest in Hopefluent Group Holdings Limited

On April 15, 2020, Country Garden Property Services HK Holdings Company Limited (“**CG Property Services HK**”), our indirect wholly-owned subsidiary, entered into a concert group agreement with China-net Holding Ltd. (“**China-net**”). Pursuant to this agreement, the parties have conditionally agreed that CG Property Services HK shall first accept and acquire the Offer Shares (as defined below) in the lower amount of (i) a maximum purchase amount of HK\$120,000,000 (excluding any stamp duty or other fees or expenses arising in connection with the acquisition of the Offer Shares); and (ii) a maximum number of 67,380,000 Offer Shares, and thereafter China-net shall accept and acquire the remaining Offer Shares.

On April 15, 2020, China-net entered into share purchase agreements with certain vendors pursuant to which China-net agreed to purchase a total of approximately 11.87% equity interest in Hopefluent Group Holdings Limited (合富輝煌集團控股有限公司) (“**Hopefluent**”), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 733). The ordinary shares of Hopefluent (other than those already owned or agreed to be acquired by China-net and us or any persons acting in concert with any of China-net and us) that are subject to the unconditional mandatory cash offer to be made for and on behalf of China-net and us are herein referred to as the Offer Shares. Completion of the share purchase agreements took place on April 17, 2020, and the offer price shall be HK\$1.50 per Offer Share. As such, CG Property Services HK shall first accept and acquire a maximum of 67,380,000 Offer Shares at a maximum total consideration of HK\$101,070,000.

Property management services

Our history can be traced back to 1992 when the predecessor of the CGH Group began providing property management services in China. Over the years, we have grown our presence with contracted GFA covering more than 350 cities across 31 provinces, municipalities and autonomous regions in China as of December 31, 2019. In particular, we managed more than 3.46 million property units in 1,450 residential communities and 220 non-residential properties with a total revenue-bearing GFA of approximately 276.1 million sq.m. as of December 31, 2019. The table below sets out our (i) contracted GFA, (ii) revenue-bearing GFA, and (iii) number of properties managed for revenue-bearing GFA, as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	GFA	GFA	GFA
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Contracted GFA	329,465	504,559	684,678
Revenue-bearing GFA	122,758	181,508	276,100
	Number	Number	Number
Number of properties managed with revenue-bearing GFA	440	840	1,450

Types of Properties Managed

We manage a diverse portfolio of properties covering (i) residential communities, and (ii) non-residential properties, including commercial properties, office buildings, multi-purpose complexes, government and other public facilities, industrial park, highway service stations, parks, scenic areas and schools.

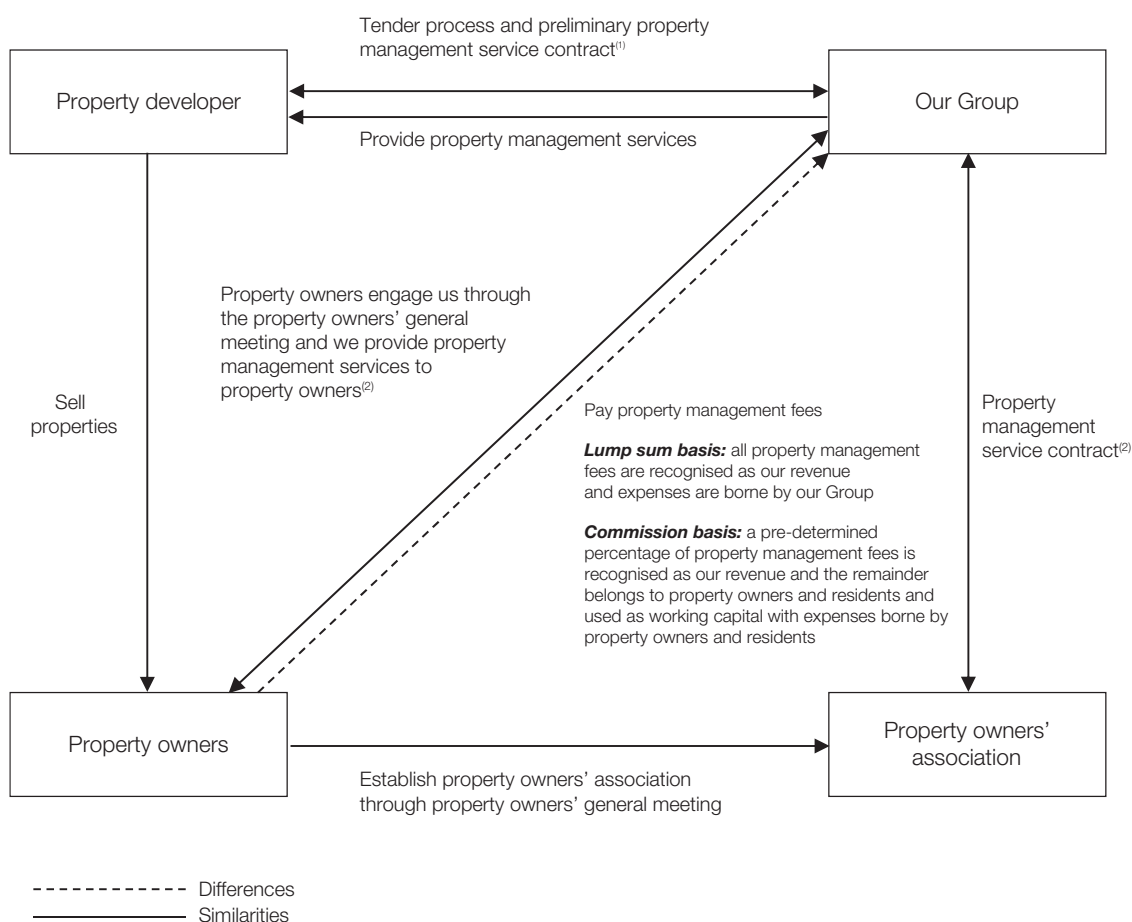
General Scope of Property Management Services

The basic property management services we provide can be grouped into the following categories:

- **Security services.** The security services that we provide primarily include patrolling, electronic access control, manned guard stations, video surveillance, carpark security, visitor management and emergency response. We generally staff our security services with our own employees. We also seek to enhance the quality of our security services through equipment upgrades.
- **Cleaning, greening and gardening services.** We provide general cleaning, pest control, greening and gardening services through both of our staff and sub-contractors.
- **Repair and maintenance services.** The scope of our property repair and maintenance services typically covers (i) common area equipment and facilities, such as elevators, escalators and central air conditioning systems, (ii) fire and safety facilities, such as fire extinguishers and fire alarm systems, (iii) IRBA systems, (iv) utility facilities, such as power supply and distribution systems and water supply and drainage systems, and (v) other buildings and ancillary facilities and equipment. We outsource substantially all

of the specialized property repair and maintenance services to sub-contractors. Our in-house technicians perform routine management and inspections of certain systems and equipment and they also take charge of planning equipment maintenance and maintaining ledgers to ensure the normal operation of the equipment in the serviced areas.

The following diagram illustrates the major differences between managing properties under the two revenue models:



Notes:

- (1) The property developer can enter into a preliminary property management service contract with us and such contract is legally binding on the property owners.
- (2) The property owners can select to engage us through the property owners' general meeting. Once we are selected, the property owners' general meeting can authorize the property owners' association to enter into a property management service contract with us on behalf of the property owners and such contract is legally binding on all the property owners.

The differences between lump sum basis and commission basis are explained in more details below:

- **Property management fees charged on a lump sum basis**

On a lump sum basis, we generally charge a pre-determined property management fee per sq.m. of revenue-bearing GFA on a monthly basis which represents "all-inclusive" fees for all of the property management services provided by us with respect to the managed property. We are

entitled to retain the full amount of property management fees received from property owners and residents and property developers.

On a lump sum basis, we bear the costs of managing properties, and recognize such costs as our cost of services, which include expenses associated with our staff directly providing property management services, as well as our sub-contracting costs for third-party services. As a result, reducing the costs incurred in the provision of management services to a property has a direct impact on our profitability. If the amount of property management fees we collect during the term of a contract is not sufficient to cover all the expenses incurred, we are not entitled to request property owners and residents or property developers to pay us the shortfall. For details, see *"Risk Factors—Risks relating to our Business and Industry—We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis"*.

- ***Property management fees charged on a commission basis***

We derive revenue from a limited number of property management service contracts on a commission basis. On a commission basis, we recognize as revenue a pre-determined property management commission fee generally representing a fixed percentage of the property management fees payable by property owners and residents and property developers, or expenses incurred in connection with providing such services, while the remainder of such management fees are used as working capital to cover the property management expenses we incur.

When we are contracted to manage communities on a commission basis, we essentially act as an agent of the property owners where transactions related to the management offices of these communities are settled through our treasury function. On a commission basis, we are not entitled to any excess of the property management fees paid by property owners and residents and property developers (after deducting the fees receivable by us as the property manager) over the costs and expenses associated with the provision of services to the property. Therefore, we do not recognize any direct cost under property management service contracts charged on a commission basis in general. Such costs are borne by the property owners and residents and property developers, as the case maybe.

Property management fees

Pricing of property management fees

We generally price our property management services based on a number of factors, including (i) the types and locations of the properties, (ii) the scope and quality of the services proposed, (iii) our budgeted expenses, (iv) our target profit margins, (v) profiles of the property owners and residents, (vi) the local government's guidance price on property management fees (where applicable), and (vii) the pricing of comparable properties. In addition, we consider the potential cost savings we can realize via automation and other equipment upgrades, which allow us to lower our proposed property management fees to customers.

In the PRC, the fees that property management companies may charge in connection with property management services for properties, such as residential communities, are regulated and supervised by the relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly responsible for the

supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow PRC government guidance prices.

Under our property management service contracts, we can negotiate with property owners and residents to raise the property management fees upon contract renewal or through obtaining approval from the requisite number of property owners under applicable PRC laws and regulations. In practice, as it takes time to communicate with the property owners and to go through the necessary procedures to obtain their requisite approval, we would evaluate the situation on a case-by-case basis and generally would propose to adjust the property management fees when we consider it necessary in conducting our business, such as when an extended scope of services is required by property owners and residents or we need to improve the profitability of any potentially loss-making managed property, and there is no assurance that we would succeed in achieving such fee increases whenever needed. For further details, see *“Risk Factors—Risks relating to Our Business and Industry—We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis”*.

Taking into account our property management fees charged on the lump sum basis and the time and procedures it takes to adjust such fees from time to time, we have undertaken various internal measures to reduce cost and maintain profitability for our property management services. For instance, our approach to obtain property management engagements in the vicinity of existing projects helps us achieve synergy and optimize our workforce and other resources within a geographic area at both regional office and managed property levels. In addition, to reduce our operational costs, we have outsourced certain labor-intensive services such as cleaning, as well as specialized services such as repair and maintenance of elevator systems, to third-party subcontractors. Moreover, we also focus on implementing standardization, automation and smart management measures to reduce our reliance on manual labor. For details, see *“—Standardization, Automation, Smart Management and Upgrades of IT Systems”*.

Collection and payment of property management fees

When the properties to be managed by us have reached the delivery stage, we begin receiving property management fees from owners of the sold property units which are generally calculated based on the size of the unit.

We generally charge property management fees on a monthly basis. Property management fees are due for payment by property owners and residents upon the issuance of a demand note. For property management fees charged for a relevant month, we generally issue such demand note to the property owner or resident in the same month or within the next month.

We generally enter into a fee payment arrangement with the property owner and relevant bank upon delivery of the property under which property management fees are paid to us on a monthly basis by bank transfers as designated by the property owner. In addition, payment of property management fees can be made to us in cash, by credit or debit card. Payment can also be made via third-party online payment platforms which are linked to our “Phoenix Club” application.

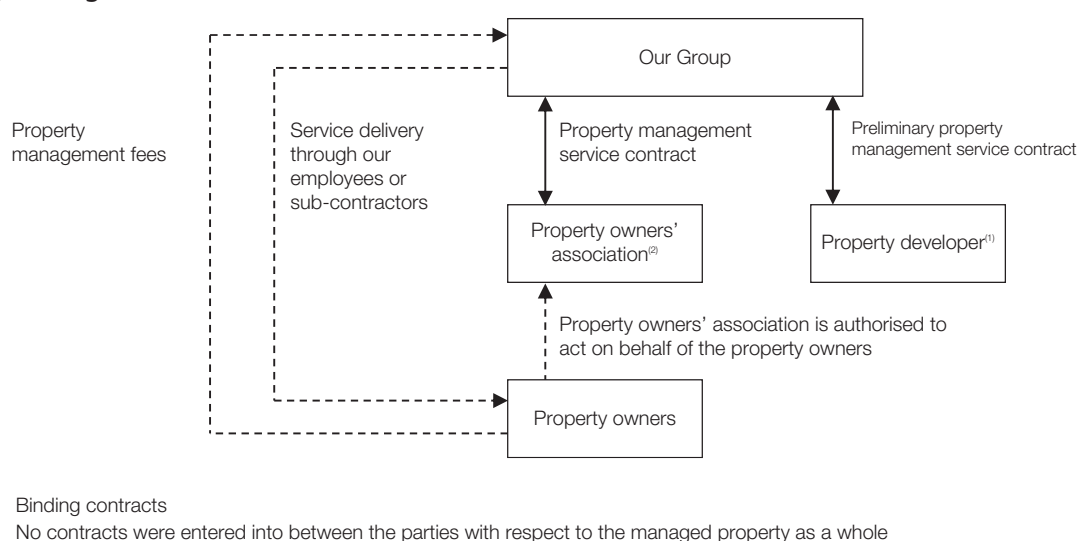
We have undertaken various measures to enhance the timeliness of the collection of property management fees. When the property management fees become overdue, we will send overdue

payment notices to the property owners or residents by phone or messages, or deliver in person or to the mailboxes of the relevant residents and follow up with frequent payment reminders. In the event of significant payment delays after repeatedly failed collection attempts, we may initiate legal proceedings to collect the fees.

Property management service contracts

For the provision of our property management services, we generally enter into (i) preliminary property management service contracts with property developers or (ii) property management service contracts with property owners' associations (on behalf of the property owners).

The diagram below illustrates our relationships with various contracting parties under our property management service contracts:



Notes:

- (1) Property developer enters into preliminary property management service contract with us. Such contracts are legally binding on future property owners in accordance with PRC laws.
- (2) Property owners' association enters into property management service contract on behalf of property owners with us and such contracts are legally binding on all property owners in accordance with PRC laws.

Property developers typically engage and are able to contract directly with property management service providers before newly developed properties are sold to property owners. Upon engagement by the property developers, property management companies will generally need to make registration of the preliminary property management service contracts (together with the proposed property management fees) with the local PRC authorities. Such filing, as required by the local PRC authorities, generally has to be made prior to the approval of property pre-sale permits for the property developers by the local PRC authorities.

Although neither the property owners' associations nor property owners are parties to the preliminary property management service contracts, these contracts are nonetheless legally binding on the future property owners under PRC law as the property sale and purchase agreements that property owners enter into with property developers shall include the content of the preliminary property management service contracts. Accordingly, property owners are obligated to pay property management fees directly to us under these contracts. Under PRC laws, property owners may engage a property management company through the property owners'

general meeting. Generally, the property owners' association is formed to handle the daily communication with the property management company on behalf of the property owners. The property owners' association will need to be authorized by the property owners to enter into a property management service contract on behalf of the property owners.

The key terms and arrangements of our preliminary property management service contracts and property management service contracts are substantially identical and typically include the following:

- *Scope of services.* We provide standard property management services including security, cleaning, greening, gardening, repair and maintenance of the common areas and related equipment and facilities. We may also be responsible for collecting utility fees of the common areas on behalf of the property owners and residents and providing other auxiliary property management services.
- *Performance standards.* The contract sets out the quality standards required for providing the property management services, as well as the requirement for regular examination and maintenance of equipment and facilities in the common areas.
- *Property developer's obligations.* The property developer is primarily responsible for, among other things, (i) obtaining an undertaking from every property purchaser that it will comply with the preliminary property management service contract which is usually attached to the property sales and purchase agreements, (ii) providing a readily available office space for us to use as our on-site property management office, (iii) ensuring the quality of the common area equipment and facilities delivered to a property, and (iv) providing us with blueprints and other construction design documents and completion inspection documents.
- *Property management fees.* The contract sets out the property management fee rates to be collected per sq.m. which generally begin to accrue upon delivery of the purchased property. The property developer is generally responsible for paying the property management fees for unsold property units and sold property units prior to the delivery date agreed in the relevant property sales and purchase agreements. We may also impose late fees on overdue property management fees and have the right to initiate legal proceedings against the property owners or property developers to collect the fees.
- *Sub-contracting.* We are allowed to outsource individual components of the property management services to specialized third-party sub-contractors. For example, we may choose to outsource security, cleaning, gardening, repair and maintenance services to third-party sub-contractors and only conduct the overall coordination and planning ourselves. For arrangements with our third-party sub-contractors, see "*—Sub-contracting*".
- *Term of service.* The majority of our preliminary property management service contracts entered into with property developers do not have a fixed term and can be terminated when the property owners select another property management service provider through the property owners' general meeting and a replacing property management service contract entered into by the property owners' association takes effect. Property owners' associations are generally authorized by the property owners

to enter into property management service contracts with us on behalf of the property owners which typically have fixed terms ranging from one to five years.

Under PRC laws, the property owners' general meeting of a residential community has the right to change property management companies pursuant to certain procedures. In the event of termination or non-renewal of property management service contracts, we may be adversely affected. See *"Risk Factors—Risks relating to our Business and Industry—Termination or non-renewal of our property management services for a significant number of properties could have a material adverse effect on our business, financial position and results of operations"*.

Growth of our property management services portfolio

Our market development department performs our market research and business development functions. For organic growth, we select our customers based on their property portfolio, background and development timetable of the target properties. We conduct feasibility analyzes and financial projections before taking on a new engagement, taking into account a variety of factors, such as the profile and size of the property, estimated costs of managing the property, historical property management fee collection rate, projected profitability, competitive landscape of the local market, any applicable regulatory requirement and potential synergy with our other business, such as value-added services.

Under PRC laws, property developers are typically required to select property management service providers and enter into preliminary property management service contracts for residential properties through a tender and bidding process. In circumstances where there are not enough bidders or the size of the managed property is small, property developers are permitted under PRC laws to select property management service providers without conducting any tender and bidding process, subject to approval by the competent PRC property administration authorities.

A typical tender and bidding process primarily involves the following stages:

- *Invitation.* The property developer may publish an announcement to invite potential bidders or issue private invitations to at least three qualified bidders setting out the specifications and requirements for the tendered property management project. Tender invitation related documents and governmental approvals in relation to the property project are required to be submitted and filed with the competent local real estate administration department in the PRC in advance.
- *Tender submission.* Bidders submit tender documents to the property developer which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. Bidders may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.
- *Evaluation.* The property developer will establish a tender evaluation committee to review and rank the submitted tenders. The tender evaluation process and the composition of the tender evaluation committee must comply with the requirements of relevant PRC laws and regulations. The tender evaluation committee generally takes into account factors such as credentials, service quality, availability of capital and proposed fee levels when it evaluates the proposals.

- *Selection.* Based on its evaluation, the tender evaluation committee recommends to the property developer and rank the top three bidders. The property developer will generally confirm the top one bidder as the winner and proceed to arrange for necessary notification.
- *Award and contract signing.* The property developer must file the result of the tender with the relevant local authorities within 15 days upon confirmation of the award. The property management contract so awarded to the winner is expected to be signed within 30 days upon issuing the notification of the award.

A public tender process may also be required under PRC laws and regulations for PRC government, public institutions and bodies with public fiscal funds to engage property management service providers for properties, such as government buildings and public facilities.

During the years ended December 31, 2017, 2018 and 2019, we procured our property management service contracts as of December 31, 2019 from property developers mainly through (i) tender and bidding procedures regulated by applicable PRC laws or (ii) commercial negotiation pursuant to approvals obtained from relevant local authorities or otherwise not compulsorily required by the relevant local authorities. Apart from these, we had a small portion of our preliminary property management service contracts as of December 31, 2019 from property developers which did not conduct the tender and bidding process under PRC laws and regulations and the compulsory requirement of relevant local authorities (the “**Relevant Property Management Projects**”).

The lack of a tender and bidding process for the selection of property management service providers for the Relevant Property Management Projects was not caused by us but the relevant property developers. There are no specific laws and regulations in the PRC which set out administrative penalties upon property management companies for failing to entering into preliminary property management service contracts through a tender and bidding process. Generally, the lack of tender and bidding process for entering into the preliminary property management service contracts of the Relevant Property Management Projects shall not affect the validity of these contracts as stipulated under the PRC Contract Law. However, such preliminary property management service contracts may be determined to be invalid by the local judicial authorities depending on the circumstances of the case. The fact that the Relevant Property Management Projects did not go through the required tender and bidding process will not have any material and adverse impact on our business, financial position or results of operations. See “*Risk Factors—Risks relating to our Business and Industry—Our property management service contracts may have been obtained without going through the required tender and bidding process*”.

Butler-style services

We adopt a butler-style service model under which we assign employees to our managed residential communities as “Phoenix Butlers” (鳳凰管家) to provide comprehensive, personalized and sophisticated on-site services to property owners and residents in addition to our standard property management services. As of December 31, 2019, we deployed more than 3,800 butlers in substantially all of our managed residential communities.

Our “Phoenix Butlers” maintain frequent communications with property owners and residents through social media, emails, telephone calls and paying visits to gather basic customer background information, listen to and understand their problems and needs so as to better anticipate and timely respond to their requests from time to time and to build trusting and

cordial customer relationships. The property owners and residents seek assistance from our butlers whenever needed and almost all of the property management-related issues in our managed residential communities are reported to the butlers who would in turn assess the situation and allocate and coordinate appropriate on-site resources to respond to customer requests and address such issues. As assistants to our project managers at each managed property, our butlers are also in charge of monitoring the quality of property management services provided by our other employees or third-party service providers. They also play an instrumental role in promoting and facilitating the provision of our community value-added services.

We endeavor to hire and retain high-quality employees to provide butler services, which is key to the successful implementation of our strategy and critical to improving client satisfaction, which may in turn drive our profitability. We have in place regular training sessions for our butlers on various aspects of the butler services followed by competency assessments which are tied to the butlers' remuneration package. We provide opportunities of promotion to managerial positions to eligible butlers who have demonstrated a track record of proficient performance. For butlers with outstanding performance who wish to remain in front-line positions, we would offer them similar rewards and remunerations to optimize their motivation and productivity. We believe these initiatives help us recruit and retain qualified butlers with professional skills and dedication to materializing our customer-driven corporate value for business development.

Standardization, automation, smart management and upgrades of IT systems

To strengthen our competitiveness and reduce our reliance on manual labor, we focus on implementing standardization, automation, smart management and upgrades of IT systems for our business. We evaluate our property management services and formulate processes to render such services in a manner that is intended to demonstrate consistent high-quality and to alleviate the pressure of increasing labor cost.

- **Standardization**

We have streamlined and standardized our property management services, focusing particularly on standardizing key elements of our services such as environmental management, occupational health and safety management, quality management and other services which involve significant customer interaction based on the ISO9001, ISO14001 and BS-OHSAS18001 standards.

- *Formulation of standards.* We have established our internal service guidelines and policies and formulated a series of rules laying out detailed guidance on key standards and procedures for providing star-rated property management services covering a full spectrum of property types. Our quality control staff have also formulated written operating manuals to facilitate the implementation of such service standards. Our headquarters also standardize certain commercial documents such as tender invitations, contracts and agreements by formulating templates for our daily operational use.
- *Implementation.* We provide systematic trainings to our property management staff as well as sub-contractors to help them understand and follow our service standards and procedures. For more details about our training system, see "*—Employees*".

By leveraging our standardized procedures, we can achieve centralized management at our headquarters where we plan, command, supervise and evaluate service process and quality.

Standardization helps us strengthen our brand and reputation by ensuring consistency in our service process and quality, as well as minimizing human error.

- Automation and smart management

We have developed our own IRBA systems for smart management of equipment and facilities, covering carpark management systems, entrance video intercom systems, face recognition systems for smart access, landscape maintenance management systems, video surveillance cameras, as well as mechanized cleaning and patrolling equipment to reduce dependency on manual labor and lower operational costs. For example, our smart carpark management system has been utilized in an increasing number of our residential communities under management and is uniformly controlled through a cloud computing system. In addition, through the smart transformation of elevators, common area lamps and pumps, we are able to reduce energy consumption, increase equipment service life, and provide more energy-saving, environmental friendly and safe services to property owners and residents. We continue to improve the management level of common areas by formulating various automation and smart management measures such as upgrading the IRBA systems and enhancing face recognition systems.

- Upgrades of IT systems

We have been developing and upgrading our IT systems for business management. We have developed a CRM system for management of customer relationship based on the characteristics of the PRC property management industry with a leading cloud computing service provider. Through our CRM system, we are able to provide more customized services to our customers in a timely manner. We have developed an ERP property management system with a leading PRC big data and cloud computing service provider to realize remote monitoring and examination of each property management project, regularly obtain and summarize the overall operational status on all properties we manage in real time and to provide guidance or make appropriate decisions for follow-up management. We continue to upgrade our property management system to achieve unified supervision of business and standardized management, and use the data collected by the information platform to conduct big data analysis so as to identify the needs of property owners or residents, which will facilitate our provision of property management services and improve customer satisfaction. We have also upgraded the information technology used in the communities such as promoting the use of community Wi-Fi systems, cloud computing systems, smart visitor system and smart energy-saving system to enhance the property owners and residents' living experience, as well as introducing the "Phoenix Club" mobile application which is our service platform for registered customers to access and utilize our services both online and offline.

We believe the aforementioned measures enable us to efficiently scale up and consistently replicate our operations without compromising our service quality. They also provide our on-site teams with technical and other support from our headquarters' resources and enable our headquarters to closely monitor and track work status as well as conduct evaluations, which we believe would further improve our operational efficiency and ensure the delivery of consistent and high-quality services. As of December 31, 2019, we registered in the PRC 56 software copyrights and 12 patents and owned five high technology products which were related to the development and implementation of our automation, smart management and upgrades of IT systems efforts.

Community value-added services

As an extension of our property management services business, we provide community value-added services to property owners and residents of our managed properties mainly to address their lifestyle and daily needs, enhance customer experience, satisfaction and royalty, and to create a healthier and more convenient living community for property owners and residents. These services are provided primarily through our daily contact and interaction with our customers during the process of providing traditional property management services, as well as through our online service platform such as the “Phoenix Club” mobile application.

Our community value-added services mainly include: (i) housekeeping services; (ii) turnkey furnishing and move-in services; (iii) community media services; (iv) value-added innovations services; (v) real estate brokerage services; and (vi) community area services.

For the years ended December 31, 2017, 2018 and 2019, revenue generated from our community value-added services amounted to RMB241.8 million and RMB417.2 million and RMB865.2 million (US\$124.3 million), respectively, representing 7.7%, 8.9% and 9.0% of our total revenue for the same years.

“Phoenix club” mobile application

As a part of our community value-added services, we utilize our mobile application “Phoenix Club” (鳳凰會) as the online gateway to a variety of our community products and services to enhance customer experience, satisfaction and royalty of property owners and residents. The “Phoenix Club” mobile application was first adopted for our community value-added services in 2017 when it was at the time operated by a related party. In April 2018, we completed the transfer of the relevant proprietary and operational rights of the “Phoenix Club” mobile application from the related party to our subsidiary Fenghuanghui, as well as the required business filings and registration under applicable PRC laws and regulations for our operation of the mobile application.

The “Phoenix Club” mobile application can be used on both Android and iOS based mobile devices. Registered users for “Phoenix Club” are primarily property owners and residents of our managed properties. To register user accounts, property owners and residents must provide genuine identity information, including names, addresses and telephone numbers, and we will corroborate the information submitted against our records. Only verified registration applications will be granted user accounts. As of December 31, 2019, the “Phoenix Club” mobile application covered more than 80% of our managed residential communities and attracted a total number of more than 4.2 million registered users.

Registered users can access our services through the “Phoenix Club” mobile application, primarily including: (i) reporting repair requests and arranging repair logistics, (ii) contacting our “Phoenix Butlers” for assistance, (iii) paying property management fees, reviewing and tracking monthly fee statements and receiving payment reminders from us, (iv) placing orders on home living products and services offered by us on the mobile application and making payments to us through third-party online payment platforms linked to our mobile application, and (v) browsing third-party merchants’ products and services information advertised on our mobile application and being directed to online stores operated by such merchants via our mobile application.

We operate the “Phoenix Club” mobile application through our PRC subsidiary, Fenghuanghui. According to the Administrative Measures on Internet Information Services (互聯網信息服務管

理辦法), which was issued by the State Council with effect from September 25, 2000 and revised on January 8, 2011, Internet information services refer to the provision of information to web users through the Internet, which can be divided into commercial Internet information services and non-commercial Internet services. Commercial Internet information services refer to paid services of providing information to or creating web pages for web users through the Internet. Non-commercial Internet services refer to free services of providing public, commonly-shared information to web users through the Internet. Whether a certain Internet information service is regarded as commercial or non-commercial, depends on whether the provision of Internet information is free or to be charged.

Value-added services to non-property owners

Leveraging our property management expertise and capitalizing on our brand equity, we offer value-added services to non-property owners, such as property developers and other property management companies, to address their various needs arising throughout various stages of property development and management, including:

- *Consultancy services.* During the years ended December 31, 2017, 2018 and 2019, we provided consultancy services to property developers by deploying on-site consultants to property developers' display units and property sales venues to assist with their pre-sale activities. We assist property developers with the establishment and training of their pre-sale customer service team at display units and property sales venues, with respect to services such as visitor reception, customer enquiries, catering, logistics coordination, cleaning, repair and maintenance, as well as knowledge on property management etiquette and laws and regulations. We would set up training camps for up to a month to conduct specialized and targeted trainings of these employees. Our on-site consultants also advise property developers on the overall planning and coordination of their relevant pre-sale activities, including formulation of management systems, operating procedures and shift plans, as well as providing on-site instructions to the property developers' pre-sale customer service team at display units and property sales venues;

During the years ended December 31, 2017, 2018 and 2019, we had selectively entered into consultancy services contracts to provide consultation and advice to properties managed primarily by other property management companies leveraging our experience and platform to improve their operation standard and control their operational costs.

- *Pre-delivery cleaning and other services.* We deploy our staff or sub-contractors on-site to provide cleaning, greening, repair and maintenance services to property units to be delivered.
- *Sales and leasing agency services.* Since September 2018, we has been commissioned by the CGH Group to collect agency fees for the sales and leasing agency services of unsold parking spaces and properties of unsold parking spaces and properties.

We commenced to provide value-added services to non-property owners in 2014. For the years ended December 31, 2017, 2018 and 2019, our revenue from value-added services to non-property owners amounted to RMB328.0 million, RMB791.1 million and RMB1,422.1 million (US\$204.3 million), respectively, accounting for 10.5%, 16.9% and 14.7% of our total revenue for the respective years.

We charge a pre-determined fee for the provision of value-added services to non-property owners on a per-transaction basis. We determine the fee amount generally based on our estimates of the expenses that we expect to incur in performing such services by taking into account the headcount and positions of the staff we deploy and the size, location and positioning of the properties developed by our customers. The term of our contracts for value-added services to non-property owners is generally set to expire when the property developers notify us that our services are no longer required based on the progress of their property development projects. We usually grant our customers a credit term of up to 60 days for value-added services to non-property owners.

As we further promoted our brand and industry presence over the years with a view to diversifying our customer base for this business, we also began to serve an increasing number of independent third-party property developers for our value-added services to non-property owners during the years ended December 31, 2017, 2018 and 2019. We believe the provision of such services to independent third-party property developers would cultivate our relationship with these customers at an early stage of property development so as to enable us to obtain subsequent property management engagements from them.

Three supplies and property management

In 2018, we commenced the provision of heat supplies and property management services among the three supplies and property management businesses which comprise the provision of water, electricity and heat supplies and property management services under the state-owned enterprises separation and reform program. As of December 31, 2019, We signed the commission agreements for 955 projects in 53 cities of 11 provinces across the country, and drafted and formulated service standards and service unit prices for project-based undertakings, among which, the recognized revenue-bearing GFA of the property management projects that we took over was approximately 84.9 million sq.m., and the revenue generated amounted to RMB525.2 million. The recognized revenue-bearing GFA of heat supply projects that we took over was approximately 40.8 million sq.m., and the revenue generated was approximately RMB990.2 million.

For the year ended December 31, 2019, our revenue from Three Supplies and Property Management amounted to RMB1,515.4 million (US\$217.7 million), accounting for 15.7% of our total revenue. The table below sets out the breakdown of our revenue from Three Supplies and Property Management in the year ended December 31, 2019:

	For the year ended December 31, 2019		
	RMB'000	US\$'000	%
Heat supply services	990,215	142,235	65.3
Property management services	525,158	75,434	34.7
Total	1,515,373	217,669	100.0

We follow a three-year plan, where we set “to solidify the fundamentals in the first year; to establish the smooth development in the second year, and to consolidate the progress in the third year” as our objective. We will continue to put our effort to promote the long-term collaboration between the parties and are committed to strengthening quality control and improving service standards; we will continue to promote technology empowerment and construct smart community platforms; continue to explore the potential market growth for

community value-added services, as well as to build the business resource platforms; we will optimize our existing manpower structure and system, and undertake project-based talent training sessions.

Our suppliers

During the years ended December 31, 2017, 2018 and 2019, our suppliers primarily included (i) sub-contractors providing cleaning, repair and maintenance, greening and gardening services, (ii) vendors of materials needed for our daily operations and (iii) utility providers.

During the years ended December 31, 2017, 2018 and 2019, we procured certain services from the CGH Group and other related parties, which mainly included community shuttle-bus services, water supply services, repair and maintenance, greening and hotel services. As of the date of this offering circular, we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

Our suppliers generally grant us credit terms of up to 90 days and payment to our suppliers are typically settled by bank transfers.

Selection of suppliers

To ensure the overall quality of services provided to our customers, we have maintained a list of qualified suppliers, the selection of which is primarily based on their product or service quality, necessary industry and regulatory licenses and professional qualifications, past performance and customer feedback, as well as price competitiveness. Our list of qualified suppliers is subject to periodical review in order to ensure consistently high-quality services provided to our customers.

We typically engage our suppliers through competitive biddings, which are administered by internal committees comprising members of relevant business department and purchase department, as well as quality control and finance personnel. We first select a number of competent suppliers (generally three for selection of sub-contractors) from the list of qualified suppliers and invited them to submit a fee quote and other bidding documents. The internal committees then assess the submitted bids and consider a wide range of factors, such as the bidders' price competitiveness, product or service quality, professional qualifications, industry reputation and financial strength, in selecting the bid awardee. We may also procure materials in relatively small amounts through the requests for fee quotes from and commercial negotiation with shortlisted vendors.

Once a selected supplier commences to provide products or services, we periodically monitor and evaluate its performance in accordance with the signed contracts. Evaluations generally focus on the suppliers' product or service quality, cooperation with our staff, results of problem rectification and handling of customer complaints. In the event of repeated sub-standard performances or other failures, the suppliers will be terminated and removed from our list of qualified suppliers.

Sub-contracting

To utilize our own workforce more efficiently, we delegate certain services to qualified sub-contractors, mainly including (i) labor-intensive services such as cleaning, and (ii) specialized services such as greening services, repair and maintenance of elevator and fire systems.

We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our operational costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. To ensure that the sub-contractors meet our requirements and standards of services, we implement a point-base system to monitor and evaluate their performance from time to time. We aim to create and maintain a quality-oriented, effective and comprehensive system for sub-contractor management. Based on our experience in the property management industry in the PRC, we believe that there are readily available alternative sub-contractors that could replace any of our existing sub-contractors if necessary. Therefore, we do not consider our business operations to be reliant on the services provided by any of our sub-contractors.

Key terms of sub-contracting agreements

We enter into sub-contracting agreements with sub-contractors on normal commercial terms. The key terms of our typical sub-contracting agreements are as follows:

- *Term of service.* Our sub-contracting agreement typically has a term ranging from one to three years and may be renewed upon mutual consent.
- *Our responsibilities.* We are typically responsible for providing on-site sub-contractors with necessary working spaces, facilities and utilities.
- *Obligations of sub-contractors.* The sub-contractors are responsible for providing services in accordance with the scope and standards prescribed in the sub-contracting agreement and in compliance with all applicable laws and regulations. In the event of sub-standard performance, the sub-contractors are required to take necessary rectification measures within the period required by us. If they fail to do so, we shall have the right to unilaterally terminate the sub-contracting agreements.
- *Risk allocation.* The sub-contractors are responsible for indemnifying us for any damages to property or personal injury caused by the fault or gross negligence of the sub-contractors in the course of providing the sub-contracting services.
- *Sub-contracting fees.* Sub-contracting fees are typically payable monthly or quarterly and are generally determined with reference to the costs incurred in connection with the management, labor costs, procurement of raw materials and other miscellaneous costs incurred by the sub-contractors. We may conduct monthly evaluations with respect to the quality of services provided by our sub-contractors and adjust the sub-contracting fees based on the results of the evaluations.
- *No assignment.* Sub-contractors are not allowed to assign or sub-contract their obligations under the sub-contracting agreements to any other party unless with our prior consent.

Procurement of materials and utilities

We procure materials, mainly including food ingredients for staff canteens and tools and materials for providing repairs and maintenance services, from vendors primarily in China. We also procure for the common areas of our managed properties utilities, such as water, electricity and heating, from utility providers in China. We typically enter into supply contracts with various terms for the procurement of materials which may be renewed upon the expiry of such term. The supply contracts typically provide for the unit price of the materials and generally do not set forth any requirement or binding commitment on the supply quantities.

Our customers

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management and community value-added services, and (ii) property developers for our property management services and value-added services to non-property owners.

Customer relationship management

Our customer relationship management aims to build and maintain sustainable customer relationships by focusing on delivering superior customer value and satisfaction, which we believe are critical to the long-term success of our businesses. We have taken a wide range of measures to actively build long-term relationships with our customers, primarily including:

- *Building community culture.* We endeavor to build a cohesive community culture by promoting our “5H” service concept, namely “Health” by providing a pleasant living environment, “Heart” by organizing community cultural activities, “High Technology” by merging advanced technologies into community lives, “Hope” by initiating participation in public charity activities and “Home” by promoting a warm and harmonious neighborhood. In order to implement our service concepts, we have regularly organized community cultural activities, public charity activities, sports and photography competition and holiday festivals to strengthen our relationships with our customers and to create a healthy and harmonious atmosphere among the communities we manage.
- *Enhancing customer satisfaction and communications.* We regularly conduct surveys of the satisfaction level among the property owners and residents of our managed properties to proactively identify issues through telephone inquiries. We prepare annual and quarterly property management work reports, which are accessible to all property owners of the communities we manage. We have developed multiple customer communication channels to better access and address customers’ needs and requests and to maximize customer experience and loyalty, including our “Phoenix Butlers”, any information service platform, as well as toll-free customer service hotline serving property owners and residents on a 24-hour basis.

Market development

Our management is responsible for, amongst others, planning and developing our overall market expansion plan, marketing strategies and coordinating our market development activities to acquire new customers for us to maintain and strengthen relationships with existing customers, as well as to explore and develop further business opportunities. We have taken various marketing measures that are tailored to the characteristics of different customers and business partners.

In addition to maintaining a long-term and stable business relationship with the CGH Group, we will endeavor to expand our cooperation with independent third-party property developers by providing customized, diversified and quality services. We have implemented various incentive measures to encourage our employees to obtain property management contracts developed by third-party developers through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of our resources, including our brands, capital and expertise. In addition, we utilize our various customer communication

channels, such as our “Phoenix Butlers”, service hotline and “Phoenix Club” mobile application, to seek feedback and suggestions from customers which help us have a better understanding of customer needs and explore more opportunities to provide a wider range of community value-added services. We also continually seek business cooperation opportunities from third-party merchants to enhance the width and depth of our community value-added services.

Competition

The property management industry in the PRC is highly competitive and fragmented with numerous market participants. As a reputable player with a large and extensive property management portfolio, our property management services primarily compete against large national and regional property management companies in the PRC. Our value-added services compete against other property management companies as well as relevant industry participants providing similar services. For instance, our community value-added services to property owners and residents may compete with vendors and e-commerce business that provide similar products and services, and our value-added services to non-property owners, such as real estate brokerage service, may compete with property agents for selling and leasing services. In 2020, we were ranked No. 1 in terms of overall strength, property management scale and operational performance among the Top 100 Property Management Companies in China, according to China Index Academy. We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition and financial resources.

Quality control

We have a proven track record in prioritizing quality in our services, and we believe quality control is crucial to the long-term success of our business. We have a dedicated quality control team who primarily focused on, among other things, maintaining service standards, standardizing service procedures, participating in the selection of suppliers and supervising quality of our and suppliers’ services at the corporate level.

Quality control for property management services

We have obtained ISO9001 certification in recognition of our service quality from the British Standards Institution. We adopt strict quality monitoring measures to ensure that our quality standards are achieved. We have set up a multilevel inspection system conducted on three levels: headquarters, regional offices and onsite property management offices. Quality control staff at the headquarters level would conduct unannounced inspections on randomly-selected managed properties for the implementation of our quality control standards and specific operating procedures. Internal quality review is conducted regularly at headquarters and regional office levels on key projects with random sampling of other projects. Management office for each of our managed properties conducts self-review on a daily, weekly and monthly basis.

We require our employees and suppliers to strictly observe our quality standards. We value and seek to proactively address customer complaints on service quality. Our on-site staff, in particular our “Phoenix Butlers”, actively solicit feedback from property owners and residents and conduct thorough inspection of our managed properties to identify potential issues. We have routine meetings to organize and implement rectifying measures for any issue identified. We regularly conduct surveys, such as through a “mystery customer” program, to assess customer needs and satisfaction level.

Due to the nature of our business, we receive customer suggestions, appraises and complaints from time to time during the ordinary course of our business. We record, analyze and evaluate such customer feedback by creating logs on our internal systems and each level of our management tracks the progress in addressing the underlying customer concerns and problems.

Quality control of third-party sub-contractors

We typically include in the agreements with sub-contractors detailed quality standards for the services to be provided. We regularly monitor and evaluate the performance of the sub-contractors and may require the sub-contractors to take necessary rectification measures when their services do not meet the agreed standards. We may also conduct surveys among property owners and residents regarding the quality of services provided by our sub-contractors. We have the contractual right to adjust the sub-contracting fees and to terminate the agreements depending on the outcomes of our evaluation. If the sub-contractors do not meet our standards or the property owners' satisfaction, or fail annual performance review conducted by us, they will be excluded from our selected list of qualified sub-contractors.

Employees

We employed 54,085 full-time employees as of December 31, 2019. The table below sets out the breakdown of our employees by function as of December 31, 2019:

Function	Number of employees
Property management services	43,465
Management	1,983
Human resources and administration	1,664
Finance and audit	1,509
Value added services	1,561
Quality control	317
IT and operations management and others ⁽¹⁾	3,386
Selling and marketing	200
Total	54,085

Note:

(1) Others primarily include catering staff and inventory management staff

We endeavor to hire the best available employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. We have established a series of policies and measures to acquire talents suitable for our Company.

We enter into individual employment contracts with all of our full-time employees. We will renew the employment contracts with our employees from time to time subject to their annual performance reviews. All of our employees are paid a fixed salary and may be granted other allowances, based on their positions. In addition, discretionary bonuses may also be awarded to our employees based on their annual performance reviews.

We have maintained good working relationships with our employees. As of the date of this offering circular, our employees did not negotiate their terms of employment through any labor union or by way of collective bargaining agreements nor did we experience any material labor

disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

We regularly host comprehensive internal staff training programs for our staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. We provide orientation training to new hires, introducing them to our corporate culture, procuring them to adapt to teamwork and showing them videos to visually demonstrate our service standards and procedures. We also assign our experienced managers to serve as mentors to newly hired fresh graduates. The mentors provide the fresh graduates with tailored coaching and guidance. We provide online training courses and regular seminars on various aspects of our business operations, such as quality control and customer relationship management, to our employees.

Intellectual property rights

Our intellectual property is a key component to our strong brand recognition, and is an integral part of our business. As of December 31, 2019, we had registered 29 trademarks, 12 patents and 56 software copyrights in the PRC.

Insurance

We maintain certain insurance coverage primarily including public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations, personal accident insurance for some of our employees and vehicle insurance. We require our sub-contractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our agreements with sub-contractors, the sub-contractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us. We believe our insurance coverage is in line with industry practice for similar property management companies in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, see *"Risk Factors—Risks relating to our Business and Industry—Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter"*.

Social health, safety and environmental matters

We are subject to PRC laws and regulations in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO14001 and BS-OHSAS18001 standards certified by the British Standards Institution, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. As of the date of this offering circular, we had complied with PRC laws in relation to workplace safety in all material respects and have not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. As of the date of this offering circular, no material fines or penalties for non-compliance with PRC environmental laws had been imposed on us. We were

not subject to any material administrative penalties due to any violation of environmental laws in the PRC as of the date of this offering circular.

Properties

As of December 31, 2019, properties owned by us had a carrying amount of approximately RMB21.1 million.

Legal proceedings

From time to time we may be involved in legal proceedings or disputes in the ordinary course of business, such as contract disputes with our customers and suppliers. See *"Risk Factors—Risks Relating to Our Business and Industry—We may be involved in legal and other disputes and claims from time to time arising from our operations"*. As of the date of this offering circular, there are no litigation or arbitration proceedings or administrative proceedings pending or threatened against us which would have a material adverse effect on our financial position or results of operations.

Management

General

Our board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information in respect of our directors:

Name	Age	Position
Ms. Yang Huiyan (楊惠妍)	38	Chairman and Non-executive Director
Mr. Yang Zhicheng (楊志成)	46	Non-executive Director
Ms. Wu Bijun (伍碧君)	46	Non-executive Director
Mr. Li Changjiang (李長江)	54	Executive Director and President
Mr. Xiao Hua (肖華)	42	Executive Director
Mr. Guo Zhanjun (郭戰軍)	40	Executive Director
Ms. Mei Wenjue (梅文珺)	50	Independent Non-executive Director
Mr. Rui Meng (芮萌)	52	Independent Non-executive Director
Mr. Chen Weiru (陳威如)	49	Independent Non-executive Director

Directors

Non-executive directors

Ms. Yang Huiyan (楊惠妍), aged 38, was appointed as a Non-executive Director and the chairman of the Board on March 9, 2018 and is responsible for the formulation and provision of guidance and development strategies for the overall development of the Group. Ms. Yang is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Ms. Yang is a controlling shareholder of the Company indirectly holding the shares of the Company through Concrete Win Limited and Fortune Warrior Limited (both of which are beneficially wholly-owned by Ms. Yang with Ms. Yang as a director).

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

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

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

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

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

Mr. Yang Zhicheng (楊志成), aged 46, was appointed as a Non-executive Director on March 9, 2018 and is responsible for the provision of guidance for the overall development of the Group.

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

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

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

Ms. Wu Bijun (伍碧君), aged 46, was appointed as a Non-executive Director on March 9, 2018 and is responsible for the provision of guidance for the overall development of the Group.

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

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

Mr. Li Changjiang (李長江), aged 54, was appointed as an Executive Director and our President (General Manager) on March 9, 2018 and has been the president of CG Life Services since he joined the Group in December 2011. Mr. Li is primarily responsible for the overall strategic decisions, business planning and major operational decision making of the Group.

Prior to joining the Group, from March 1997 to September 2006, Mr. Li has served various positions including administrative director at Guangzhou Everbright Garden Property

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

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

Mr. Xiao Hua (肖華), aged 42, was appointed as an Executive Director on March 9, 2018 and has been the vice president of CG Life Services since February 2013. Mr. Xiao is primarily responsible for the overall management of value-added services to non-property owners.

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

Mr. Guo Zhanjun (郭戰軍), aged 40, was appointed as an Executive Director on March 9, 2018 and has been the vice president of CG Life Services since he joined the Group in August 2017. Mr. Guo is primarily responsible for overall management of human resources of the Group.

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

assistant general manager of the human resources management center in February 2017 and was responsible for human resources planning and management until June 2017.

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

Mr. Mei Wenjue (梅文珏), aged 50, was appointed as an Independent Non-executive Director on May 25, 2018 and is responsible for providing independent advice to the Board. Mr. Mei is also a member of the audit committee and the remuneration committee of the Company.

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

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

Mr. Rui Meng (芮萌), aged 52, was appointed as an Independent Non-executive Director on May 25, 2018 and is responsible for providing independent advice to the Board. Mr. Rui is also the chairman of the audit committee and a member of the nomination committee of the Company.

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

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

Mr. Rui was an independent director of the board and chairman of the audit committee at Midea Group Co., Ltd. (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000333), from August 2015 to September 2018. He currently serves as an independent director of the board and a member of the audit committee at COSCO Shipping Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on both the Main Board of the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026),

an independent director of the board and the chairman of the audit committee at Shanghai Winner Information Technology Co., Inc. (上海匯納信息科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300609), an independent director of the board at Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600843) and an independent non-executive director of the board and the chairman of the audit committee at China Education Group Holdings Limited (中國教育集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 0839) and an independent non-executive director of the board, the chairman of the audit committee, and a member of the nomination committee and the remuneration committee respectively of Landsea Green Group Co., Ltd. (朗詩綠色集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 106).

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

Mr. Chen Weiru (陳威如), aged 49, was appointed as an Independent Non-executive Director on May 25, 2018 and is responsible for providing independent advice to the Board. Mr. Chen is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company.

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

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

Senior management

Our executive Directors and other members of our senior management are responsible for the day-to-day operations and management of the business of our Group. The table below sets forth information regarding our senior management.

Name	Age	Position
Mr. Gong Shunsong (龔順松)	41	Chief Operating Officer
Mr. Xu Binhuai (徐彬淮)	41	Chief Strategy Officer
Mr. Huang Peng (黃鵬)	36	Chief Financial Officer and Joint Company Secretary
Mr. Yu Xiangdong (余向東)	50	Vice President
Mr. Yuan Hongkai (袁鴻凱)	41	Chief Information Officer
Mr. Li Ka Lun (李家麟)	32	Vice President

Mr. Gong Shunsong (龔順松), aged 41, was appointed as our Chief Operating Officer in January 2018 and is primarily responsible for overall management, operations and business development.

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

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

Mr. Xu Binhuai (徐彬淮), aged 41, was appointed as our Chief Strategy Officer in October 2016 and is primarily responsible for strategic planning in business innovation, brand management and community life service operation.

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

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

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

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

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

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

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

Mr. Yu Xiangdong (余向東), aged 50, was appointed as our Vice President in June 2014 and is primarily responsible for management of community value-added services business.

Prior to joining our Group, from August 1998 to September 2013, he served in various positions including deputy manager of business management department at Shenzhen Vanke Property Service Company Limited (深圳市萬科物業服務有限公司), where he was responsible for committee development affairs of property management, providing consultancy services for business development and other community business operations, manager of business management department at Vanke Property Development Company Limited (萬科物業發展股份有限公司), where he was responsible for development of property management and providing consultancy services for business development, director of general manager office at Shenzhen Vanke Property Services Company Limited (深圳市萬科物業服務有限公司), where he was responsible for information management, brand management and public relations, and general manager at Beijing Vanke

Property Service Company Limited Qingdao Branch Office (北京萬科物業服務有限公司青島分公司), where he was responsible for overall business operations and property management in Shandong Province. Mr. Yu worked at Shenzhen Wanrui Technology Company Limited (深圳市萬睿智能科技有限公司), a company primarily engaged in the development and application of intelligent building technology until May 2014, where he was responsible for market expansion.

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

Mr. Yuan Hongkai (袁鴻凱), aged 41, was appointed as our Chief Information Officer in February 2017 and is primarily responsible for informatization solutions and intelligent technology management. Mr. Yuan joined CG Life Services as information management consultant in June 2016.

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

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

Mr. Li Ka Lun (李家麟), aged 32, was appointed as a Vice President in July 2019. He is primarily responsible for the Company's various financing, investment, mergers, acquisitions and internal governance matters. Mr. Li joined the Group in August 2018 as a finance manager.

Prior to joining our Group, from August 2012 to February 2016, Mr. Li served as relationship manager in Bank of Communications Hong Kong Branch and CMB Wing Lung Bank, where he

was responsible for providing corporate finance solution and financial analysis for corporate customers. From February 2016 to April 2018, he served as senior manager in the capital market department of HNA Group (International) Limited Company, where he was responsible for bank and debt capital market financing.

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

Company secretary

Mr. Huang Peng (黃鵬), aged 36, was appointed as our Joint Company Secretary on March 9, 2018.

Mr. Leung Chong Shun (梁創順), aged 54, was appointed as our Joint Company Secretary on March 9, 2018. He has been a partner of Woo Kwan Lee & Lo. (胡關李羅律師行), a law firm based in Hong Kong, since 1997.

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

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

Board committees

Audit committee

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

Remuneration committee

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

Nomination committee

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

Compensation of directors and senior management

The aggregate amount of remuneration our directors have received (including fees, salaries, allowances and other benefits in kind, performance-related bonuses, pension scheme

contribution and social welfare) for each of the years ended December 31, 2017, 2018 and 2019 was approximately RMB8.6 million, RMB19.1 million and RMB16.0 million (US\$2.3 million), respectively.

Share option scheme

On March 13, 2018, our pre-listing share option scheme was adopted by the then shareholders of the Company. It was subsequently amended by a resolution passed at the extraordinary general meeting held on November 7, 2019.

Regulation

Our business activities are principally based in the PRC. We are therefore required to comply with a number of PRC laws and regulations to carry out our operating activities. This section sets out a summary of the main laws, regulations applicable to our business in PRC.

1. COMPANY LAW AND LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The Company Law of the PRC (《中華人民共和國公司法》) (Order No.16 of the President) (the “**Company Law**”), which was enacted by the Standing Committee National People’s Congress (the “SCNPC”) on December 29, 1993, came into effect on July 1, 1994, and last amended on October 26, 2018, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in PRC.

Company Law stipulates that a limited company shall prepare a shareholders’ register, which shall record the following matters: (1) The name and address of each shareholders; (2) The capital contribution made by each shareholder; and (3) The serial number of each capital contribution certificate. The shareholders recorded in the shareholders’ register may, pursuant to the shareholders’ register, claim and exercise shareholders’ rights. A company shall register the name of each shareholder and the shareholder’s capital contribution at the company registration authority. The company shall carry out amendment of the registration in the event of any change in the registered details. Any registration detail that fails to be amended or registered shall not be valid against any third-party.

On March 15, 2019, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was formally passed by the 13th National People’s Congress and came into effect on January 1, 2020. The Foreign Investment Law is the fundamental law for foreign investment in the PRC, which replaced the Law on Sino-Foreign Equity joint ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign Owned Enterprise Law (《中華人民共和國外資企業法》) as the general law applicable for foreign investment within the PRC.

The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by foreign natural persons, enterprises or other organizations (“**Foreign Investor(s)**”), and specifically stipulates three forms of investment activities as foreign investments, namely, (a) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor and (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consist of pre-establishment national treatment plus negative list, foreign investment information report system and security review system. The said systems, together with other administrative measures stipulated under the Foreign Investment Law, constitute the frame of foreign investment administration. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as

stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

The Foreign Investment Law sets forth principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects Foreign Investors' investment, earnings and other legitimate rights and interests in the PRC.

The Foreign Investment Law further provides that foreign-invested enterprises established before the Foreign Investment Law coming into effect may retain their original form of organizations within five years after the Foreign Investment Law comes into effect. Specific implementing measures will be prescribed by the State Council.

The Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), adopted at the 74th executive meeting of the State Council on December 12, 2019 which came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law of the PRC.

Furthermore, the Ministry of Commerce of the PRC (the "MOFCOM") and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) on December 30, 2019, which came into effect on January 1, 2020 and replaced Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to such measures.

On June 30, 2019, the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》) (the "Catalogue") was promulgated by the NDRC and the MOFCOM, and entered into force from July 30, 2019. Encouraged foreign investment industries of the Catalog for the Guidance of Foreign Investment Industries (Revised in 2017) (《外商投資產業指導目錄(2017年修訂)》) released on June 28, 2017 and the Catalogue of Priority Industries for Foreign Investment in the Central-Western Region (Revised in 2017) (《中西部地區外商投資優勢產業目錄(2017年修訂)》) released on February 17, 2017, were repealed simultaneously. On June 30, 2019, the Special Administrative Measures for the Admission of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the "Negative List 2019") was promulgated by the NDRC and the MOFCOM, and entered into force from July 30, 2019. The Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) released on June 28, 2018, was repealed simultaneously. The Catalogue and the Negative List 2019 stipulated in detail the areas of entry pertaining to the categories of encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries.

2. LAWS AND REGULATIONS RELATING TO PROPERTY MANAGEMENT SERVICE AND OTHER RELATED SERVICES

(i) The Supervision of Property Management Enterprises

According to the Regulation on Property Management (《物業管理條例》) (Order No. 379 of the State Council), which was promulgated on June 8, 2003, came into effect since September 1, 2003, and was amended on August 26, 2007, February 6, 2016, March 19, 2018, a system of joint

incentive for honesty and joint punishment for dishonesty shall be improved in the supervision of property management enterprises by the State Council's construction administration department together with other relevant departments, to strengthen the credit management of the industry.

According to Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》) (Order No.125 of the MOHURD), which was promulgated by the MOHURD on March 17, 2004, came into effect on May 1, 2004, amended on November 26, 2007 and was abolished on March 8, 2018, a system of qualification administration was once adopted and the qualifications of a property management enterprise was classified into first, second and third grades.

According to Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), which was promulgated by the State Council on January 12, 2017, the examination and approval of second grade or below qualifications of property management enterprises were canceled. According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (國務院關於取消一批行政許可事項的決定) (GF [2017] No.46), which was promulgated by the State Council on September 22 2017, the examination and approval of first grade qualification of property management enterprises was canceled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知) (Jianbanfang [2017] No.75), which was promulgated by the General Office of MOHURD on December 15, 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects. The real estate administration department at and above the county level shall instruct and supervise the property management work, and the integrity management system of the property management industry will be established, the supervision of property management enterprises will be based on credit appraisal.

(ii) Appointment of the Property Management Enterprise

According to Property Law of the PRC (《中華人民共和國物權法》) (Order No. 62 of the President), which was promulgated by the National People's Congress (the "NPC") on March 16, 2007 and came into effect on October 1, 2007, the owners of a building may manage the building and its affiliated facilities by themselves or by entrusting a property management enterprise or other management personnel. The owners are entitled to change the property management enterprise or any other management personnel hired by the developer according to law.

Property management enterprises or other management personnel shall manage the building and its ancillary facilities within the building area upon the entrustment of the owners and be subject to the supervision of the owners.

According to the Regulation on Property Management (《物業管理條例》), the selecting, employing and dismissing of property management enterprise shall be subject to the approval by owners who possess exclusive areas accounting for more than half of the total area of buildings and owners who account for more than half of the total number of owners.

Where the construction entity selects any property management enterprise before the owners and/or the owners' general meeting do so, it shall conclude a written preliminary property management contract with the enterprise. A sales contract concluded by the construction entity and the realty buyer shall include the contents stipulated in the preliminary property management contract, and when the property management contract concluded by the owners' association and the property management enterprise takes effect, the preliminary property management contract shall be terminated.

According to Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130), which was promulgated by the MOHURD on June 26, 2003 and came into effect on September 1, 2003, preliminary property management services shall be implemented by the property management enterprise employed by the construction entity before the owners or the owners' general meeting select a property management enterprise at its own discretion. The construction entity of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of corresponding qualification through bid-invitation and bidding.

The bid inviter shall establish tender evaluation committee consisting of an odd number of no less than five members, among which the experts in property management other than the representatives of the bid inviter shall be no less than 2-thirds of total members.

The property management experts shall be confirmed by the means of random sampling from the expert name list set up by the administrative departments of real estate, and person of interest with the bidder shall not a member of the Bidding Evaluation Commission of the relevant project.

In cases where there are no more than 3 bidders or the residence scale is relatively small, the construction entity may select the property management enterprise with corresponding qualifications through agreement upon approval by the administrative department of real estate of the people's government of the district or county of the place where the realty is located.

(iii) Fees Charged by Property Management Enterprises

According to Administrative Measures for Property Service Charges (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No. 1864), which was jointly promulgated by the NDRC and the MOHURD on November 13, 2003 and came into effect on January 1, 2004, property management enterprises are permitted to charge property service fees from property owners for repairing, maintaining and managing houses as well as their accompanying facilities and equipment and relevant sites, and ensuring the sanitation and order of relevant areas according to relevant property management contracts.

Property service charges shall be reasonable, transparent, and suitable for the level of services offered, and shall take into account the unique nature and characteristics of different property and be priced under the government's guidance and market regulation respectively. In what way the charges are priced shall be determined by competent price departments under the people's governments of all provinces, autonomous regions and municipalities directly under the Central Government, in concert with the competent departments of real estate.

As agreed between the property owners and property management enterprise, the fees for property management services can be charged either as a lump sum of all property management

fees collected, in which case property owners pay fixed property management fees to property management enterprise who shall enjoy or assume all the profits or losses as its own risk, or a fixed percentage of property management fees collected, in which case property management enterprise may collect its service fees in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management contract, and property owners shall enjoy or assume the surplus or shortage. Property management enterprises shall, pursuant to the applicable rules of the competent price departments under governments, clearly mark the prices of property services, and publish in a prominent position in areas under their management information about services, criteria of services, charging items, charging criteria, etc.

According to the Regulation on Property Management Service Fee with Clear Price Tag (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian [2004] No. 1428), which was promulgated by the NDRC and the MOHURD on July 19, 2004 and came into effect on October 1, 2004, property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property management contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there's any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (the **"Decontrolling Service Price Opinions"**), which was promulgated by the NDRC and became effective on December 17, 2014, price control on property services of non-government-supported houses was canceled, including fees charged by a property service company from property owners for the maintenance, conservation and management of non-government-supported houses, the supporting facilities and equipment, and the relevant sites thereof, activities of maintaining the environment, sanitation, and relevant order inside the property management regions, and other actions completed in accordance with the agreement of the property service contract, upon commission of the property owners. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for charges of property management for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. In decontrolling the charges of property services for government-supported houses and implementing market-regulated prices, the affordability of the supported subjects shall be considered and a subsidy mechanism shall be established.

According to the Circular of the NDRC and the Ministry of Construction on Issuing the Measures for the Supervision and Examination of Pricing Costs of Property Services (Trial) (物業服務定價成本監審辦法(試行)) (Fa Gai Jia Ge [2007] No.2285) which was jointly issued by the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, competent pricing department of people's government formulates or regulates property management charging standards and implements pricing cost supervision and examination on relevant property management enterprises. Property management pricing cost is determined according to the social average cost of property management services verified by the competent pricing department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organize the

implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

(iv) Judicial Interpretation

According to Interpretation of the Supreme People's Court on Several Issues concerning the Specific Application of Law in Hearing Cases of Property Service Disputes (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (Fa Shi [2009] No. 8), which was promulgated by Supreme People's Court on May 15, 2009 and came into effect on October 1, 2009, the preliminary property service contract legally entered into by a construction entity and a property service enterprise and the property service contract entered into by the owners' association and the property service enterprise lawfully elected by the owners' general meeting shall be binding on the owners. Where any owner pleads against such contract as he/she is not the contract party thereto, it shall not be supported by the people's court.

Furthermore, the court shall support if property owners' association or property owners appealed for the court to confirm the clauses of property service contracts which exempt the responsibility of property service enterprise, and aggravate the responsibility or exempt the rights of property owners' association or property owners are invalid.

(v) Laws and Regulations on Real Estate Intermediary Services

According to Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (Order No. 29 of the President), which was promulgated by SCNPC on July 5, 1994, effective since January 1, 1995, amended on August 30, 2007, August 27, 2009 and August 26, 2019, the real estate intermediate service agencies include real estate consultants, real estate evaluation agencies and real estate brokerages. A real estate intermediate service agency shall have its title, organization, fixed business site, necessary assets and funds, sufficient number of professionals and any other conditions specified by laws and administrative regulations.

Pursuant to Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》), which was jointly promulgated by MOHURD, the NDRC and MOHRSS on January 20, 2011, effective on April 1, 2011, amended on March 1, 2016, a real estate brokerage institution or its branch shall, within 30 days as of the date of fetching a business license, go through the filing formalities with the competent housing and urban-rural development (real estate) authority. The real estate brokerage services shall be subject to a marked price system. A real estate brokerage institution shall abide by the price laws, regulations and rules, and indicate real estate brokerage service items, service details, fee rate, prices of relevant properties and other information at an eye-catching place in its premise.

According to the Decontrolling Service Price Opinions, price control on real estate brokerage services was canceled.

(vi) Regulations on the Internet Information Services

According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (No.292 Order of the State Council) which was issued by the State Council on September 25,

2000, and amended on January 8, 2011, Internet information service refers to the provision of information through the Internet to web users, and includes two categories: commercial and non-commercial. Commercial Internet information service refers to the provision with charge of payment of information through the Internet to web users or of web page designing, etc. Non-commercial Internet information service refers to the provision free of charge of public, commonly-shared information through the Internet to web users.

Entities engaged in providing commercial Internet information service shall apply for a license for value-added telecommunication services of Internet information services. As for the operation of non-commercial Internet information services, only a filing is required. Internet information service providers shall provide services within the scope of their licenses or filing. Non-commercial Internet information service providers shall not provide services with charge of payment. In case an Internet information service provider changes its services, website address, etc., it shall apply for approval of the change 30 days in advance at the relevant government department.

According to the Provisions on Administration of Mobile Internet Application Information Services (移動互聯網應用程序信息服務管理規定) which was issued by the Cyberspace Administration of China on June 28, 2016 and came into effect on August 1, 2016, entities providing information services through mobile Internet applications shall obtain relevant qualifications according to laws and regulations. Mobile Internet application providers shall not use mobile Internet application programs to carry out activities prohibited by laws and regulations, such as endangering national security, disturbing public order, and infringing the legal rights and interests of others, or use mobile internet applications to produce, copy, publish and spread illegal information prohibited by laws and regulations. The Cyberspace Administration of China shall be responsible for the supervision and administration of information on mobile Internet applications. The local cyberspace administrations shall be responsible for the supervision and administration of information on mobile Internet application programs within the administrative regions.

(vii) Regulations on the Advertising Business

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) (No. 34 order of the President) which was issued by the SCNPC on October 27, 1994, came into effect on February 1, 1995 and amended on April 24, 2015 and October 26, 2018, advertisements shall be expressed in a true, legal, healthy manner, in line with requirements of construction of socialist spiritual civilization and development of Chinese national fine cultural tradition, shall not contain false or misleading content and defraud or mislead consumers. Advertisers, advertising agents and advertisement publishers shall abide by the laws, regulations and the principles of justice, honesty and fair competition in carrying out advertising activities. Local administrative departments for industry and commerce at and above the county level shall take charge of the supervision and administration on advertising within their respective administrative jurisdictions. Other relevant departments of the local people's governments at and above the county level shall take charge of the advertising management related work within their respective scope of duties.

(viii) the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》)

On November 19, 2015, the general office of the State Council promulgated the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》) (Guo Ban Fa [2015] No. 85), which sets out the general requirements, the main tasks and the policy measures to accelerate the development of resident services and upgrade consumption structures. Such main tasks focus on the development of the living services that are closely related to the people's livelihood with vast demand potential and strong driving forces, among others, to promoting the standardization developments of the real estate intermediary, house leasing, property management, moving and cleaning, household vehicles maintenance and other resident services.

3. LAWS AND REGULATIONS RELATING TO ACCREDITATION OF HIGH AND NEW TECHNOLOGY ENTERPRISES

According to the Measures for the Administration of the Accreditation of High and New Technology Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology of the PRC, the Ministry of Finance of the PRC and the SAT on January 29, 2016 and became effective from January 1, 2016, registered resident enterprises in the PRC (excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan) that fall within the scope of new technology supported by the PRC, and undertake operational activities on the basis of its core intellectual properties which converted from the outcome of its continuous research and development, will be qualified as high and new technology enterprises. Enterprises which satisfy certain criteria will be awarded a "Certificate of High and New Technology Enterprise" upon validation by the local high and new technology enterprises accreditation management authority in the jurisdiction of which the said enterprises operate. The certificate is valid for three years from the date of issuance. After an enterprise obtains the qualification as a high-tech enterprise, it will be granted with the preferential tax treatment as of the year in which the certificate of high and new technology enterprises was issued.

4. LAWS AND REGULATIONS RELATING TO TAXES

(i) Income Tax

According to the EIT Law (《中華人民共和國企業所得稅法》) (Order No.63 of the President), which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Regulations of EIT Law (Order No. 512 of the State Council) (《企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008 and amended on April 23, 2019, the income tax rate of 25% applies to all PRC companies, foreign-invested companies and foreign companies which have established production and operation facilities in the PRC.

These enterprises are classified as either resident enterprises or non-resident enterprises. An enterprise that is established in China in accordance with PRC laws, or that is established in accordance with the law of a foreign country (region) but whose "de facto management bodies" are inside China is a resident enterprise, which is subject to enterprise income tax at the rate of

25% on its global income. The Implementation Regulations of EIT Law defines the term “de facto management bodies” as “bodies that conduct substantial and all-round management and control with respect to the production, operations, personnel, finance, property, etc. of the enterprise”.

An enterprise that is established according to the law of a foreign country (region) and whose “de facto management bodies” are not in China, but which has established institutions or premises in China or which has not established institutions or premises in China but has income earned in China is a non-resident enterprise. According to the Implementation Regulations of the EIT Law, non-resident enterprises which have not established institutions or premises in China or which have established institutions in China but whose incomes have no actual connection to its institution or establishment inside China shall be subject to a reduced enterprise income tax rate of 10% on income derived from China.

High and new technology enterprises to which the State needs to give key support are given the reduced enterprise income tax rate of 15%.

According to the Circular of the State Administration of Taxation on Issues Concerning Implementation of the Preferential Income Tax Treatment for New and High Technology Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知》) (Guo Shui Han [2009] No. 203), upon completion of the application procedures, the new and high technology enterprises are able to file tax returns at an income tax rate of 15%.

According to the Announcement of the State Administration of Taxation on Issuing the Revised Measures for Handling Enterprise Income Tax Preferences (《國家稅務總局關於發佈修訂後的<企業所得稅優惠政策事項辦理辦法>的公告》) (Announcement of the SAT [2018] No. 23), which was promulgated by the SAT on April 25, 2018 and effected from January 1, 2017, enterprises shall adopt the handling methods of “making independent judgment, declaring for enjoyment and retaining the relevant materials for future reference” when enjoying enterprise income tax preferences. An enterprise shall, according to its operating condition and related tax provisions, independently determine whether it meets the conditions required for enterprise income tax preferences. Those who meet the conditions may independently calculate the tax deductions or exemptions according to the time listed in the Catalog for the Administration of Enterprise Income Tax Preferences (2017), and enjoy tax incentives by filing enterprise income tax returns. Meanwhile, they shall, in accordance with the relevant provisions, collect and retain the relevant materials for future reference.

(ii) Income Tax Relating To Dividend Distribution

According to the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated by State Administration of Taxation on August 21, 2006, came into effect on December 8, 2006 and last amended on December 31, 2019, the withholding tax rate of 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in the PRC company, otherwise a 10% withholding tax rate applies.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No.81) which was promulgated and became effective on

February 20, 2009, to enjoy the treatment under the tax agreement, the fiscal resident of the other contracting party shall meet all of the following requirements (i) the fiscal resident of the other contracting party shall be limited to a company; (ii) both the proportion of all ownership interests and the proportion of all voting shares in the Chinese resident company of the fiscal resident of the other contracting party shall meet the prescribed proportions; and (iii) the proportion of capital of the Chinese resident company directly owned by the fiscal resident of the other contracting party shall meet the proportion prescribed in the tax agreement at any time during 12 consecutive months before dividends are obtained.

According to the Notice of SAT on the Issues Relating to the Beneficial Owners in the Tax Treaty (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (Notice of SAT [2018] No. 9), which was promulgated by SAT on February 3, 2018 and became effective on April 1, 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant was obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management and other activities, the applicant was unlikely to be recognized as a beneficial owner to enjoy tax treaty benefits.

(iii) Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council), which were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 5, 2008, February 6, 2016, November 19, 2017, organizations and individuals engaging in sale of goods or processing, repair and assembly services (hereinafter referred to as “labor services”), sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax (“VAT”), the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated.

In addition, in accordance with the Notice on Full Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui [2016] No. 36) which was issued by the Ministry of Finance and the State Administration of Taxation on March 23, 2016 and came into effect on May 1, 2016, the state started to fully implement the pilot change from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in the construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

5. LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL IN THE PRC

According to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (Order No.193 of the State Council) (the “**Foreign Exchange Administration Regulations**”), which were promulgated by the State Council of on January 29, 1996 and came into effect since April 1, 1996 and were amended on January 14, 1997 and August 1, 2008, the PRC imposes no restrictions on regular international payments and transfers, such as trade and service-related foreign exchange transactions and dividend payments, but it shall be based on true and legitimate transactions and financial institutions engaging in conversion and sale of foreign currencies shall carry out reasonable examination, and the foreign exchange control authorities shall have the right to carry out supervision and inspection.

For capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, shall be conducted upon the prior approval by the competent authorities for the administration of foreign exchange.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No.13) which was partly abolished on December 30, 2019, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been canceled, the banks will review and carry out foreign exchange registration under domestic direct investment and overseas direct investment (collectively known as direct investment foreign exchange registration) directly, while SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of State Administration of Foreign Exchange on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (Hui Fa [2016] No.16) which was issued by SAFE on June 9, 2016 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operations. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. SAFE may adjust the above ratio in due time in accordance with the balance of payment status.

6. LAWS AND REGULATIONS RELATING TO LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (Order No. 28 of the President), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and last amended on December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the President), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No.535 of the State Council), which was promulgated and became effective on September 18, 2008, employers and employees shall enter into written labor contracts to establish their employment relationship. The labor contracts shall set forth the terms, duties, remunerations, disciplinary rules of the employment and conditions to terminate the labor contracts. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the date when the employee begins to work.

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which were promulgated on January 24, 2014 and came into effect since March 1, 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only, and shall

strictly control the number of dispatched workers which shall not exceed 10% of the total number of its workers.

According to the Social Security Law of the PRC (《中華人民共和國社會保險法》) (Order No. 35 of the President), which was promulgated on October 28, 2010 and was effective from July 1, 2011, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council), which were promulgated and became effective on April 3, 1999, and were amended on March 24, 2002, employers shall undertake registration at the competent administrative center of housing funds and then, upon the verification by such administrative center of housing funds, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees.

The employer shall timely pay up and deposit housing provident fund contributions in their full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payments and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payments and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than 10,000 yuan nor more than 50,000 yuan shall be imposed. When an employer breaches these regulations and fails to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order it to pay up within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

7. LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

China has adopted legislation related to intellectual property rights, including application, obtaining or licensing of rights on trademarks, patents, copyrights and domain names.

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No.10 of SCNPC), which was promulgated on August 23, 1982, and amended on February 22, 1993, October 27, 2001, August 30, 2013 and November 1, 2019, and the Implementation Regulations on the

Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (Order No.358 of the State Council) which were promulgated by the State Council on August 3, 2002 and amended on April 29, 2014, the trademark registrant may, by concluding a trademark licensing contract, authorize others to use the registered trademark. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used. For licensed use of a registered trademark, the licensor shall file a record of the licensing of the said trademark with the trademark bureau, while non-filing of the licensing of a trademark shall not be contested against a good faith third-party.

According to the Patent Law of the PRC (中華人民共和國專利法) (No.11 Order of the President) which was issued by the SCNPC on March 12, 1984, came into effect on April 1, 1985, and was amended on September 4, 1992, August 25, 2000 and December 27, 2008, the State Intellectual Property Office is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative regions. The Chinese patent system adopts the principle of "prior application", i.e. where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file an application for a patent for invention or utility models, the following three standards must be met: novelty, creativity and practicability. The validity period of a patent for invention is 20 years, while the validity period of utility models is 10 years. Others may use the patent after obtaining the permit or proper authorization of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

The Copyright Law of the PRC (中華人民共和國著作權法) (No.31 Order of the President), which was issued by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001 and February 26, 2010, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy copyright. A copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法) (No.1 Order of the National Copyright Administration), which was issued by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognized the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (計算機軟件保護條例) (No.339 Order of the State Council) (which were issued by the State Council on December 20, 2001, came into effect on January 1, 2002 and were revised on January 8, 2011 and January 30, 2013).

According to the Administrative Measures for Internet Domain Names (互聯網域名管理辦法) (No.43 Order of the Ministry of Industry and Information Technology), which were issued by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology is responsible for

managing Internet network domain names of China. The “. CN” and the “.zhongguo (in Chinese character)” shall be China’s national top level domains. The principle of “first-to-file” is adopted for domain name services. The applicant for domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder’s identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

Principal shareholders

As of the date of this offering circular, so far as is known, or can be ascertained after reasonable enquiry by the directors of the Company, the following companies and persons, other than the directors and chief executives of the Company, had an interest or short position of 5% or more in the shares and the underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of shares held or interested	Approximate % of interest in the total number of shares in issue
Mr. Chen Chong ⁽¹⁾	Interest of spouse	1,451,120,428 ⁽²⁾	53.04
Concrete Win Limited	Beneficial Owner	1,326,120,428 ⁽³⁾	48.47

Notes:

- (1) Chen Chong is the spouse of Ms. Yang Huiyan.
- (2) These shares represent shares held by Concrete Win Limited and Fortune Warrior Global Limited in which Ms. Yang Huiyan beneficially owns the entire issued share capital.
- (3) These shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.

Save as disclosed above, the Company has not been notified by any other person (other than the directors and chief executives of the Company) who had an interest or short position of 5% or more in the shares and underlying shares of the Company as of the date of this offering circular which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Related party transactions

The following discussion describes certain material related party transactions in the years ended December 31, 2017, 2018 and 2019, between our consolidated subsidiaries and our directors, executive officers, original shareholders and associates and, in each case, the companies with which they are affiliated.

The following table summarizes our related party transactions for the years indicated:

	As of December 31,			US\$ (unaudited)
	2017	2018	2019	
	RMB	RMB	RMB	
	(in thousands)			
Receivables from related parties				
Trade receivables				
– Entities controlled by Ms. Yang Huiyan (the “Ultimate Controlling Shareholder”)	13,820	63,754	98,038	14,082
– Entities jointly controlled by the Ultimate Controlling Shareholder	-	1,777	12,120	1,741
– Entities over which the Ultimate Controlling Shareholder has significant influence	2,654	1,313	5,079	730
Sub-total	16,474	66,844	115,237	16,553
Other receivables				
– Entities controlled by the Ultimate Controlling Shareholder	233,489	-	-	-
Total	249,963	66,844	115,237	16,553
Payables to related parties				
Trade payables				
– Entities controlled by the Ultimate Controlling Shareholder	15,238	6,136	11,216	1,611
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	3,226	2,646	3,024	434
– Entities over which the Ultimate Controlling Shareholder has significant influence	4	-	-	-
Sub-total	18,468	8,782	14,240	2,045
Other payables				
– Entities controlled by the Ultimate Controlling Shareholder	439	-	-	-
Total	18,907	8,782	14,240	2,045

Please refer to Note 33 to our consolidated financial statements as of and for the year ended December 31, 2019 and Note 32 to our consolidated financial statements as of and for the year ended December 31, 2018 for further details of these related party transactions.

Terms and Conditions of the Bonds

The following (subject to modification and other than the words in italics) is the text of the terms and conditions of the Bonds (as defined below) which will appear on the reverse of each individual registered bond certificates evidencing the Bonds:

The issue of HK\$3,875,000,000 in aggregate principal amount of Zero Coupon Guaranteed Convertible Bonds due 2021 (the "**Bonds**", which term shall include, unless the context requires otherwise any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Best Path Global Limited (the "**Issuer**") were authorized by resolutions of the board of directors of the Issuer passed on April 27, 2020. The Bonds will be guaranteed by Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) (the "**Company**"). The guarantee of the Bonds by the Company and the right of conversion into Shares (as defined in Condition 6(A)(v)) were authorized by resolutions of the board of directors of the Company passed on April 27, 2020. In addition, the right of conversion into Shares was approved by resolutions of the shareholders of the Company on May 20, 2019.

The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated May 20, 2020 (the "**Issue Date**") made between the Issuer, the Company and Citicorp International Limited as trustee for itself and the Bondholders (as defined below) (the "**Trustee**", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee under the Trust Deed) and are subject to the paying and conversion agency agreement dated May 20, 2020 (as amended and/or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Company, the Trustee, Citibank, N.A., London Branch as principal paying agent, principal conversion agent and principal transfer agent (in such capacities, collectively the "**Principal Agent**", which expression shall include any successor Principal Agent appointed from time to time in connection with the Bonds), Citigroup Global Markets Europe AG as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and the other paying agents, conversion agents and transfer agents appointed under it (each a "**Paying Agent**", a "**Conversion Agent**" or a "**Transfer Agent**", as applicable, and together with the Registrar and the Principal Agent, the "**Agents**") relating to the Bonds. For the avoidance of doubt, any reference to a "**Paying Agent**", a "**Conversion Agent**" or a "**Transfer Agent**" in each case includes the Principal Agent. The statements in these terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection by the Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays) at the principal place of business of the Trustee (being as at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of identity and holding to the satisfaction of the Trustee. The Bondholders are entitled to the benefit of, and are bound by, and are deemed to have notice of, the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

The appointment of the Trustee and the Agents is subject to internal approvals by the entities named as such in these Conditions.

1. Status and Guarantee

A. Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

B. Guarantee

The Company has unconditionally and irrevocably guaranteed (the “**Guarantee**”) the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Company’s obligations in respect of the Guarantee are contained in the Trust Deed, and the Guarantee constitutes direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Company. The payment obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

2. Form, Denomination and Title

A. Form and Denomination

The Bonds are issued in registered form in the specified denomination of HK\$2,000,000 each and in integral multiples of HK\$1,000,000 in excess thereof. A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). When the Bonds are represented by a Global Certificate, the Conditions are modified by certain provisions contained in the Global Certificate. See the section of the offering circular entitled “The Global Certificate”.*

B. Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” mean the person in whose name a Bond is registered.

3. Transfers of Bonds; Issue of Certificates

A. Register

The Issuer will cause to the Register be kept at the specified office of the Registrar outside of Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

B. Transfer

Subject to Condition 3(E) and Condition 3(F) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the relevant Certificate duly completed and signed by the holder, or his attorney duly authorized in writing, to the specified office of the Registrar or the specified office of any of the Transfer Agents during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays). No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

C. Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer on the back of such Certificate duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Company's expense) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted in accordance with Condition 6, a new Certificate in respect of the Bonds not so transferred or converted will, within seven business days of delivery of the original Certificate to the Registrar or other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder and at the Company's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, "**business day**" shall mean a day other than a Saturday or Sunday or a public holiday on which commercial banks generally are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Transfer Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

D. Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any of the Agents may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to such transfer, (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Issuer, the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

E. Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) any date for payment of principal pursuant to the Conditions; (ii) during the period of seven days ending on (and including) any date for redemption pursuant to Condition 8(B) or Condition 8(C); (iii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to such Bond; (iv) after a Relevant Event Redemption Notice (as defined in Condition 8(D)) has been deposited in respect of such Bond; or (v) during such other periods during which the Issuer may be required to close its stock transfer books under any applicable law (each such period, a “**Closed Period**”).

F. Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Company’s expense) by the Registrar to any Bondholder following request in writing and proof of holding and identity to the satisfaction of the Registrar.

4. Negative Pledge

Each of the Issuer and the Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed it will not, and will procure that none of its Subsidiaries will create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company’s or the Issuer’s obligations under the Bonds are (i) secured equally and rateably by the same Security Interest, or (ii) at the option of the Issuer or the Company (as applicable) by such other security, guarantee, indemnity or other arrangement (a) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders, or (b) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In these Conditions:

any reference to “**Security Interest**” is to a mortgage, charge, pledge, lien or security interest securing any obligation of any person;

any reference to “**Relevant Indebtedness**” is to any future or present indebtedness issued outside the PRC in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) but shall not include indebtedness under any transferable bank loan facility; and

“**PRC**” means the People’s Republic of China which, for the purposes of these Conditions only, does not include the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan.

5. Interest

The Bonds do not bear interest unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, such unpaid principal shall bear interest at the rate of 2.00 per cent. per annum (both before and after judgment) (“**Default Interest**”) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (ii) the day seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If Default Interest is required to be calculated in respect of any Bond (a) the amount of Default Interest payable shall be calculated per HK\$1,000,000 in principal amount of the Bonds (the “**Calculation Amount**”), and (b) the amount of Default Interest payable per Calculation Amount for any period shall be equal to the product of (A) the rate of interest specified above, (B) the Calculation Amount, and (C) the relevant day-count fraction being a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

6. Conversion

A. *Conversion Right*

- (i) *Conversion Period*: Subject as hereinafter provided, each Bondholder has the right to convert the Bonds held by it into Shares (as defined in Condition 6(A)(v)) at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond held by it into Shares is called the “**Conversion Right**”. Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on or after June 30, 2020 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D), up to

the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the "**Conversion Period**"), provided that the principal amount of such Bond shall be at least HK\$2,000,000. The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect on the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by such holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that the Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after April 27, 2020 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i) as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.00. Any such sum shall be due and payable on the date the Shares are delivered pursuant to Condition 6(B)(iii).
- (iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK\$39.68 per Share but will be subject to adjustment in the manner provided in Condition 6(C).
- (iv) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall on the date fixed for redemption thereof default in making payment in full in respect of any Bond which shall have been called for redemption, (b) any Bond has become due and payable prior to the Maturity Date in accordance with Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 18) and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (v) *Meaning of "Shares"*: As used in these Conditions, the expression "**Shares**" means ordinary shares of par value U.S.\$0.0001 each in the share capital of the Company or shares of any

class or classes resulting from any subdivision, consolidation or re-classification of such ordinary shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

B. Conversion Procedure

- (i) *Conversion Notice:* To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit (at his own expense) at the specified office of any Conversion Agent during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays) on any business day (at the place where the Certificate evidencing such Bond is deposited for conversion) a notice of conversion (a "**Conversion Notice**") in duplicate in the form (for the time being current) obtainable from the specified office of each Conversion Agent, together with the relevant Certificate in respect of such Bond and any amounts required to be paid by the Bondholder under Condition 6(B)(ii).

The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv)) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not surrendered and delivered on the same day) and, if applicable, the date of making any payment or giving any indemnity and/or security under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable unless the Company and the Issuer consent in writing to its withdrawal. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or the Alternative Stock Exchange (as defined in Condition 6(C)), as the case may be, is open for trading of securities.

- (ii) *Stamp Duty etc.:* A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration duties (in this Condition 6(B)(ii), "**Taxes**") arising on conversion (other than any Taxes payable in the Cayman Islands, the British Virgin Islands, Hong Kong or any other relevant jurisdiction in connection with the creation, issue, offering or sale of the Bonds or the execution or delivery of the Trust Deed and the Agency Agreement and, if relevant, in the place of the Alternative Stock Exchange, by the Company in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (such Taxes payable in the Cayman Islands, the British Virgin Islands, Hong Kong or any other relevant jurisdiction as aforesaid being "**Issuer Taxes**") and such Bondholder must pay all, if any, Taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion but shall not be responsible for any Issuer Taxes or any other expenses arising on the issue of Shares on conversion of Bonds (which Issuer Taxes and other expenses as aforesaid shall be paid by the Issuer, failing whom the Company). Neither the Trustee nor the Agent is under any obligation to determine whether a Bondholder or, as the case may be, the Issuer is liable to pay any Taxes or Issuer Taxes including capital, stamp, issue, registration or similar taxes and duties or for calculating or verifying the calculation of the amounts payable (if any) under

or in connection with this Condition 6(B)(ii) and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder to pay such Taxes, Issuer Taxes, expenses or other amounts.

- (iii) *Registration*: As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date in respect of any Bond, the Company will in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited or paid as required by Conditions 6(B)(i) and 6(B)(ii) above, register the person or persons designated for such purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Company's share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "CCASS") effective from time to time, take all necessary actions to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such share certificate or certificates registered in the name of such person or persons available for collection at the office of the Company's share registrar in Hong Kong (currently Tricor Investor Services Limited at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong) as may from time to time be notified to Bondholders in accordance with Condition 18 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such share certificate or certificates are sent) such share certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof. In all cases a single certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective under Condition 6(C), upon the relevant adjustment becoming effective the Company shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)) of such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the relevant Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B) prior to the time such retroactive adjustment shall have become effective), the Issuer (failing whom the Company) will pay to the converting Bondholder or his designee the an amount in Hong Kong dollars (the “**Equivalent Amount**”) equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which such Bondholder would have been entitled had he on that record date been such a shareholder of record and will make such payment to such Bondholder at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the Equivalent Amount payable under this Condition 6(B) and will not be responsible or liable to any Bondholder or any other person for any loss arising from any failure by it to do so.

C. Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events:

- (1) *Consolidation, Subdivision, Redesignation or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

- (2) *Capitalization of Profits or Reserves*:

- (i) If and whenever the Company shall issue any Shares credited as fully paid to the holders of Shares (the “**Shareholders**”) by way of capitalization of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend (as defined below)) and which would not have constituted a Capital Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price (as defined below) per Share on the date of announcement of the terms of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and
- C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

Such adjustment shall become effective on the date of issue of such Shares issued by way of Scrip Dividend or if a record date is fixed therefor, immediately after such record date.

- (3) *Capital Distributions:* If and whenever the Company shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Share on the date on which the Capital Distribution is first publicly announced; and
- B is the Fair Market Value (as defined below) of such Capital Distribution per Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or paid or if a record date is fixed therefor, immediately after such record date. For the

purpose of the above in this Condition 6(C)(3), Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined in Hong Kong dollars as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalization of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Company.

- (4) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (5) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above in this Condition 6(C)(5), Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

- (6) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or shall issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

- (7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to

such securities themselves falling within this Condition 6(C)(7), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity, shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities

- (8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such modification;
- B is the maximum number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the

modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Shareholders:* If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above in this Condition 6(C)(9), Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

- (10) *Other Events:* If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Company shall, at its own expense, consult an Independent Financial Advisor selected by it to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination. Notwithstanding the foregoing, the per Share value of any such modification shall not exceed the per Share value of the dilution in the Shareholders' interest in the Company's equity caused by such events or circumstances.

In this Condition 6(C), where the events or circumstances giving rise to any adjustment pursuant to any of the above adjustments under this Condition 6(C) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the

operation of the provisions of this Condition 6 as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result.

For the purposes of these Conditions:

“Alternative Stock Exchange” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, such other internationally recognized stock exchange which is the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

“Capital Distribution” means:

- (i) the aggregate distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalization of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and
- (ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Company for any financial period (whenever paid and however described), *provided that* a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company) shall not constitute a Capital Distribution unless the weighted average price or consideration per Share (before expenses) on any one day in respect of such purchases or redemptions exceeds the Current Market Price of a Share by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b), the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Capital Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased or redeemed exceeds the product of (i) 105 per cent. of such Current Market Price and (ii) the number of Shares so purchased or redeemed;

“Closing Price” of the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day;

“Current Market Price” means, in respect of a Share on a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the ten consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said ten Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or

- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said ten Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share;

“Fair Market Value” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of any commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Share shall be the amount of such cash Capital Distribution per Share, (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor, except that no such determination shall be required for The New York Stock Exchange, the Nasdaq Global Market, the London Stock Exchange, the Singapore Exchange Securities Trading Limited or The Stock Exchange of Hong Kong Limited), in which case the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of ten trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than Hong Kong dollars shall be translated into Hong Kong dollars at the Prevailing Rate (if available) on such date. In addition, in the case of proviso (i) and (ii) above of this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

“Independent Financial Advisor” means a reputable independent financial advisor or financial institution with appropriate expertise selected by the Issuer (and all fees, costs and expenses of the appointment of the Independent Financial Adviser shall be for the account of the Issuer, failing whom, the Company) and notified in writing to the Trustee. The Trustee shall not be responsible for or under any obligation to appoint an Independent Financial Advisor and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by it;

“Prevailing Rate” means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined, provided that in the case of any cash Capital Distribution publicly announced by the Company in Renminbi in respect of the Shares, the “Prevailing Rate” shall mean the Renminbi to Hong Kong dollar exchange rate publicly announced by the Company applicable to such cash Capital Distribution;

“Relevant Cash Dividend” means any cash dividend specifically declared by the Company;

“Relevant Page” means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information;

“Scrip Dividend” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 6(C)(2));

any reference to a **“Subsidiary”** of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Cayman Islands or Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person; and

“Trading Day” means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for the business of dealing in securities, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 18 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on the conversion of any Bond, Shares would be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Conditions 6(C) should be made, and following consultation between the Issuer, the Company and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Company, the Bondholders and the Trustee, save in the case of manifest error. Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some

modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above.

No adjustment will be made to the Conversion Price when Shares, options or other securities are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees (including directors) of the Company or any of its Subsidiaries pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange) provided that such issues do not amount to, or entitle such persons to receive shares in excess of 3.50 per cent. of the average number of issued and outstanding shares during the 12 months period up to the grant of such Shares, options or other securities.

Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

References to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognized regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

Neither the Trustee nor any of the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price, and none of them will be responsible or liable to the Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Company or any Independent Financial Advisor in making any calculation or determination or any erroneous calculation or determination in connection with the Conversion Price, and each of them shall be entitled to rely conclusively (without investigation or inquiry) and without liability to any Bondholder or any other person on any report or certificate of an Authorized Signatory of the Company or, as the case may be, by any person on behalf of any Independent Financial Advisor in connection therewith.

D. Undertakings

Each of the Issuer and the Company undertakes that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution:

- (i) it will use its best endeavors (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Company is unable to obtain or maintain such listing, to use its best endeavors to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as from time to time selected by the Company and will forthwith give notice to the

Bondholders in accordance with Condition 18 below and to the Trustee and the Agents in writing of the listing or delisting of the Shares (as a class) by any such stock exchange;

- (ii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Shares arising on conversion of the Bonds;
- (iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund, except where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(C) relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made;
- (iv) it will use its best endeavors to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX") and if the Company is unable to maintain such listing, to use its best endeavors to obtain and maintain a listing on another internationally recognized stock exchange and will forthwith give notice to the Bondholders in accordance with Condition 18 below of the listing or delisting of the Bonds by any such stock exchange;
- (v) it will reserve, free from any other pre-emptive or other similar rights, out of its authorized but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (vi) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Company, provided always that the Company shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Company has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

E. *Notice of Change in Conversion Price*

The Issuer and the Company shall give notice to the Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth reasonable details of the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment. For the avoidance of doubt, nothing in this Condition 6(E) shall require the Company to disclose any information which it is not legally permissible to disclose.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

7. Payments

A. *Principal, Default Interest and premium*

Payment of principal, premium (if any) and Default Interest (if any) and any other amount due in respect of any Bond will be made by transfer to the registered account of the Bondholder.

Payment of principal and premium (if any) will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

B. *Registered Accounts*

For the purposes of this Condition, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment (the "**Record Date**"), and a Bondholder's registered address means its address appearing on the Register at that time.

C. *Fiscal Laws*

All payments are subject in all cases to any applicable laws, regulations and directives and in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

D. *Payment Initiation*

Payment instructions (for value on the due date or, if that is not a business day (as defined below in Condition 7(F)), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

E. *Delay in Payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so).

F. *Business Day*

In this Condition 7, unless otherwise defined, "**business day**" means a day other than a Saturday, Sunday or public holiday on which commercial banks generally are open for business in Hong Kong and London and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

G. *Partial Payment*

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

H. *Rounding*

When making payments to Bondholders, fractions of one Hong Kong cent will be rounded to the nearest Hong Kong cent (half a Hong Kong cent being rounded upwards).

8. Redemption, Purchase and Cancellation

A. Maturity

Unless previously redeemed, converted or purchased and canceled as provided herein, the Issuer will redeem each Bond at 100.0 per cent. of its principal amount on May 18, 2021 (the "**Maturity Date**"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) below (but without prejudice to Condition 10).

B. Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent in writing (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid), at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith).

C. Redemption for Taxation Reasons

- (i) At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date (the "**Tax Redemption Date**") if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (a) the Issuer (or if the Guarantee was called, the Company) has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company) or, in each case, the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after April 27, 2020, and (b) such obligation cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(C)(i), the Issuer shall deliver to the Trustee (A) a certificate signed by two Authorized Signatories of the Issuer (or by two Authorized Signatories of the Company, as the case may be) stating that the obligation referred to in (a) above of this Condition 8(C)(i) cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it and (B) an opinion of independent legal or tax advisors of recognized standing to the effect that

such change or amendment referred to in (a) above of this Condition 8(C)(i) has occurred (irrespective of whether such amendment or change is then effective), and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders. Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at a redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date.

- (ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(C)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal or premium to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(C)(ii), the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Tax Option Exercise Notice**") together with the Certificate evidencing the relevant Bond(s) on or before the day falling 10 days prior to the Tax Redemption Date.

D. Redemption for Delisting or Change of Control

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at a redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Relevant Event Redemption Notice**") together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18 (which notice shall also be given at the same time to the Trustee and the Principal Agent). The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable unless the Issuer consents to its withdrawal and the Issuer shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

Neither the Trustee nor any of the Agents shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

The Issuer shall give notice to Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing by not later than 14 days following the first day on which it

becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D) and shall give brief details of the Relevant Event and, if the Relevant Event occurs during the Conversion Period, shall also contain a statement informing Bondholders of their entitlement to exercise their Conversion Right as provided in these Conditions.

A “**Relevant Event**” occurs:

- (i) when the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange); or
- (ii) when there is a Change of Control.

For the purposes of this Condition 8(D):

a “**Change of Control**” means the occurrence of one or more of the following events:

- (i) the direct or indirect disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one or more Permitted Holders;
- (ii) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders) pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;
- (iii) the Permitted Holders are collectively the beneficial owners (as such term is used in Rule 13d-3 of the U.S. Securities Exchange Act of 1934, as amended) of less than 40 per cent. of the total voting power of the Voting Stock of the Company;
- (iv) any person or group (as such terms are used in Sections 13(d) and 14(d) of the U.S. Securities Exchange Act of 1934, as amended) is or becomes the beneficial owner (as such term is used in Rule 13d-3 of the U.S. Securities Exchange Act of 1934, as amended), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (v) individuals who on the issue date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office;
- (vi) the adoption of a plan relating to the liquidation or dissolution of the Company; or
- (vii) the Company ceasing to be the direct or indirect beneficial owners of 100 per cent. of the total voting power of the Voting Stock of the Issuer;

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity;

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares;

“Person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company’s board of directors or any other governing board and does not include the Company’s wholly-owned direct or indirect Subsidiaries;

“Permitted Holders” means any or all of the following:

- (i) Ms. Yang Huiyan;
- (ii) any relevant affiliate of Ms. Yang Huiyan; and
- (iii) any person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80 per cent. or more by one or more of the Permitted Holders specified above;

“Preferred Stock” means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends; and

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

E. Purchases

The Issuer, the Company or any of their respective Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise. Any Bonds so purchased, while held by or on behalf of the Issuer, the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders of the Bonds and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10, Condition 13 and Condition 14(A).

F. Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer, the Company or any of their respective Subsidiaries, will be canceled. Certificates in respect of all Bonds canceled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

G. Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be given in accordance with Condition 18 and will specify (i) the Conversion Price as at the date of

the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable redemption amount and the amount of accrued interest payable (if any), (v) the date for redemption, (vi) the manner in which redemption will be effected, and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (which shall include any notice given by the Issuer pursuant to Condition 8(B) or Condition 8(C) and any Relevant Event Redemption Notice or Put Exercise Notice given by a Bondholder pursuant to Condition 8(D)), the first of such notices to be given shall prevail.

9. Taxation

All payments made by or on behalf of the Issuer or, as the case may be, the Company, under or in respect of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and shall be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands, the British Virgin Islands, Hong Kong, the PRC or, in any such case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Company, will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of a payment by the Issuer) (or in the case of payments made by the Company, the Cayman Islands or Hong Kong) or, the PRC, otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (ii) (in the case of a payment of principal or premium) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal and premium shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, assessments, government charges, withholding or other payment referred to in this Condition 9,

in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Company, any Bondholder or any other person to pay such tax, duty, charges, assessments, government charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, assessments, government charges, withholding or other payment imposed by or in any jurisdiction, including without limitation any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal and premium or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charges, assessments, government charges, withholding or other payment imposed by or in any jurisdiction.

10. Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer and the Company that the Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount, together with any accrued but unpaid interest (including Default Interest) (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

- (i) a default is made in the payment of any principal, premium or interest due in respect of the Bonds for more than three days;
- (ii) any failure by the Company to deliver the Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for more than three days;
- (iii) the Issuer or the Company does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed, which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Company by the Trustee;
- (iv) the Issuer, the Company or any Principal Subsidiary (as defined below in this Condition 10) is (or is, or could be, deemed by law or a court of applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts when due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Company or any Principal Subsidiary;
- (v) (a) any other present or future indebtedness (whether actual or contingent) of the Issuer, the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or

raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(v) have occurred equals or exceeds U.S.\$40 million or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;

- (vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or turnover of the Issuer, the Company or any Principal Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;
- (vii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, the Company or any Principal Subsidiary (except for a members' voluntary solvent winding-up of any such Principal Subsidiary), or the Issuer, the Company or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of any such Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Company or any Principal Subsidiary;
- (viii) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Issuer, the Company or any Principal Subsidiary (as the case may be) and is not discharged within 30 days;
- (ix) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of the Issuer, the Company or any Principal Subsidiary;
- (x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer and the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable against the Issuer or the Company and (c) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of the Cayman Islands, the British Virgin Islands, Hong Kong or England is not taken, fulfilled or done;
- (xi) it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of its obligations under any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement;

- (xii) the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Company;
 - (xiii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10(iv), 10(vi), 10(vii), 10(viii) or 10(ix),
- (the events in Conditions 10(i) to 10(xiii) (both inclusive) each being an “**Event of Default**”).

For the purposes of these Conditions:

“**Principal Subsidiary**” means any Subsidiary of the Company:

- (a) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited profit and loss account exceeds 4 per cent. of the consolidated gross revenues as shown by the then latest published audited consolidated profit and loss account of the Company and its Subsidiaries;
- (b) whose profit before income tax (“**pre-tax profit**”) or (in the case of a Subsidiary which has subsidiaries) consolidated pre-tax profit as shown by its latest audited profit and loss account exceeds 4 per cent. of the consolidated pre-tax profit as shown by the then latest published audited consolidated profit and loss account of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated companies (including jointly controlled entities);
- (c) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Company and its Subsidiaries) as shown by its latest audited balance sheet exceeds 4 per cent. of the gross consolidated assets of the Company and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Company and its Subsidiaries; or
- (d) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary of the Company, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary of the Company.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary of the Company in respect of any of the events referred to in Conditions 10(i) to 10(xiii) (both inclusive) if its gross revenues, pre-tax profit or gross assets (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) when aggregated with the gross revenues, gross pre-tax profit or gross assets of each other Subsidiary of the Company which is not itself a Principal Subsidiary (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) with respect to which any of the events referred to in Conditions 10(i) to 10(xiii) (both inclusive) has occurred during the preceding 12 months, exceeds 10 per cent. of the consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets of the Company and its Subsidiaries.

A certificate in English signed by any Authorized Signatory of the Company that, in the opinion of the Company, a Subsidiary is or is not or was or was not or would or would not have been,

pursuant to the immediately preceding paragraph, treated as, at any particular time, a Principal Subsidiary of the Company shall, in the absence of manifest error, be conclusive and binding on all parties concerned. The Trustee shall be entitled to rely conclusively on such certificate without any further investigation and without liability to any Bondholder or any other person. References to the audited profit and loss account and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated profit and loss account and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such profit and loss account or balance sheet is required by law to be produced, to a pro forma profit and loss account or balance sheet, prepared for the purpose of such certificate. References to "gross revenues", "pre-tax profit", "gross assets", consolidated or non-consolidated, shall include references to equivalent items in the relevant accounts as extracted from the financial statements of the Company audited by an internationally recognized firm of accountants.

11. Consolidation, Amalgamation or Merger

Each of the Issuer and the Company will not consolidate with, amalgamate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any entity unless:

- (i) the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which the Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company shall be a corporation organized and validly existing under the laws of its place of incorporation, and shall, by a deed supplemental to the Trust Deed and an agency agreement supplemental to the Agency Agreement and such other undertakings or documents as the Trustee may in its discretion require, executed and delivered in form and content acceptable to the Trustee in its discretion, expressly assume all of the obligations of the Issuer or the Company, as the case may be, in respect of all of the Bonds and under the Trust Deed and the Agency Agreement and indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal with respect to the payment of principal and premium on the Bonds;
- (ii) the terms of the supplemental Trust Deed referred to in Condition 11(i) above will provide that (a) the holder of each Bond then outstanding will have the right (during the Conversion Period) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal (and such supplemental Trust Deed will provide for adjustments on terms as nearly equivalent as may be practicable to the adjustments provided for in Condition 6(C)), (b) the rights of Bondholders shall not be adversely affected as a result of such transaction and (c) that there shall be no right to exercise a redemption of the Bonds under Condition 8(C) as a result of any change in the domicile or place of incorporation of Issuer or the Company, as

the case may be, or of the successor entity not being incorporated in the Cayman Islands, the British Virgin Islands or Hong Kong and the provisions of Condition 9 shall also be supplemented or modified as the Trustee in its discretion deems appropriate; and

- (iii) immediately after giving effect to such transaction, no default or event of default (including an Event of Default) shall have occurred and be continuing.

If any two directors of the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which the Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company, as the case may be, certify that it will be solvent immediately after assuming all obligations of the Issuer or the Company, as the case may be, pursuant to this Condition 11, the Trustee need not have regard to such entity's financial condition, profits or prospects or compare them with those of the Issuer or the Company, as the case may be.

The above provisions of this Condition 11 will apply, *mutatis mutandis*, to any subsequent consolidations, amalgamations, mergers, sales or transfers.

12. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal or premium) and five years (in the case of Default Interest) from the relevant date (as defined in Condition 9) in respect thereof.

13. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer and/or the Company as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed but it will not be bound to take any such actions and/or steps and/or institute such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer and/or the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14. Meetings of Bondholders, Modification and Waiver

A. Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including, without limitation, the sanctioning by Extraordinary Resolution of the Bondholders of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution of

the Bondholders will be two or more persons holding or representing over 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting for a lack of quorum, two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium or interest on the Bonds or the Equivalent Amount payable in respect of the Bonds, (iii) to change the denomination or currency of payment of the Bonds, (iv) to modify (except for a unilateral and unconditional reduction in the Conversion Price by the Company) or cancel the Conversion Rights, (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution of the Bondholders or sign a resolution in writing or (vi) to modify or cancel the Guarantee (except as permitted under these Conditions and the Trust Deed) in which case the necessary quorum for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting (for a lack of quorum) not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution of the Bondholders passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting.

The Trust Deed provides that (A) a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or (B) a resolution passed by way of electronic consents through Euroclear and Clearstream (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall each be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders.

B. *Modification and Waiver*

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14(A) above or in the Trust Deed) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, and (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorization will be binding on the Bondholders and all future Bondholders and, unless the Trustee agrees otherwise, any such modifications, waivers and authorizations will be notified by the Issuer or the Company to the Bondholders in accordance with Condition 18 as soon as practicable thereafter.

In the event of the passing of an Extraordinary Resolution of the Bondholders in accordance with Condition 14(A) or a modification, waiver or authorization in accordance with Condition 14(B), the Issuer or the Company will procure that the Bondholders be notified in accordance with Condition 18.

C. *Interests of Bondholders*

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those in relation to any proposed modification, authorization or waiver), the

Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of, or be responsible for, the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Company or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and Condition 11 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

D. *Certificates/Reports/etc.*

The Trustee may rely without liability to Bondholders, the Issuer, the Company or any other person on any report, confirmation, information or certificate from or any opinion or advice of any legal advisers, accountants, auditors, valuers, auctioneers, surveyors, brokers financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, opinion or advice and, in such event, such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer, the Company and the Bondholders.

15. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security as the Issuer and/or the relevant Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds to be consolidated and form a single series with the Bonds shall be constituted by a deed supplemental to the Trust Deed.

17. Currency Indemnity

A. *Currency of Account and Payment*

Hong Kong dollars (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer or the Company under or in connection with the Bonds, the Trust Deed and the Guarantee, including damages, save as otherwise provided in the Trust Deed.

B. *Extent of Discharge*

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the

winding-up or dissolution of the Issuer or the Company or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer or the Company to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

C. Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds, the Trust Deed or the Guarantee, each of the Issuer and the Company on a joint and several basis will indemnify the recipient on demand against any loss sustained by it as a result. In any event, each of the Issuer and the Company on a joint and several basis will indemnify the recipient on demand against the cost of making any such purchase.

D. Indemnity Separate

The indemnity in this Condition 17 constitutes a separate and independent obligation from the other obligations under the Bonds and the Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds and/or the Trust Deed or any other judgment or order.

18. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and so long as the Bonds are listed on the SGX and if the rules of the SGX so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be *The Business Times*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or such Alternative Clearing System.

19. Agents

The names of the initial Principal Agent and the initial Registrar and their respective specified offices are set out below. The Issuer and the Company reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer and the Company will at all times maintain

(i) a Principal Agent and (ii) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer or the Company to the Bondholders.

20. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation, provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling it to be paid or reimbursed for any fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Issuer or the Company and any entity related (directly or indirectly) to the Issuer or the Company (including any of their affiliates) without accounting for any profit.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Company or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions, and the Trustee is not responsible or liable for any loss or liability incurred by the Issuer, the Company, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of any directions or in the event that no such directions or clarification are received.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company or any other person appointed by the Issuer or the Company in relation to the Bonds and/or the Shares of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Company to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

The Trustee shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default (as defined in the Trust Deed) or a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred, and shall not be liable to the Bondholders, the Issuer, the Company or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition,

affairs, status and nature of the Issuer, the Company and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

21. Contracts (Rights of Third Parties) Act 1999

Without prejudice to the rights of the Bondholders pursuant to and as contemplated in Condition 13, no person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

22. Governing Law and Submission to Jurisdiction

A. Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

B. Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and/or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Bonds and/or the Trust Deed (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

C. Agent for Service of Process

Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably agreed to receive service of process in any Proceedings in Hong Kong in connection with any of the Bonds and the Trust Deed at the Company’s principal place of business address in Hong Kong, being as at the Issue Date at 4th Floor, Ruttonjee House, Ruttonjee Center, 11 Duddell Street, Central, Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not, it is forwarded to and received by the Issuer or, as the case may be, the Company). If for any reason the Company ceases to be able to act as agent for service of process as aforesaid or ceases to have an address in Hong Kong, each of the Issuer and the Company irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and to deliver to the Trustee a copy of the substitute process agent’s acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

D. Waiver of Immunity

Each of the Issuer and the Company has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defense, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

Description of the Global Certificate

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this offering circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each HK\$1,000,000 for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System (as defined in the Global Certificate)), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) (as defined in the Agency Agreement) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions of the Bonds.

Bondholder's Redemption

The Bondholder's redemption option in Condition 8(D) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Redemption at the Option of the Issuer

The option of the Issuer provided for in Conditions 8(B) and 8(C) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Conditions.

Exchange of Bonds Represented by Global Certificates

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any alternative clearing system on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Taxation

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds.

Cayman Islands

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(a) that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company;
or

(ii) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concession Law.

The undertaking is for a period of 20 years from February 1, 2018.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "IRO")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

The PRC

Taxation on Interest

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management bodies" of the Issuer are

within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% on its income from sources both within and outside PRC.

The EIT Law, its implementation regulations impose withholding tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Bonds may be treated as income derived from sources within China and be subject to such PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC which was amended on August 31, 2018 and its implementation regulations which was amended in December 18, 2018, if the Issuer is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds may be treated as income derived from sources within China and be subject to a 20% individual income tax; accordingly, if the Issuer is treated as a PRC tax resident enterprise, the Issuer would be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds.

As of the date of this offering circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise holders of the Bonds will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Taxation on Capital Gains

The EIT Law and its implementation regulations impose a tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realized by a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation regulations impose a tax at the rate of 20% on income derived from sources within the PRC realized by non-resident individuals. If the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, and if the capital gains realized by holders of the Bonds are treated as income derived from sources within China, such gains will be subject to PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds, if both the Issuer and the investors qualify for benefits under the applicable tax treaty.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond to the extent that the register of holders of the Bonds is maintained outside Mainland China. The Issuer intends to maintain the register of holders of the Bonds outside Mainland China.

Description of The Shares

Set out below is certain information concerning the Shares and a summary of certain provisions of the Company's Amended and Restated Articles of Association (the "Articles") and certain other information concerning the Company. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Articles.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 24, 2018 under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Law**") and, therefore, operates subject to Cayman Islands law.

Alteration of Capital

The Company may by ordinary resolution of its Shareholders:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

Special resolution—majority required

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such Shareholders as, being entitled so to do, vote in person or, in the case of such Shareholders as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

In contrast, an ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such Shareholders as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Notices of meetings

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. Notwithstanding the foregoing, if permitted by the Listing Rules, a general meeting may be called by shorter notice, subject to the Cayman Companies Law, if it is so agreed: (a) in the case of a meeting called as an annual general meeting, by all the Shareholders entitled to attend and vote thereat; and (b) in the case of any other meeting, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) of the total voting rights at the meeting of all the Shareholders.

The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

Voting rights (generally, on a poll and right to demand a poll)

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. On a poll, a Shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

In the case of joint registered holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

If a clearing house (or its nominee(s)), being a corporation, is a Shareholder, it may authorize such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of Shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such representative is so authorized. Each person so authorized shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) which he represents as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any Shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any

particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

No Shareholder shall, unless the Directors otherwise determine, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll.

Annual general meeting

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Article within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting, unless a longer period would not infringe the rules of the Stock Exchange.

Transfer of Share

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Directors may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Directors may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Directors may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Directors may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Directors may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

Power of the Company to purchase its own Shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles relating to the ownership of Shares by a subsidiary.

Dividends and other methods of distributions

The Company in general meeting may declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Directors.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any Shareholder or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Directors or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person

and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Directors or the Company in general meeting has resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Directors and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

Inspection of register of members

The register of members shall contain such particulars as required by Section 40 of the Cayman Companies Law. Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by Shareholders without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Directors, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Directors, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a Shareholder shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of Shareholders.

Procedure on Liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares: (i) if the Company is wound up and the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such Shareholders in proportion to the amount paid up on the shares held by them respectively; and (ii) if the Company is wound up and the assets available for distribution amongst the Shareholders as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the Shareholders in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Pre-emption Rights

The Articles do not contain any pre-emptive rights in respect of the issue of Shares. However, the Listing Rules provide that the Directors may not, without the prior approval of the Shareholders in general meeting, exercise any power of the Company to allot Shares otherwise than under an offer made *pro rata* by the Company to its Shareholders.

As a matter of practice, the Company adopts in each year a general mandate authorizing the Directors to allot and issue and otherwise dispose of Shares, during a specified period, up to the level, currently 20% of the total number of shares in issue at the time of passing the resolution, permitted by the Listing Rules without the requirement for any such authority. Such a mandate was given at the annual general meeting of the Shareholders held on May 20, 2019 and can be utilized at any time until the Company's next annual general meeting.

Market price information

The Shares have been listed on the Hong Kong Stock Exchange since June 19, 2018. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Total Volume
	High	Low	End of Period	
	(HK\$)			('000)
2018				
Second Quarter	11.44	9.02	10.06	847,715
Third Quarter	14.14	9.99	13.30	1,139,894
Fourth Quarter	13.58	9.66	12.44	447,419
2019				
First Quarter	14.62	11.16	14.62	894,940
Second Quarter	18.26	13.96	18.06	367,275
Third Quarter	24.15	17.40	22.60	468,939
Fourth Quarter	27.85	22.55	26.25	305,106
2020				
First Quarter	32.10	25.00	31.50	554,856

Source: Bloomberg

Dividends

Subject to the Cayman Companies Law and the Articles of Association of the Company, the Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the board of directors of the Company. The board of directors of the Company may from time to time pay such interim dividends to the Shareholders of the Company out of distributable funds (including share premium account) as may appear to the board of directors to be justified by the financial position of the Company. No dividend shall be paid otherwise than out of the profits of the Company or out of the share premium account or other fund or account authorized for this purpose in accordance with the Cayman Companies Law. No dividends shall carry interest.

The Company declared a total dividend of RMB8.49 cents per share for the year ended December 31, 2018.

Subscription and Sale

The Issuer and the Company have entered into a subscription agreement dated April 27, 2020 (the "**Subscription Agreement**") with the Sole Lead Manager, pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, and the Company has agreed to guarantee, and the Sole Lead Manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Issuer and the Company have agreed in the Subscription Agreement that neither Issuer, the Company nor any of their respective Subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them will, for a period from the date of the Subscription Agreement up to 90 days after the Issue Date (both dates inclusive), without the prior written consent of the Sole Lead Manager (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for (i) the Bonds and any new Shares issued pursuant to the conversion provisions of the Bonds; and (ii) the issuance of any Shares under the Company's publicly disclosed pre-listing share option scheme.

In addition, Ms. Yang Huiyan, a shareholder of the Company, has executed a shareholder lock-up undertaking dated April 27, 2020. Ms. Yang has undertaken that none of herself, Concrete Win Limited and Fortune Warrior Global Limited (each of which is wholly-owned by Ms. Yang), nor any other subsidiaries or affiliates over which Ms. Yang exercises management or voting control, nor any person acting on Ms. Yang's or their behalf will, for a period from the date of the shareholder lock-up undertaking up to 90 days after the Issue Date (both dates inclusive), without the prior written consent of the Sole Lead Manager (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Lock-up Shares or securities of the same class as the Bonds or the Lock-up Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Lock-up Shares or securities of the same class as the Bonds, the Lock-up Shares or other instruments representing interests in the Bonds, the Lock-up Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Lock-up Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Lock-up Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing. "**Lock-up Shares**" means the 1,451,120,428 Shares held by Ms. Yang Huiyan directly (or through nominees) or indirectly through trusts and/or companies controlled by her (or their nominees).

The Subscription Agreement provides that each of the Issuer and the Company will jointly and severally indemnify the Sole Lead Manager against certain liabilities, including in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Sole Lead Manager are subject to certain conditions precedent, and entitles the Sole Lead Manager to terminate it in certain circumstances prior to payment being made by the Issuer.

The Sole Lead Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Sole Lead Manager and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer, the Company and the Group for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Sole Lead Manager and its affiliates, or affiliates of the Issuer or the Company, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Company (including the Shares), and therefore, they may offer or sell the Bonds or other securities (including the Shares) otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being ‘offered’ should be read as including any offering of the Bonds to the Sole Lead Manager and/or its respective affiliates, or affiliates of the Issuer or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

In the ordinary course of their various business activities, the Sole Lead Manager and its affiliates make or hold or enter into a broad array of investments (including bank or syndicated loans, asset swaps, credit derivatives or other derivative transactions relating to the Bonds and/or the Shares) and actively trade debt and equity securities (or related derivative securities) and financial instruments for their own account and for the accounts of their customers, or provide financing to the Issuer, the Company and/or the Group at the same time of the Offering or in secondary market transactions, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Company, including the Bonds and the Shares. The Sole Lead Manager does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Sole Lead Manager and/or its affiliates may have a lending relationship with the Issuer and/or the Company and routinely hedge their credit exposure to the Issuer and/or the Company consistent with their customary risk management policies. The Sole Lead Manager and its affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s and/or the Company’s securities, including potentially the Shares and/or the Bonds. Any such short positions could adversely affect future trading prices of the Shares and/or the Bonds. The Sole Lead Manager and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Shares, the Bonds or other financial instruments of the Issuer or the Company, and may recommend to their clients that they acquire long and/or short positions in the Shares, the Bonds or other financial instruments.

General

The Bonds are a new issue of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, no assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this offering circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds, the Guarantee and the New Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Sole Lead Manager has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any Bonds except in accordance with Rule 903 of Regulation S under the Securities Act, and neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, the Guarantee or the New Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S. The Sole Lead Manager has represented that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Guarantee, except with its affiliates or with the prior written consent of the Issuer.

Prohibition of Sales to EEA and United Kingdom Retail Investors

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or
- (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

The Sole Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

The Sole Lead Manager has represented, warranted and agreed that: (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Cayman Islands

The Sole Lead Manager has represented, warranted and agreed that the offer to sell the Bonds is private and not intended for the public and, further that it has not made and will not make any invitation to the public in the Cayman Islands or to residents of the Cayman Islands to offer or sell the Bonds.

British Virgin Islands

The Bonds may not be offered in the British Virgin Islands unless the Issuer or the person offering the Bonds on its behalf is licensed to carry on business in the British Virgin Islands. The Issuer is not licensed to carry on business in the British Virgin Islands. The Bonds may be offered to British Virgin Islands business companies (from outside the British Virgin Islands) without restriction. A British Virgin Islands business company is a company formed under or otherwise governed by the BVI Business Companies Act (British Virgin Islands).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, the Bonds have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws and regulations of Japan.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;

- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Section 309B Notification—*In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)) that the Bonds are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

PRC

The Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and the Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

Bermuda

The Sole Lead Manager has represented, warranted and agreed that it has not marketed, offered or sold and will not offer or sell, any Bonds to the public in Bermuda nor any persons, firm or company regarded as a resident of Bermuda for exchange control purpose and will procure that any purchaser of the Bonds from it will comply with such restriction.

The Sole Lead Manager further acknowledged that this offering circular is not subject to and has not received approval from either the Bermuda Monetary Authority or the Registrar of Companies and no statement to the contrary, explicit or implicit, is authorized to be made in this regard. The Bonds may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorized to do so under applicable Bermuda legislation and engaging in the activity of offering or marketing the Bonds in Bermuda to persons in Bermuda may be deemed to be carrying on business in Bermuda.

Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations and neither this offering circular nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Netherlands

The Bonds (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this offering circular nor any other document in relation to any offering of the Bonds (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in Regulation (EU) 2017/1129, as amended, provided that these parties acquire the Bonds for their own account or that of another qualified investor.

Independent auditor

Our consolidated financial statements as of and for each of the fiscal years ended December 31, 2018 and 2019 have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

General information

Consents

We have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Bonds and the Guarantee. The entering into the Trust Deed governing the Bonds and the issue of the Bonds have been authorized by a resolution of the Issuer's board of directors dated April 27, 2020. The entering into the Trust Deed governing the Bonds and the giving of the Guarantee by the Company have been authorized by a resolution of the Company's board of directors dated April 27, 2020.

Litigation

There are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Bonds or the Guarantee.

No material adverse change

Except as may be otherwise disclosed in this offering circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2019 that is material in the context of the issue of the Bonds or the granting of the Guarantee.

Documents available

Copies of the latest annual reports and interim reports of the Group may be downloaded free of charge from the website of <http://www.hkexnews.hk>. Copies of the memorandum and articles of association of the Issuer and the Company, the Trust Deed and the Agency Agreement will be made available for inspection by the Bondholders at the Company's principal office in Hong Kong (being 4th Floor, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong) during normal business hours. Copies of the Trust Deed and the Agency Agreement will be made available for inspection by the Bondholders at the principal place of business of the Trustee, being at the date of this offering circular at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays) following prior written request and proof of identity and holding satisfactory to the Trustee, so long as any of the Bonds is outstanding.

Clearing system and settlement

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream with the ISIN of XS2156581550 and Common Code of 215658155.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 549300OVQTHDCPZKMX16.

Listing of the Bonds

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Offering, the Issuer, the Company, any subsidiary or associated company of the Issuer and the Company, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$200,000 with a minimum of ten lots to be traded in a single transaction for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where such Bonds may be presented or surrendered for payment or redemption in the event that the Global Certificate is exchanged for Bonds in their definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in their definitive form, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

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Note:

(1) Our audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 set forth herein have been reproduced from our annual reports for the years ended December 31, 2018 and 2019. Page references used in this offering circular are different from page references set forth in such annual reports. The audited consolidated financial statements have not been prepared for the inclusion in this offering circular.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Country Garden Services Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 150, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of the expected credit losses of trade receivables</p> <p>Refer to note 4 'Critical accounting estimates and judgements' and note 20 'Trade and other receivables' to the consolidated financial statements.</p> <p>As at 31 December 2019, gross trade receivables amounted to RMB1,631,855,000, which represented approximately 13% of the total assets of the Group. Management has assessed the expected credit losses of the trade receivables and RMB57,868,000 of loss allowance was made against the trade receivables as at 31 December 2019.</p> <p>Management assessed the expected credit losses of trade receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, aging profile of the receivables, existing market conditions as well as forward looking estimates at the end of each reporting period.</p> <p>Given the magnitude of the balance of trade receivables and that the assessment of the expected credit losses of trade receivables involved significant judgements and estimates made by management, we consider the assessment of the expected credit losses of trade receivables a key audit matter.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none">(i) Understood, evaluated and tested management's key controls in relation to the assessment of the expected credit losses of trade receivables.(ii) Assessed the appropriateness of the credit loss provisioning methodology adopted by management.(iii) Assessed the reasonableness of the estimated credit loss rates by considering historical cash collection and movements of the aging of trade receivables, taking into account the market conditions.(iv) Tested, on a sample basis, the accuracy of aging analysis of trade receivables prepared by management.(v) Checked the mathematical accuracy of the calculation of the provision for loss allowance. <p>We found that the significant judgements and estimates made by management in relation to the assessment of the expected credit losses of trade receivables were properly supported by available evidences.</p>

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Purchase price allocation for business combinations</p> <p>Refer to note 4 'Critical accounting estimates and judgements' and note 32 'Business combinations' to the consolidated financial statements.</p> <p>During the year ended 31 December 2019, the Group completed acquisitions of several property management companies. Management has engaged an independent qualified valuer to assist them in identifying the intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies at their respective acquisition dates and, based on which, management performed a purchase price allocation exercise for each acquisition, which resulted in recognition of intangible assets of RMB222,749,000, being the identified property management contracts and customer relationships. Goodwill of RMB711,973,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired, was recognised.</p> <p>Significant judgements and estimates were involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly gross profit margins, earnings before interest, tax, depreciation and amortisation ("EBITDA") margins, discount rates and expected useful lives of the property management contracts and customer relationships).</p> <p>We consider this area a key audit matter given the magnitude of the identified property management contracts and customer relationships and goodwill recognised arising from the business combinations, and the significant judgements and estimates involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) Assessed the competency, objectivity and independence of the external valuer engaged by management. (ii) Obtained the valuation reports in relation to the purchase price allocation for the acquisitions, and engaged our in-house valuation experts to assess the appropriateness of the valuation methodologies adopted by management and the reasonableness of discount rates used by management. (iii) Challenged and assessed the reasonableness of the key assumptions used in the cash flow forecasts for the valuation of the identified property management contracts and customer relationships with the involvement of our in-house valuation experts. For gross profit margins, EBITDA margins and the expected useful lives of the property management contracts and customer relationships, we compared these assumptions with the relevant historical data of these acquired companies and market data, where applicable. (iv) Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the identified property management contracts and customer relationships and goodwill. (v) Checked the mathematical accuracy of the calculations of the fair value of the identified property management contracts and customer relationships and goodwill. <p>We found that the significant judgements and estimates involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations were properly supported by available evidences.</p>

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment</p> <p>Refer to note 4 'Critical accounting estimates and judgements' and note 16 'Intangible assets' to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group had goodwill of RMB1,217,335,000 which accounted for approximately 10% of the total assets of the Group. Goodwill arose from the Group's acquisitions of property management companies.</p> <p>For the purposes of goodwill impairment assessment, Management considered each of the acquired property management companies a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired property management companies. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. The value-in-use calculation requires the Group to forecast the future cash flows expected to arise from the CGU based on the financial budgets approved by management. Management has engaged an independent qualified valuer to assist them in the value-in-use calculation.</p> <p>Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate method to perform goodwill impairment assessment and the use of key assumptions in the value-in-use calculation, which primarily include annual revenue growth rate, gross profit margin, EBITDA margin, terminal growth rate and pre-tax discount rate.</p> <p>We consider this area a key audit matter due to the significance of the goodwill balance and the significant judgements and estimates involved in the goodwill impairment assessment.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) Assessed the appropriateness of the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business. (ii) Assessed the competency, objectivity and independence of the external valuer engaged by management. (iii) Obtained management's assessment on goodwill impairment and engaged our in-house valuation experts to assess the appropriateness of the method adopted by management to perform goodwill impairment assessment and the pre-tax discount rate used by management. (iv) Challenged and assessed the reasonableness of the key assumptions used in the value-in-use calculation with the involvement of our in-house valuation experts. For the annual revenue growth rate, gross profit margin and EBITDA margin, we compared them with the relevant historical data and market data, where applicable; for the terminal growth rate, we assessed it with reference to the long-term expected inflation rate based on our independent research. (v) Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process. (vi) Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of reasonable changes in assumptions on the recoverable amount. (vii) Checked the mathematical accuracy of the calculations of the goodwill impairment assessment. <p>We found that the significant judgements and estimates involved in the goodwill impairment assessment were properly supported by available evidences.</p>

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	5	9,644,947	4,675,287
Cost of services	5, 8	(6,592,706)	(2,913,665)
Gross profit		3,052,241	1,761,622
Selling and marketing expenses	8	(66,773)	(26,639)
General and administrative expenses	8	(1,207,591)	(759,735)
Net impairment losses on financial assets	8	(30,741)	(13,392)
Other income	6	51,144	21,744
Other gains — net	7	178,104	28,549
Operating profit		1,976,384	1,012,149
Finance income	10	94,253	53,845
Finance costs	10	(2,353)	—
Finance income — net	10	91,900	53,845
Share of results of joint ventures and associates		7,828	3,393
Profit before income tax		2,076,112	1,069,387
Income tax expense	11	(357,721)	(135,177)
Profit for the year		1,718,391	934,210
Profit attributable to:			
— Owners of the Company		1,670,664	923,154
— Non-controlling interests		47,727	11,056
		1,718,391	934,210
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Exchange differences on translation of foreign operations		327	—
Total other comprehensive income for the year, net of tax		327	—
Total comprehensive income for the year		1,718,718	934,210
Total comprehensive income attributable to:			
— Owners of the Company		1,670,991	923,154
— Non-controlling interests		47,727	11,056
		1,718,718	934,210
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
— Basic	12	62.73	36.93
— Diluted	12	61.67	36.53

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	311,873	118,835
Right-of-use assets	15	28,790	—
Intangible assets	16	1,603,853	686,307
Investments in joint ventures	18	73,522	27,025
Investments in associates		5,992	—
Financial assets at fair value through other comprehensive income		9,950	15,558
Deferred income tax assets	28	10,938	3,363
		2,044,918	851,088
Current assets			
Inventories		13,943	8,460
Trade and other receivables	20	2,003,770	788,059
Financial assets at fair value through profit and loss	21	1,280,682	—
Restricted bank deposits	22	11,861	5,366
Cash and cash equivalents	22	6,914,148	3,868,921
		10,224,404	4,670,806
Total assets		12,269,322	5,521,894

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	23	1,756,918	1,584
Other reserves	24	531,581	601,003
Retained earnings	25	3,084,657	1,658,200
		5,373,156	2,260,787
Non-controlling interests		306,370	68,919
Total equity		5,679,526	2,329,706
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	19,418	—
Deferred income tax liabilities	28	143,079	65,044
		162,497	65,044
Current liabilities			
Contract liabilities	5	1,618,059	1,000,156
Trade and other payables	27	4,690,033	2,060,176
Current income tax liabilities		108,202	66,812
Lease liabilities	15	11,005	—
		6,427,299	3,127,144
Total liabilities		6,589,796	3,192,188
Total equity and liabilities		12,269,322	5,521,894

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

The financial statements on pages 83 to 150 were approved by the Board of Directors on 18 March 2020 and were signed on its behalf.

LI Changjiang

Director

GUO Zhanjun

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests	Total equity	
	Note	Share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			Total RMB'000
Balance at 1 January 2018		–	500,142	921,031	1,421,173	120,933	1,542,106
Comprehensive income							
Profit for the year		–	–	923,154	923,154	11,056	934,210
Transactions with owners of the Company							
Issue of shares		1,584	–	–	1,584	–	1,584
Effect of the reorganisation		–	(2)	–	(2)	–	(2)
Acquisition of non-controlling interests		–	(11,759)	–	(11,759)	(103,441)	(115,200)
Employee share schemes – value of employee services		–	20,537	–	20,537	–	20,537
Capital injection from non-controlling interests		–	–	–	–	8,825	8,825
Non-controlling interests arising from business combination		–	–	–	–	33,241	33,241
Appropriation of statutory reserves		–	92,085	(92,085)	–	–	–
Dividends		–	–	(93,900)	(93,900)	(1,695)	(95,595)
Total transactions with owners		1,584	100,861	(185,985)	(83,540)	(63,070)	(146,610)
Balance at 31 December 2018		1,584	601,003	1,658,200	2,260,787	68,919	2,329,706
Balance at 1 January 2019		1,584	601,003	1,658,200	2,260,787	68,919	2,329,706
Comprehensive income							
Profit for the year		–	–	1,670,664	1,670,664	47,727	1,718,391
Other comprehensive income		–	327	–	327	–	327
Total comprehensive income for the period ended 31 December 2019		–	327	1,670,664	1,670,991	47,727	1,718,718
Transactions with owners of the Company							
Issue of shares	23	1,679,435	–	–	1,679,435	–	1,679,435
Employee share schemes							
– value of employee services	9, 26	–	14,371	–	14,371	–	14,371
– exercise of options	23	75,899	(40,450)	–	35,449	–	35,449
Capital injection from non-controlling interests		–	–	–	–	206,170	206,170
Transactions with non-controlling interests	31	–	(61,568)	–	(61,568)	(29,707)	(91,275)
Non-controlling interests arising from business combinations	32	–	–	–	–	34,277	34,277
Appropriation of statutory reserves	25	–	17,898	(17,898)	–	–	–
Disposal of a subsidiary		–	–	–	–	(9,897)	(9,897)
Dividends	13	–	–	(226,309)	(226,309)	(11,119)	(237,428)
Total transactions with owners		1,755,334	(69,749)	(244,207)	1,441,378	189,724	1,631,102
Balance at 31 December 2019		1,756,918	531,581	3,084,657	5,373,156	306,370	5,679,526

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	29(a)	3,552,570	1,661,547
Income tax paid		(295,364)	(112,871)
Net cash generated from operating activities		3,257,206	1,548,676
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	32	(291,330)	(403,840)
Settlement of outstanding considerations payable for business combinations in prior years		(124,888)	—
Net cash outflow on disposal of a subsidiary		(11,664)	—
Payments for investments in joint ventures	18	(39,929)	(6,000)
Dividends received from joint ventures	18	500	—
Dividends received from associates		2,871	—
Payments for property, plant and equipment	14	(80,682)	(69,561)
Payments for intangible assets	16	(26,060)	(16,325)
Payments for financial assets at fair value through profit or loss	3.3	(3,371,309)	(242,000)
Payments for financial assets at fair value through other comprehensive income		—	(10,844)
Proceeds from disposal of investments in associates		—	13,550
Proceeds from disposal of property, plant and equipment	29(c)	2,804	8,293
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	410
Proceeds from disposal of financial assets at fair value through profit or loss		2,217,754	325,317
Repayments by related parties		—	233,489
Interest received	10	94,253	53,845
Net cash used in investing activities		(1,627,680)	(113,666)
Cash flows from financing activities			
Capital injection from non-controlling interests		23,488	8,825
Issue of shares	23	1,714,884	1,584
Transactions with non-controlling interests	31	(91,275)	(115,200)
Principal elements of lease payments	29(d)	(8,782)	—
Interest paid on leases	29(d)	(2,353)	—
Dividends paid to the then shareholder of the Company		—	(93,900)
Dividends paid to owners of the Company	13	(226,309)	—
Dividends paid to non-controlling interests		(11,119)	(1,695)
Net cash generated from/(used in) financing activities		1,398,534	(200,386)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		3,868,921	2,634,297
Effects of exchange rate changes on cash and cash equivalents		17,167	—
Cash and cash equivalents at end of the year		6,914,148	3,868,921

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2.1.1 Changes in accounting policy and disclosures

- (a) The adoption of the amendments to HKFRSs effective for the financial year ending 31 December 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 2.1.1(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

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

		Effective for the financial year beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Revised conceptual framework for financial reporting	Conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

- (c) Adjustments recognised on adoption of HKFRS 16

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

(i) Practical expedients applied

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

(c) Adjustments recognised on adoption of HKFRS 16 *(Continued)*

(ii) Measurement of lease liabilities

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

(iii) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

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

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

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

(v) Lessor accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combination not under common control

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

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

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

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

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

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

(c) Disposal of subsidiaries

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

2.3 Associates and joint arrangements

(a) Associates

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

(b) Joint arrangements

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

(c) Equity accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.3 Associates and joint arrangements *(Continued)*

(c) Equity accounting (Continued)

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

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

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

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

(d) Changes in ownership interests

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

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

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

2.4 Separate financial statements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

(c) *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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

2.7 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.7 Property, plant and equipment *(Continued)*

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

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

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

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

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

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.2.1(a). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Software

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

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

(c) Property management contracts and customer relationships

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.9 Impairment of non-financial assets

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

2.10 Investments and other financial assets

2.10.1 Classification

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

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

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

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

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

2.10.2 Recognition and derecognition

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

2.10.3 Measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.10 Investment and other financial assets *(Continued)*

2.10.3 Measurement *(Continued)*

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'Other gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in 'Other gains — net' in the period in which it arises.

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in 'Other gains — net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2.11 Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.12 Impairment of financial assets

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

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

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents, restricted cash

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

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and other payables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

2.19 Employee benefits

(a) Pension obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.19 Employee benefits *(Continued)*

(a) Pension obligations *(Continued)*

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

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

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

(c) Termination benefits

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

(d) Employee leave entitlements

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

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

2.20 Share-based payments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.20 Share-based payments *(Continued)*

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

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

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

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

2.21 Revenue recognition, contract assets and contract liabilities

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

2.22 Interest income

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

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

2.23 Leases

As explained in note 2.1.1(c) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.1.1(c).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.23 Leases *(Continued)*

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.24 Government grants

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

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

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management

3.1 Financial risk factors

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

3.1.1 Credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Credit risk *(Continued)*

(a) Trade receivables

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

As at 31 December 2019, the Group has assessed that the expected credit losses for trade receivables from related parties was immaterial. Thus no loss allowance provision for trade receivables from related parties was recognised during the year (2018: nil).

As at 31 December 2019, the Group has assessed that the expected loss rates for trade receivables from certain third-party property developers amounting to RMB10,408,000 were 100% as these property developers were experiencing significant financial difficulties. Thus RMB10,408,000 of specific loss allowance provision was provided against these receivables during the year ended 31 December 2019 (2018: RMB4,057,000).

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

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Trade receivables							
At 31 December 2019							
Expected loss rate	0.8%	6.4%	20.1%	36.0%	57.3%	100%	
Gross carrying amount (RMB'000)	1,315,653	106,541	44,486	22,942	7,747	8,841	1,506,210
Loss allowance provision (RMB'000)	10,131	6,850	8,950	8,252	4,436	8,841	47,460
At 31 December 2018							
Expected loss rate	0.7%	5.7%	17.3%	32.1%	55.5%	100%	
Gross carrying amount (RMB'000)	385,085	80,282	37,047	13,532	6,110	7,693	529,749
Loss allowance provision (RMB'000)	2,696	4,576	6,409	4,344	3,391	7,693	29,109

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

	2019 RMB'000	2018 RMB'000
At 1 January	33,166	23,550
Provision for loss allowance recognised in profit or loss	25,645	11,041
Receivables written off as uncollectable	(943)	(1,425)
At 31 December	57,868	33,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Credit risk *(Continued)*

(a) Trade receivables *(Continued)*

As at 31 December 2019, the gross carrying amount of trade receivables was RMB1,631,855,000 (2018: RMB600,650,000) and thus the maximum exposure to loss was RMB1,573,987,000 (2018: RMB567,484,000).

(b) Other receivables (excluding prepayments)

Other receivables (excluding prepayments) mainly included payments on behalf of property owners, deposits and others. Management considered these receivables to be low credit risk and thus the loss allowance provision recognised was limited to 12 months expected losses.

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

	2019 RMB'000	2018 RMB'000
At 1 January	4,976	2,625
Provision for loss allowance recognised in profit or loss	5,096	2,351
At 31 December	10,072	4,976

As at 31 December 2019, the gross carrying amount of other receivables (excluding prepayments) was RMB377,263,000(2018: RMB195,485,000) and thus the maximum exposure to loss was RMB367,191,000(2018: RMB190,509,000).

3.1.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, if applicable.

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2019					
Trade and other payables	3,493,045	—	—	—	3,493,045
Lease liabilities	13,126	9,158	9,016	6,986	38,286
Total	3,506,171	9,158	9,106	6,986	3,531,331
At 31 December 2018					
Trade and other payables	1,422,680	—	—	—	1,422,680
Lease liabilities	—	—	—	—	—
Total	1,422,680	—	—	—	1,422,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of its assets is denominated in RMB. The majority of its non-RMB assets are bank deposits denominated in Hong Kong Dollar ("HKD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets which are denominated in non-RMB and net investment in foreign operations.

The aggregated carrying amount of the foreign currency denominated monetary assets of the Group at the end of the reporting period are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Assets		
HKD	1,082,229	833
Other currencies	21,031	5,852
	1,103,260	6,685

The following table shows the sensitivity analysis of a 5% change in RMB against the HKD. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the HKD, the effects on the profit or loss for the year would be as follows:

	Change of profit or loss – increase/(decrease)	
	2019 RMB'000	2018 RMB'000
RMB against HKD:		
Strengthened by 5%	(54,111)	(42)
Weakened by 5%	54,111	42

3.2 Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

As at 31 December 2019 and 2018, the Group maintained at net cash position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management *(Continued)*

3.3 Fair value estimation

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2019				
Assets				
Financial assets at FVPL	—	—	1,280,682	1,280,682
Financial assets at FVOCI	—	—	9,950	9,950
Total	—	—	1,290,632	1,290,632

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2018				
Assets				
Financial assets at FVOCI	—	—	15,558	15,558

The following table presents the changes in level 3 instruments for the year ended 31 December 2019:

	Financial assets at FVPL (Note 21) RMB'000	Financial assets at FVOCI RMB'000	Total RMB'000
Opening balance as at 1 January 2019	—	15,558	15,558
Additions	3,371,309	—	3,371,309
Acquisition of subsidiaries (Note 32)	12,000	—	12,000
Disposals	(2,102,627)	(5,608)	(2,108,235)
Closing balance as at 31 December 2019	1,280,682	9,950	1,290,632

There were no transfers between levels of the fair value hierarchy during the year.

There were no changes in valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Critical accounting estimates and judgements

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

(a) Expected credit losses on receivables

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

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

(b) Current tax and deferred tax

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

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

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

Significant judgements and estimates were involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly gross profit margins, earnings before interest, tax, depreciation and amortisation ("EBITDA") margins, discount rates and expected useful lives of the property management contracts and customer relationships). See notes 16 and 32 for more details.

(d) Goodwill impairment assessment

For the purposes of goodwill impairment assessment, management considered each of the acquired property management companies a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired property management companies. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(d) Goodwill impairment assessment *(Continued)*

allocated based on value-in-use calculation. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include annual revenue growth rate, gross profit margin, EBITDA margin, terminal growth rate and pre-tax discount rate. See note 16 for more details.

5. Revenue and segment information

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information *(Continued)*

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

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

For the year ended 31 December 2019, revenue from Country Garden Holdings Company Limited ("CGH") and its subsidiaries (together, the "CGH Group") contributed 13.2% (2018: 16.8%) of the Group's revenue. Other than the CGH Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the year ended 31 December 2019 and 2018.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information *(Continued)*

(a) Contract liabilities

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

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

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Property management services	721,874	514,043
– Community value-added services	70,091	277
– Value-added services to non-property owners	3,857	2,430
	795,822	516,750

(iii) Unsatisfied performance obligations

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information *(Continued)*

(a) Contract liabilities *(Continued)*

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

During the year ended 31 December 2019, there were no incremental costs to obtain a contract (2018: nil).

(b) Segment information

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information *(Continued)*

(b) Segment information *(Continued)*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information *(Continued)*

(b) Segment information *(Continued)*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information *(Continued)*

(b) Segment information *(Continued)*

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

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

6. Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government subsidy income	31,956	11,170
Late payment charges	19,188	10,574
	51,144	21,744

7. Other gains – net

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

Note: This mainly represented investment return derived from the Group's investments in certain financial products and a close-ended fund during the year, which were classified as financial assets at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	4,041,604	2,433,798
Cleaning expenses	1,356,233	458,285
Heat supply costs	845,500	—
Maintenance expenses	380,443	199,989
Utilities	309,578	157,583
Greening and gardening expenses	153,595	77,547
Security expenses	148,505	18,562
Depreciation and amortisation charges	148,929	32,946
Office and communication expenses	90,806	68,709
Transportation expenses	84,572	57,897
Travelling and entertainment expenses	80,187	52,803
Taxes and surcharges	46,517	25,975
Professional service fees	34,497	9,212
Net impairment losses on financial assets	30,741	13,392
Community activities expenses	24,803	15,234
Employee uniform expenses	12,529	7,317
Bank charges	11,737	15,606
Listing expenses excluding audit fees	—	8,164
Impairment of intangible assets	—	5,431
Auditor's remuneration		
— Audit services in relation to the listing	—	3,400
— Annual audit and interim review services	4,800	4,100
— Non-audit services	1,650	620
Other expenses	90,585	46,861
Total	7,897,811	3,713,431

9. Employee benefit expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	3,425,100	2,005,035
Pension costs	249,537	164,227
Housing funds, medical insurances and other social security costs	182,655	122,153
Other benefits	169,941	121,846
Employee share schemes — value of employee services (Note 26)	14,371	20,537
Total	4,041,604	2,433,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Employee benefit expenses *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director for the year ended 31 December 2019 (2018: 2 directors), whose emoluments are reflected in the analysis shown in note 35. The emoluments payable to the remaining 4 individuals (2018: 3 individuals) are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	10,160	6,700
Pension and other social security costs	127	98
Employee share schemes — value of employee services	5,214	5,559
	15,501	12,357

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
Emolument bands (in HKD)		
3,500,000–4,000,000	1	—
4,000,000–4,500,000	2	1
4,500,000–5,000,000	1	1
5,000,000–5,500,000	—	1
	4	3

10. Finance income — net

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Income tax expense

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

(a) Cayman Island income tax

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

(b) Hong Kong profits tax

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

(c) PRC corporate income tax

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

The general corporate income tax rate in PRC is 25%. Country Garden Intellectual Services Group Co., Ltd. was qualified as “High and New Technology Enterprise” from 2017 to 2019 and was entitled to a preferential corporate income tax rate of 15% in 2019 (2018: 15%). Certain subsidiaries of the Group in the PRC are either located in western cities or qualified as Small and Micro Enterprises and subject to a preferential income tax rate of 15% or 10% in certain years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Income tax expense *(Continued)*

(d) PRC withholding tax

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

- (e) The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable corporate income tax rate of 25%. The difference is analysed as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	2,076,112	1,069,387
Add: Share of results of joint ventures	(6,844)	(6,211)
Share of results of associates	(984)	2,818
	2,068,284	1,065,994
Tax calculated at applicable corporate income tax rate of 25% (2018: 25%)	517,071	266,499
Effects of different tax rates applicable to different subsidiaries of the Group	(202,294)	(106,392)
Income not subject to tax	(1,920)	(2,534)
Expenses not deductible for taxation purposes	7,182	4,804
Unrecognised tax losses	1,534	4,516
Effects of tax rate change on deferred tax	—	950
Withholding income tax on profits distributed	—	11,600
Overprovision in previous years	—	(58,309)
	321,573	121,134
Withholding income tax on profits to be distributed in future	36,148	14,043
	357,721	135,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Earnings per share

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares arising from the pre-listing share option scheme, details of which are set out in Note 26. For the pre-listing share option scheme, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December	
	2019	2018
Profit attributable to the owners of the Company (RMB'000)	1,670,664	923,154
Weighted average number of ordinary shares in issue (thousands shares)	2,663,090	2,500,000
Adjustments — pre-listing share option schemes (thousands)	46,039	26,870
Weighted average number of ordinary shares for diluted earnings per share (thousands Shares)	2,709,129	2,526,870
Diluted earnings per share (RMB cents)	61.67	36.53

13. Dividends

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

The Board of Directors recommended the payment of a 2019 final dividend of RMB15.14 cents per share, totalling RMB417,670,000, which has taken into account the expected exercise of share options as of the record date for the eligible shareholders. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Property, plant and equipment

	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2018							
Cost	34,411	61,717	46,136	15,205	—	—	157,469
Accumulated depreciation	(5,275)	(38,564)	(26,171)	(8,884)	—	—	(78,894)
Net book amount	29,136	23,153	19,965	6,321	—	—	78,575
Year ended							
31 December 2018							
Opening net book amount	29,136	23,153	19,965	6,321	—	—	78,575
Acquisition of subsidiaries	797	1,821	2,642	1,058	—	—	6,318
Other additions	25,617	11,861	19,644	4,865	—	7,574	69,561
Disposal	(664)	(1,533)	(4,804)	(1,171)	—	—	(8,172)
Depreciation	(5,621)	(12,058)	(4,721)	(3,327)	—	(1,720)	(27,447)
Closing net book amount	49,265	23,244	32,726	7,746	—	5,854	118,835
At 31 December 2018							
Cost	59,801	66,305	60,345	19,310	—	7,574	213,335
Accumulated depreciation	(10,536)	(43,061)	(27,619)	(11,564)	—	(1,720)	(94,500)
Net book amount	49,265	23,244	32,726	7,746	—	5,854	118,835
Year ended							
31 December 2019							
Opening net book amount	49,265	23,244	32,726	7,746	—	5,854	118,835
Acquisition of subsidiaries (Note 32)	737	3,060	1,432	812	19,499	1,879	27,419
Capital injection from non-controlling interest	57,497	103,132	20,024	—	2,029	—	182,682
Other additions	35,402	4,011	19,976	16,970	—	4,323	80,682
Disposal of a subsidiary	—	(411)	(123)	(43)	—	—	(577)
Other disposal	(728)	(653)	(892)	(501)	—	—	(2,774)
Depreciation	(18,299)	(31,846)	(24,879)	(16,244)	(471)	(2,655)	(94,394)
Closing net book amount	123,874	100,537	48,264	8,740	21,057	9,401	311,873
At 31 December 2019							
Cost	151,415	169,404	96,205	34,609	21,528	13,145	486,306
Accumulated depreciation	(27,541)	(68,867)	(47,941)	(25,869)	(471)	(3,744)	(174,433)
Net book amount	123,874	100,537	48,264	8,740	21,057	9,401	311,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The balance of leasehold improvements as at 31 December 2018, included in 'Other non-current assets', was reclassified to 'Property, plant and equipment' to conform to current year's presentation.

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of services	81,752	21,382
General and administrative expenses	12,642	6,065
	94,394	27,447

15. Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets

	Buildings RMB'000	Transportation equipment RMB'000	Machinery RMB'000	Total RMB'000
At 31 December 2018	—	—	—	—
Effect of adoption of HKFRS 16 (Note 2.1.1(c))	7,322	183	—	7,505
At 1 January 2019	7,322	183	—	7,505
Additions	17,319	267	345	17,931
Acquisition of subsidiaries (Note 32)	15,281	37	—	15,318
Early termination of lease contracts	(1,818)	—	—	(1,818)
Depreciation	(9,762)	(296)	(88)	(10,146)
Closing net book amount	28,342	191	257	28,790
At 31 December 2019				
Cost	36,708	487	345	37,540
Accumulated depreciation	(8,366)	(296)	(88)	(8,750)
Net book amount	28,342	191	257	28,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Leases (Continued)

(a) Amounts recognised in the consolidated balance sheet (Continued)

Lease liabilities

	31 December 2019 RMB'000	1 January 2019 RMB'000
Lease liabilities		
Current	11,005	1,885
Non-current	19,418	5,620
	30,423	7,505

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	31 December 2019 RMB'000
Depreciation charge of right-of-use assets	
Buildings	9,762
Transportation equipment	296
Machinery	88
	10,146
Interest expense (included in 'Finance costs')	2,353
Expense relating to short-term leases (included in 'Cost of services' and 'General and administrative expenses')	25,899
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in 'General and administrative expenses')	8,170

The total cash outflow for leases in the year ended 31 December 2019 was RMB45,204,000.

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

The Group leases various buildings, transportation equipment and machinery. Rental contracts are typically made for fixed periods of 1 to 6 years without extension options.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Intangible assets

	Software RMB'000	Property management contracts and customer relationships RMB'000 (i)	Goodwill RMB'000 (ii) & (iii)	Total RMB'000
At 1 January 2018				
Cost	9,203	11,980	2,570	23,753
Accumulated amortisation	(2,340)	(555)	—	(2,895)
Net book amount	6,863	11,425	2,570	20,858
Year ended 31 December 2018				
Opening net book amount	6,863	11,425	2,570	20,858
Acquisition of subsidiaries	3	154,689	505,362	660,054
Other additions	16,325	—	—	16,325
Amortisation	(2,049)	(3,450)	—	(5,499)
Impairment	—	(2,861)	(2,570)	(5,431)
Closing net book amount	21,142	159,803	505,362	686,307
At 31 December 2018				
Cost	25,531	166,669	507,932	700,132
Accumulated amortisation	(4,389)	(4,005)	—	(8,394)
Accumulated impairment	—	(2,861)	(2,570)	(5,431)
Net book amount	21,142	159,803	505,362	686,307
Year ended 31 December 2019				
Opening net book amount	21,142	159,803	505,362	686,307
Acquisition of subsidiaries (Note 32)	1,153	222,749	711,973	935,875
Other additions	26,060	—	—	26,060
Amortisation	(3,403)	(40,986)	—	(44,389)
Closing net book amount	44,952	341,566	1,217,335	1,603,853
At 31 December 2019				
Cost	52,744	389,418	1,219,905	1,662,067
Accumulated amortisation	(7,792)	(44,991)	—	(52,783)
Accumulated impairment	—	(2,861)	(2,570)	(5,431)
Net book amount	44,952	341,566	1,217,335	1,603,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Intangible assets *(Continued)*

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

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

(i) Property management contracts and customer relationships

During the year ended 31 December 2019, the Group acquired several companies (Note 32). Total identifiable net assets of these companies as at their respective acquisition dates amounted to approximately RMB310,038,000, including identified property management contracts and customer relationships of RMB222,749,000 recognised by the Group. The excess of the consideration transferred and the amount of the non-controlling interests in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

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

Gross profit margin	15.0%–19.8%
Earnings before interest, taxes, depreciation and amortisation margin ("EBITDA margin")	5.1%–14.4%
Post-tax discount rate	14.0%–15.6%
Expected useful lives	6 years

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

Goodwill of RMB505,362,000 has been allocated to the CGUs of the subsidiaries acquired in prior years for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2019. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate during the forecast period	1.5%–5.0%
Gross profit margin during the forecast period	27.9%–41.5%
EBITDA margin during the forecast period	15.8%–26.5%
Terminal growth rate	3.0%
Pre-tax discount rate	15.6%–18.5%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Intangible assets *(Continued)*

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

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

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

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

Goodwill of RMB711,973,000 has been allocated to the CGUs of the subsidiaries acquired during the year for impairment testing. Management performed an impairment assessment on the goodwill prior to the year end. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation.

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

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

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

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

	2019	
	From	To
Revenue growth rate during the forecast period	3.0%–15.0%	2.5%–14.4%
Gross profit margin during the forecast period	15.0%–20.2%	15.0%–20.2%
EBITDA margin during the forecast period	7.6%–14.4%	7.6%–14.0%
Terminal growth rate	3.0%	2.1%–3.0%
Pre-tax discount rate	14.2%–24.5%	14.2%–25.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Subsidiaries

The following is a list of principal subsidiaries at 31 December 2019, all of these are limited liability companies:

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
<i>Incorporated in the BVI and operates in Mainland China:</i>					
United Gain (集裕集團)	28 March 2006	USD200	100%	—	Investment holding
Ornate Forest (繁森有限公司)	7 July 2017	USD0	100%	—	Investment holding
Sino Estate Holdings Limited	6 November 2003	HKD780	100%	—	Investment holding
Indirectly held by the Company:					
<i>Incorporated in Hong Kong and operates in Hong Kong:</i>					
Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司)	5 February 2018	HKD1	100%	—	Investment holding
<i>Established and operates in Mainland China:</i>					
Country Garden Intellectual Property Services Group Co., Ltd. (碧桂園智慧物業服務集團股份有限公司)	19 April 2004	RMB360,000,000	100%	—	Property management and related services
Country Garden Jinyang Property Services Company Limited (碧桂園金陽物業服務有限公司)	15 December 1998	RMB19,390,000	51%	49%	Property management and related services
Beijing Shengshi Property Services Company Limited ("Shengshi") (北京盛世物業服務有限公司)	24 April 1999	RMB7,000,000	100%	—	Property management and related services
Nanchang Jiejiang Property Services Company Limited (南昌市潔佳物業有限公司)	18 February 1993	RMB10,000,000	100%	—	Property management and related services
Shanghai Ruijing Industrial Company Limited (上海睿靖實業有限公司)	15 January 2018	RMB26,620,000	100%	—	Property management and related services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Subsidiaries (Continued)

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Hainan Sailai Borui Property Services Company Limited (海南賽萊柏瑞物業服務有限公司)	12 April 2012	RMB5,000,000	100%	—	Property management and related services
Guangdong Country Garden Huimin Property Services Company Limited ("Huimin") (廣東碧桂園惠民物業服務有限公司)	9 January 2017	RMB5,100,000	100%	—	Property management and related services
Xingong Xiamen Property Management Services Company Limited (新工(廈門)物業管理服務有限公司)	30 April 2003	RMB9,132,300	100%	—	Property management and related services
Suzhou Industry Garden Zone Xin Gong Chan Ye Management Services Company Limited (蘇州工業園區新工產業管理服務有限公司)	14 December 2001	RMB5,000,000	100%	—	Property management and related services
Fenghuanghui Information technology Company Limited (鳳凰匯資訊科技有限公司)	18 January 2018	RMB30,580,000	64%	36%	E-commerce
Guangdong Country Garden Yuanhai Property Services Company Limited (廣東碧桂園元海物業服務有限公司)	18 January 2004	RMB5,000,000	100%	—	Property management and related services
Shanghai Lianyuan Property Development Company Limited (上海聯源物業發展有限公司)	20 November 1995	RMB10,000,000	100%	—	Property Intermediary services
Inner Mongolia Renhe Services Company Limited (內蒙古仁和服務有限責任公司)	18 November 1999	RMB14,008,340	70%	30%	Property management and related services
Suzhou Wuyuan Property Management Company Limited (蘇州物源物業管理有限公司)	22 March 2007	RMB50,000,000	70%	30%	Property management and related services
Zhejiang Jiakaicheng Real Estate Management Company Limited (嘉凱城集團物業服務有限公司) ("Calxon")	24 January 2002	RMB50,000,000	100%	—	Property management and related services
Shanghai Mingjun Property Management Company Limited (上海明君物業管理有限公司)	31 May 1996	RMB5,150,000	100%	—	Property management and related services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Subsidiaries (Continued)

Name	Date of incorporation	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
GANGLIAN PROPERTY GUANGZHOU (港聯不動產服務(中國)股份有限公司) ("Asia Asset")	5 August 1999	RMB60,000,000	100%	—	Property management and related services
Baoshihua Home Investment Management Company Limited (寶石花家園投資管理有限公司)	12 September 2018	RMB400,000,000	80%	20%	Investment holding
Baoshihua Property Management Company Limited (寶石花物業管理有限公司)	26 October 2018	RMB295,639,561	51%	49%	Property management and related services
Baoshihua Tong Fang Energy Technology Company Limited (寶石花同方能源科技有限公司)	27 December 2018	RMB92,500,000	80%	20%	Property management, heat supply and related services
Baoshihua Heat Company Limited (寶石花熱力有限公司)	7 January 2019	RMB150,000,000	65%	35%	Heat supply services
Daqing Baoshihua Heat Company Limited (大慶寶石花熱力有限公司)	18 January 2019	RMB25,000,000	100%	—	Heat supply services

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

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

18. Investments in joint ventures

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	27,025	13,834
Additions	39,929	6,000
Acquisition of subsidiaries (Note 32)	224	980
Share of results	6,844	6,211
Dividends received	(500)	—
At 31 December	73,522	27,025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Investments in joint ventures *(Continued)*

Set out below are the particulars of the principal joint ventures as at 31 December 2019:

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

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

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

The directors of the Company consider that none of the joint ventures as at 31 December 2019 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed.

As at 31 December 2019, there were no significant contingent liabilities and commitments relating to the Group's interests in the joint ventures.

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Carrying amounts in the consolidated financial statements	73,522	27,025
Share of results	6,844	6,211
Share of total comprehensive income	6,844	6,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments by category

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets at amortised cost:		
Trade and other receivables excluding prepayments and tax recoverable	1,941,178	750,005
Cash and cash equivalents	6,914,148	3,868,921
Restricted bank deposits	11,861	5,366
	8,867,187	4,624,292
Financial assets at FVPL		
Wealth management products	1,000,052	—
Investment in a close-ended fund	280,630	—
	1,280,682	—
Financial assets at FVOCI	9,950	15,558
	10,157,819	4,639,850
Financial liabilities at amortised cost:		
Trade and other payables excluding non-financial liabilities	3,493,045	1,422,680
Lease liabilities	30,423	—
	3,523,468	1,422,680

20. Trade and other receivables

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

As at 31 December 2019, most of the trade and other receivables were denominated in RMB, and the fair value of trade and other receivables approximated their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Trade and other receivables (continued)

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

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

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

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

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB57,868,000 (2018: RMB33,166,000) was made against the gross amounts of trade receivables (Note 3.1).

21. Financial assets at fair value through profit or loss

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

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

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Cash and cash equivalents and restricted bank deposits

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at banks	6,926,009	3,874,287
Less: Restricted bank deposits (b)	(11,861)	(5,366)
Cash and cash equivalents	6,914,148	3,868,921

As at 31 December 2019, cash and cash equivalents did not include housing maintenance funds of RMB2,643,000 (2018: RMB4,476,000) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	5,822,749	3,867,602
HKD	1,082,229	833
Other currencies	21,031	5,852
	6,926,009	3,874,287

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Share capital and share premium

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Other reserves

	Statutory Reserves RMB'000 ^(a)	Currency translation reserve RMB'000	Share-based payments RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	106,685	—	—	393,457	500,142
Effect of the Reorganisation	—	—	—	(2)	(2)
Acquisition of non-controlling interests	—	—	—	(11,759)	(11,759)
Employee share schemes — value of employee services	—	—	47,918	(27,381)	20,537
Appropriation to statutory reserves	92,085	—	—	—	92,085
At 31 December 2018	198,770	—	47,918	354,315	601,003
At 1 January 2019	198,770	—	47,918	354,315	601,003
Other comprehensive income	—	327	—	—	327
Transactions with non-controlling interests (Note 31)	—	—	—	(61,568)	(61,568)
Employee share schemes	—	—	—	—	—
— value of employee services (Note 26)	—	—	29,351	(14,980)	14,371
— exercise of options (Note 23)	—	—	(40,450)	—	(40,450)
Appropriation to statutory reserves	17,898	—	—	—	17,898
At 31 December 2019	216,668	327	36,819	277,767	531,581

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

25. Retained earnings

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	1,658,200	921,031
Profit for the year	1,670,664	923,154
Transfer to statutory reserves (Note 24(a))	(17,898)	(92,085)
Dividends (Note 13)	(226,309)	(93,900)
At 31 December	3,084,657	1,658,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share-based payments

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:

	2019		2018	
	Average exercise price in HKD	Number of share options	Average exercise price in HKD	Number of share options
As at 1 January	0.94	132,948,000	—	—
Granted	—	—	0.94	132,948,000
Exercised	0.94	(42,132,800)	—	—
As at 31 December	0.94	90,815,200	0.94	132,948,000
Vested and exercisable at 31 December	0.94	7,778,400	—	—

Grant date	Expiry date	Exercise price	Share options outstanding 31 December 2019
21 May 2018	20 May 2023	HKD0.94	90,815,200

The weighted average remaining contractual life of options outstanding at the end of the year is approximately 3.4 years.

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

The Group has to estimate the expected percentage of grantees that will stay within the Group (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2019, the Expected Retention Rate was assessed to be 100% (2018: 100%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables (a)		
– Related parties (Note 33)	14,240	8,782
– Third parties	1,465,991	341,893
	1,480,231	350,675
Other payables		
– Deposits	608,731	382,652
– Temporary receipts from properties owners	804,851	460,159
– Outstanding considerations payable for business combinations	293,177	132,569
– Accruals and others	306,055	96,625
	2,012,814	1,072,005
Payroll payables	1,038,683	553,354
Other taxes payables	158,305	84,142
	4,690,033	2,060,176

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities was as follows:

	As at 31 December 2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	11,211	864
– to be recovered over 12 months	6,341	6,010
Total deferred tax assets	17,552	6,874
Set-off of deferred tax liabilities pursuant to set-off provisions	(6,614)	(3,511)
Net deferred tax assets	10,938	3,363
Deferred income tax liabilities:		
– to be recovered within 12 months	78,510	26,790
– to be recovered over 12 months	71,183	41,765
Total deferred tax liabilities	149,693	68,555
Set-off of deferred tax assets pursuant to set-off provisions	(6,614)	(3,511)
Net deferred tax liabilities	143,079	65,044

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred income tax assets:

	Allowance for impairment of receivables RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	6,544	1,224	–	7,768
Credited/(charged) to profit or loss	330	(1,224)	–	(894)
At 31 December 2018	6,874	–	–	6,874
At 1 January 2019	6,874	–	–	6,874
Acquisition of subsidiaries (Note 32)	–	3,302	72	3,374
Disposal of a subsidiary	(16)	–	–	(16)
Credited/(charged) to profit or loss	8,948	(1,929)	301	7,320
At 31 December 2019	15,806	1,373	373	17,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Deferred income tax *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. For the years ended 31 December 2019, the Group did not recognise deferred income tax assets in respect of losses amounting to RMB37,928,000 (2018: RMB21,908,000) that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years. These tax losses will expire up to year 2024 (2018: 2023).

Deferred income tax liabilities:

	Differences on recognition of depreciation RMB'000	Fair value gain from business combination RMB'000	Withholding income tax on profits to be distributed in future RMB'000	Total RMB'000
At 1 January 2018	(4,066)	(2,856)	(11,600)	(18,522)
Acquisition of subsidiaries	—	(38,672)	—	(38,672)
Credited/(charged) to profit or loss	463	2,219	(14,043)	(11,361)
At 31 December 2018	(3,603)	(39,309)	(25,643)	(68,555)
At 1 January 2019	(3,603)	(39,309)	(25,643)	(68,555)
Acquisition of subsidiaries (Note 32)	—	(51,432)	—	(51,432)
(Charged)/credited to profit or loss	(3,103)	9,545	(36,148)	(29,706)
At 31 December 2019	(6,706)	(81,196)	(61,791)	(149,693)

As at 31 December 2019, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB2,648,068,000 (2018: RMB1,165,454,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Cash flow information

(a) Cash generated from operations

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit before income tax	2,076,112	1,069,387
Adjustments for		
– Depreciation of property, plant and equipment (Note 14)	94,394	27,447
– Depreciation of right-of-use assets (Note 15)	10,146	–
– Amortisation of intangible assets (Note 16)	44,389	5,499
– Gains on early termination of lease contracts (Note 7)	(19)	–
– Impairment of intangible assets	–	5,431
– Revaluation gains on reclassification from investments in associates to financial assets at FVOCI	–	(4,313)
– Gains on disposal of property, plant and equipment (Note 7)	(30)	(121)
– Realised and unrealised gains from financial assets at FVPL (Note 7)	(115,127)	(9,368)
– Employee share schemes – value of employee services (Note 9)	14,371	20,537
– Share of results of joint ventures and associates	(7,828)	(3,393)
– Loss on disposal of a subsidiary	122	–
– Gains on disposal of investments in associates	–	(12,579)
– Finance income – net (Note 10)	(91,900)	(53,845)
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
– Restricted bank deposits	(1,700)	(2,569)
– Inventories	(5,012)	(881)
– Trade and other receivables	(938,271)	(59,726)
– Contract liabilities	579,451	344,392
– Trade and other payables	1,893,472	335,649
Cash generated from operations	3,552,570	1,661,547

(b) Non-cash investing and financing activities

Significant non-cash investing and financing activities for the year end 31 December 2019 represented the RMB182,682,000 of capital injection in the form of property, plant and equipment made by non-controlling interests (Note 14) and the RMB17,931,000 of additions in right-of-use assets (Note 15).

(c) In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net book amount (Note 14)	2,774	8,172
Gains on disposals (Note 7)	30	121
Proceeds from disposals	2,804	8,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Cash flow information *(Continued)*

(d) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

	Other assets Cash RMB'000	Liabilities from financing activities Lease liabilities RMB'000	Total RMB'000
Net cash as at 1 January 2019	3,868,921	(7,505)	3,861,416
Cash flows	3,028,060	11,135	3,039,195
Acquisition of subsidiaries (Note 32)	—	(15,606)	(15,606)
Acquisition of new lease contracts	—	(17,931)	(17,931)
Interest expenses	—	(2,353)	(2,353)
Early termination of lease contracts	—	1,837	1,837
Foreign exchange adjustments	17,167	—	17,167
Net cash as at 31 December 2019	6,914,148	(30,423)	6,883,725

30 Commitments

(a) Operating lease commitments

The Group leases offices and staff dormitories under non-cancellable Operating lease agreements. The lease terms are between 1 and 6 years. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 2.1.1 and note 15 for further information.

31. Transactions with non-controlling interests

Acquisition of additional interests in subsidiaries

On 31 March 2019, the Group acquired additional 30% equity interest in Shengshi from non-controlling interests at a consideration of RMB90,000,000. On 17 December 2019, the Group acquired additional 25% equity interest in Huimin from non-controlling interests at a consideration of RMB1,275,000. The considerations were fully paid in 2019. The effect of the acquisitions are summarised as follows:

	Year ended 31 December 2019 RMB'000
Consideration paid to non-controlling interests	91,275
Carrying amount of non-controlling interests acquired	(29,707)
Difference recorded within equity	61,568

32. Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Business combinations (Continued)

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

	Asia Asset RMB'000	Calxon RMB'000	Others RMB'000	Total RMB'000
Total purchase considerations				
– Fixed cash considerations	259,000	173,000	360,625	792,625
Settled in 2019	259,000	133,000	282,532	674,532
Outstanding as at 31 December 2019	–	40,000	78,093	118,093
– Estimated contingent cash consideration	108,565	–	86,544	195,109
Settled in 2019	–	–	20,025	20,025
Outstanding as at 31 December 2019	108,565	–	66,519	175,084
	367,565	173,000	447,169	987,734
Total recognised amounts of identifiable assets acquired and liabilities assumed are as follows:				
– Property, plant and equipment (Note 14)	21,599	640	5,180	27,419
– Right-of-use assets (Note 15)	14,738	–	580	15,318
– Property management contracts and customer relationships (Note 16)	71,087	23,184	128,478	222,749
– Other intangible assets (Note 16)	–	140	1,013	1,153
– Investments in joint ventures (Note 18)	224	–	–	224
– Investments in associates	490	–	–	490
– Deferred income tax assets (Note 28)	68	2,800	506	3,374
– Inventories	–	194	277	471
– Trade and other receivables	123,642	71,170	101,573	296,385
– Financial assets at FVPL	12,000	–	–	12,000
– Restricted bank deposits	–	–	4,795	4,795
– Cash and cash equivalents	188,846	73,183	141,198	403,227
– Trade and other payables	(351,621)	(63,820)	(146,474)	(561,915)
– Lease liabilities	(15,012)	–	(594)	(15,606)
– Deferred income tax liabilities (Note 28)	(15,136)	(5,796)	(30,500)	(51,432)
– Contract liabilities	(1,286)	(17,180)	(19,986)	(38,452)
– Current income tax liabilities	(1,590)	(2,878)	(5,694)	(10,162)
Total identifiable net assets	48,049	81,637	180,352	310,038
Non-controlling interests	–	(8,914)	(25,363)	(34,277)
Goodwill	319,516	100,277	292,180	711,973
	367,565	173,000	447,169	987,734
Outflow of cash to acquire business, net of cash acquired:				
Partial settlement of cash considerations	259,000	133,000	302,557	694,557
Less: Cash and cash equivalents in the subsidiaries acquired	(188,846)	(73,183)	(141,198)	(403,227)
Net cash outflow on acquisitions	70,154	59,817	161,359	291,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Business combinations *(Continued)*

- (a) Intangible assets including identified property management contracts and customer relationships of RMB222,749,000 in relation to the acquisitions have been recognised by the Group (Note 16).
- (b) The goodwill arose from the acquisitions was mainly attributable to the expected synergies from combining the operations of the Group and the acquired entities.
- (c) The acquired businesses contributed total revenues of RMB415,992,000 and net profits of RMB30,889,000 to the Group for the period from their respective acquisition dates to 31 December 2019. Had these companies been consolidated from 1 January 2019, the consolidated statements of comprehensive income would show pro-forma revenue of RMB10,356,911,000 and net profit of RMB1,754,631,000.

33. Related party transactions

(a) Ultimate Controlling Shareholder

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

(b) Transactions with related parties

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Provision of services		
– Entities controlled by the Ultimate Controlling Shareholder	1,275,008	785,327
– Entities jointly controlled by the Ultimate Controlling Shareholder	167,456	108,300
– Entities over which the Ultimate Controlling Shareholder has significant influence	78,552	53,419
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	2,923	832
– Key management and their close relatives	1,734	1,333
	1,525,673	949,211
Purchase of goods and services		
– Entities controlled by the Ultimate Controlling Shareholder	38,476	53,501
– Entities controlled by close relatives of the Ultimate Controlling Shareholder	8,521	4,291
	46,997	57,792
Rental expenses		
– Entities controlled by the Ultimate Controlling Shareholder	1,335	1,268
Purchase of financial assets at FVOCI		
– Entity controlled by the Ultimate Controlling Shareholder	–	5,000
Disposal of associates		
– Entity controlled by the Ultimate Controlling Shareholder	–	6,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Related party transactions *(Continued)*

(c) Free trademark license agreement

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

(d) Key management compensation

Key management includes directors and senior management. Compensations for key management are set out below:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and other short-term employee benefits	25,160	22,800
Share-based payments	11,816	15,864
Fees	600	520
Contributions to retirement benefits and other social security costs	309	332
	37,885	39,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Balance sheet and reserve movement of the Company

	Note	As at 31 December	
		2019	2018
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		940	940
Property, plant and equipment		51	—
Other receivables		537,555	—
		538,546	940
Current assets			
Cash and cash equivalents		1,078,207	434
Dividends receivable		542,690	233,790
Other receivables		16,475	13
		1,637,372	234,237
Total assets		2,175,918	235,177
EQUITY			
Share capital and share premium		1,756,918	1,584
Retained earnings	(a)	418,629	231,574
Total equity		2,175,547	233,158
LIABILITIES			
Current liabilities			
Other payables		371	2,019
Total liabilities		371	2,019
Total equity and liabilities		2,175,918	235,177

The balance sheet of the Company was approved by the Board of Directors on 18 March 2020 and was signed on its behalf.

LI Changjiang
Director

GUO Zhanjun
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Balance sheet and reserve movement of the Company *(Continued)*

(a) Movement of retained earnings of the Company

	Retained earnings RMB'000
At 1 January 2018	—
Profit for the year	325,474
Dividend paid	(93,900)
At 31 December 2018	231,574

	Retained earnings RMB'000
At 1 January 2019	231,574
Profit for the year	413,364
Dividend paid	(226,309)
At 31 December 2019	418,629

35. Directors' benefits and interests

Chairman and Non-executive Director

Ms. Yang Huiyan (note (a)(i))

Executive Director

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

Non-executive directors

Mr. Yang Zhicheng (note (a)(i))
Ms. Wu Bijun (note (a)(i))

Independent non-executive directors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Directors' benefits and interests *(Continued)*

(a) Directors' emoluments

The directors received emoluments from the Group for the year ended 31 December 2019 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes – value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	6,510	36	2,724	9,270
Mr. Xiao Hua	–	2,380	27	1,000	3,407
Mr. Guo Zhanjun	–	1,750	27	987	2,764
Independent non-executive directors					
Mr. Chen Weiru	200	–	–	–	200
Mr. Mei Wenyu	200	–	–	–	200
Mr. Rui Meng	200	–	–	–	200
	600	10,640	90	4,711	16,041

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors) for the year ended 31 December 2018 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes – value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	6,030	36	4,978	11,044
Mr. Xiao Hua	–	2,200	27	1,829	4,056
Mr. Guo Zhanjun	–	1,620	27	1,804	3,451
Independent non-executive directors					
Mr. Chen Weiru	187	–	–	–	187
Mr. Mei Wenyu	167	–	–	–	167
Mr. Rui Meng	167	–	–	–	167
	521	9,850	90	8,611	19,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Directors' benefits and interests *(Continued)*

(a) Directors' emoluments *(Continued)*

- (i) The non-executive directors, Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun did not receive any emoluments from the Group during the years ended 31 December 2019 and 2018. Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun have respectively made arrangements with the Company under which they have waived or agreed to waive their emoluments.

(b) Directors' retirement benefits

There were no retirement benefits paid to or receivable by directors during the year by defined benefit pension plans operated by the Group (2018:nil).

(c) Directors' termination benefits

There were no director's termination benefits subsisted during the year (2018: nil).

(d) Consideration provided to third parties for making available directors' services

There was no consideration provided to third parties for making available directors' services subsisted during the year (2018:nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted during the year (2018:nil).

(f) Directors' material interests in transactions, arrangements or contracts

The Chairman and non-executive director, Ms. Yang Huiyan, is an executive director of CGH. The Group's transactions with CGH and related entities are set out in note 33.

Save for the aforementioned transactions, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018:nil).

36. Events occurred after the reporting period

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

Independent Auditor's Report



羅兵咸永道

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

Opinion

What we have audited

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

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

Our opinion

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

Basis for Opinion

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

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

Independence

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



Independent Auditor's Report

Key Audit Matters

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

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of the expected credit losses of trade receivables</p> <p>Refer to note 4 'Critical accounting estimates and judgments' and note 20 'Trade and other receivables' to the consolidated financial statements.</p> <p>As at 31 December 2018, gross trade receivables amounted to RMB600,650,000, which represented approximately 11% of the total assets of the Group. Management has assessed the expected credit losses of the trade receivables and RMB33,166,000 of loss allowance was made against the trade receivables as at 31 December 2018.</p> <p>Management assessed the expected credit losses of trade receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, aging profile of the receivables, existing market conditions as well as forward looking estimates at the end of each reporting period.</p> <p>Given the magnitude of the balance of trade receivables and that the assessment of the expected credit losses of trade receivables involved significant judgments and estimates made by management, we consider the assessment of the expected credit losses of trade receivables a key audit matter.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none">(i) Understood, evaluated and tested management's key controls in relation to the assessment of the expected credit losses of trade receivables.(ii) Assessed the appropriateness of the credit loss provisioning methodology adopted by management.(iii) Assessed the reasonableness of the estimated credit loss rates by considering historical cash collection performance and movements of the aging of trade receivables, and taking into account the market conditions.(iv) Tested, on a sample basis, the accuracy of aging analysis of trade receivables prepared by management.(v) Checked the mathematical accuracy of the calculation of the provision for loss allowance. <p>We found that the significant judgements and estimates made by management in relation to the assessment of the expected credit losses of trade receivables were properly supported by available evidences.</p>



Key audit matter	How our audit addressed the key audit matter
<p>Purchase price allocation for business combinations</p> <p>Refer to note 31 'Business combinations' to the consolidated financial statements.</p> <p>During the year ended 31 December 2018, the Group completed acquisitions of several property management companies which have been consolidated by the Group since their respective acquisition dates. Management has engaged an independent qualified valuer to assist them in identifying the intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies at their respective acquisition dates, based on which, management performed a purchase price allocation exercise for each acquisition, which resulted in recognition of intangible assets of RMB154,689,000, being the identified property management contracts and customer relationships, and goodwill of RMB505,362,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired.</p> <p>Significant judgements and estimates were involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly gross profit margin, earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, discount rates and expected useful lives of the property management contracts and customer relationships).</p> <p>We consider this area a key audit matter given the magnitude of the identified property management contracts and customer relationships and goodwill recognised arising from the business combinations, and the significant judgements and estimates involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> (i) Assessed the competency, objectivity and independence of the external valuer appointed by management. (ii) Discussed with management and assessed the reasonableness of the key assumptions used in the cash flow forecasts for the valuation of the identified property management contracts and customer relationships (mainly gross profit margin, EBITDA margin and the expected useful lives of the property management contracts and customer relationships) by comparing these assumptions against the relevant historical data of these acquired companies and market data, where applicable. (iii) Engaged our in-house valuation experts to perform the following procedures: <ul style="list-style-type: none"> – evaluate the appropriateness of the valuation methodologies adopted by management; – assess the reasonableness of the discount rates used by management; and – review the sensitivity analysis over the discount rates performed by management. (iv) Checked the mathematical accuracy of the calculations of the fair value of the identified property management contracts and customer relationships and goodwill. <p>We found that the significant judgements and estimates involved in the fair value assessment of the identified property management contracts and customer relationships and the recognition of goodwill arising from the business combinations were properly supported by available evidences.</p>



Independent Auditor's Report

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



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

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



CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED BALANCE SHEET



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

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

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

LI Changjiang

Director

GUO Zhanjun

Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS



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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and reorganisation

1.1 General information

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

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

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

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

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

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

1.2 Group reorganisation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

1.2 Group reorganisation *(Continued)*

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation *(Continued)*

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

2.1.1 Changes in accounting policy and disclosures

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

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

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

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

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



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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures *(Continued)*

HKFRS 16 Leases

Nature of change

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

Impact

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

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

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

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

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

The Group currently has no lessor business.

Date of adoption by Group

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combination not under common control

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

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

Acquisition-related costs are expensed as incurred.

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

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

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



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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

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

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

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

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

(c) Disposal of subsidiaries

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

2.3 Associates and joint arrangements

(a) Associates

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

(b) Joint arrangements

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.3 Associates and joint arrangements *(Continued)*

(c) Equity accounting

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

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

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

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

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

(d) Changes in ownership interests

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

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

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



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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

(c) *Group companies*

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.6 Foreign currency translation *(Continued)*

(c) Group companies (Continued)

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

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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



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

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) Software

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

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

(c) Property management contracts and customer relationships

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

2.9 Impairment of non-financial assets

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.10 Financial assets

2.10.1 Classification

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

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

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

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

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

2.10.2 Recognition and derecognition

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

2.10.3 Measurement

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



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

2.10 Financial assets *(Continued)*

2.10.3 Measurement *(Continued)*

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in 'other gains — net' in the period in which it arises.

Equity instruments

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.11 Offsetting financial instruments

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

2.12 Impairment of financial assets

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

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

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents, restricted cash

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

2.16 Share capital

Ordinary shares are classified as equity.

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



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

2.17 Trade and other payables

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

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

2.18 Current and deferred income tax

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

(a) *Current income tax*

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

(b) *Deferred income tax*

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.18 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

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

2.19 Employee benefits

(a) Pension obligations

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

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

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

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

(c) Termination benefits

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



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

2.19 Employee benefits *(Continued)*

(d) *Employee leave entitlements*

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

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

2.20 Share-based payments

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

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.21 Provisions

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

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

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

2.22 Revenue recognition

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

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

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

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

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



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

2.22 Revenue recognition *(Continued)*

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

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

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

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

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

2.23 Interest income

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

2.24 Leases

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

2.25 Government grants

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management

3.1 Financial risk factors

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

3.1.1 Credit risk

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

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

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

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

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



3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Credit risk *(Continued)*

(a) Trade receivables

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Credit risk *(Continued)*

(a) Trade receivables *(Continued)*

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

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

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

(b) Other receivables (excluding prepayments)

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

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

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

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



3. Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. All amounts were due within one year.

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

3.2 Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

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

4. Critical accounting estimates and judgements

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

(a) Expected credit losses on receivables

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(b) Current tax and deferred tax

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

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

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

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

5. Segment information

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

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

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

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



6. Revenue and cost of services

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

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

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

(a) Contract liabilities

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

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

(i) Significant changes in contract liabilities

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Contract liabilities *(Continued)*

(ii) Revenue recognised in relation to contract liabilities

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

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

(iii) Unsatisfied performance obligations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



7. Other income

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

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

8. Other gains – net

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Expenses by nature

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

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



10. Employee benefit expenses

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

(a) Five highest paid individuals

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

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

The emoluments fell within the following bands:

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Finance income

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

12. Income tax expense

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

(a) Cayman Island income tax

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

(b) Hong Kong profits tax

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



12. Income tax expense *(Continued)*

(c) PRC corporate income tax

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

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

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

(d) PRC withholding tax

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Income tax expense *(Continued)*

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

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



13. Earnings per share

(a) Basic

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

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

(b) Diluted

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

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

14. Dividends

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

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

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

16. Intangible assets

	Software RMB'000	Property management contracts and customer relationships RMB'000 (i)	Goodwill RMB'000 (ii) & (iii)	Total RMB'000
At 1 January 2017				
Cost	3,382	—	—	3,382
Accumulated amortisation	(1,343)	—	—	(1,343)
Net book amount	2,039	—	—	2,039
Year ended 31 December 2017				
Opening net book amount	2,039	—	—	2,039
Acquisition of subsidiaries	—	11,980	2,570	14,550
Other additions	5,821	—	—	5,821
Amortisation	(97)	(555)	—	(1,552)
Closing net book amount	6,863	11,425	2,570	20,858
At 31 December 2017				
Cost	9,203	11,980	2,570	23,753
Accumulated amortisation	(2,340)	(555)	—	(2,895)
Net book amount	6,863	11,425	2,570	20,858



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Intangible assets *(Continued)*

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

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

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

(i) Property management contracts and customer relationships

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



16. Intangible assets *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Subsidiaries

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

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


17. Subsidiaries (Continued)

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Subsidiaries (Continued)

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

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

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



18. Investments in joint ventures

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

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Investments in joint ventures *(Continued)*

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

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

19. Financial instruments by category

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



20. Trade and other receivables

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Trade and other receivables (Continued)

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

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

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

21. Cash and cash equivalents and restricted bank deposits

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

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

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

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

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



22. Share capital

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

- (a) The Company was incorporated in the Cayman Islands on 24 January 2018 with authorised and issued share capital of HKD380,000 divided into 3,800,000 ordinary shares of HKD0.10 each, among which one nil-paid share was issued and held by Wise Fame.
- (b) On 13 March 2018, a written resolution was passed by the Company's shareholders, approving (i) the application for 76 Shares of HKD0.10 each, issued as fully paid at par, from Wise Fame; (ii) the increase of the authorised share capital to USD1,000,000.00 divided into 10,000,000,000 shares of a par value of USD0.0001 each (the "Increase of the Authorised Share Capital"); (iii) the allotment of 10,000 Shares of USD0.0001 each, issued as fully paid at par, to Wise Fame (the "Allotment of US Shares"), which was the funding for the Repurchase (as defined below); (iv) that the Company repurchased the 78 fully-paid shares of a par value of HKD0.10 each (the "HK Shares") in the share capital of the Company in issue immediately prior to the Increase of the Authorised Share Capital at a price of HKD0.10 per HK Share which was paid out of the proceeds of the Allotment of US Shares mentioned above (the "Repurchase") and the HK Shares were cancelled; and (v) that upon completion of the Repurchase, all authorised but unissued shares of HKD0.10 each of the Company were diminished by the cancellation of all the 3,800,000 unissued shares of a par value of HKD0.10 each in the share capital of the Company.
- (c) On 13 March 2018, a written resolution was passed by the Company's shareholders, approving the Company's allotting and issuing of a total of 2,499,990,000 shares credited as fully paid at a par value of USD0.0001 each to Wise Fame. Upon completion, the total issued capital of the Company was USD250,000 divided into 2,500,000,000 shares of USD0.0001 each.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Other reserves

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

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

24. Retained earnings

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



25. Share-based payments

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

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

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

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

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

	Average exercise price in HKD	Number of share options
At 1 January 2018	—	—
Granted	0.94	132,948,000
At 31 December 2018	0.94	132,948,000

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options outstanding 31 December 2018
21 May 2018	20 May 2023	HKD0.94	132,948,000

The weighted average remaining contractual life of options outstanding at the end of year is approximately 4.4 years.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Share-based payments *(continued)*

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

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

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

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



26. Trade and other payables

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables (a)		
– Related parties (Note 32)	8,782	18,468
– Third parties	341,893	220,532
	350,675	239,000
Other payables		
– Related parties (Note 32)	–	439
– Deposits	382,652	274,249
– Temporary receipts from properties owners	460,159	314,763
– Accruals and others	277,160	64,606
	1,119,971	654,057
Payroll payables	553,354	402,234
Other taxes payables	36,176	19,614
	2,060,176	1,314,905

As at 31 December 2018, the carrying amounts of trade and other payables approximated their fair values.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Up to 1 year	328,465	228,629
1 to 2 years	13,779	5,080
2 to 3 years	3,121	1,479
Over 3 years	5,310	3,812
	350,675	239,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Deferred income tax

The analysis of deferred tax assets and liabilities in the consolidated balance sheet was as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	162	1,480
– to be recovered over 12 months	3,201	2,222
	3,363	3,702
Deferred income tax liabilities:		
– to be recovered within 12 months	26,088	11,932
– to be recovered over 12 months	38,956	2,524
	65,044	14,456

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred income tax assets:

	Allowance for impairment of receivables RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2017	5,639	—	5,639
Acquisition of subsidiaries	—	1,621	1,621
Credited/(charged) to profit or loss	905	(397)	508
At 31 December 2017	6,544	1,224	7,768
At 1 January 2018	6,544	1,224	7,768
Credited/(charged) to profit or loss	330	(1,224)	(894)
At 31 December 2018	6,874	—	6,874

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. For the years ended 31 December 2018, the Group did not recognise deferred income tax assets in respect of losses amounting to RMB21,908,000 (2017: RMB1,981,000) that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years. These tax losses will expire up to year 2023 (2017: 2022).


27. Deferred income tax *(continued)*

Deferred income tax liabilities:

	Differences on recognition of depreciation RMB'000	Fair value gain from business combination RMB'000	Withholding income tax on profits to be distributed in future RMB'000	Total RMB'000
At 1 January 2017	(1,432)	—	—	(1,432)
Acquisition of subsidiaries	—	(2,995)	—	(2,995)
(Charged)/credited to profit or loss	(2,634)	139	(11,600)	(14,095)
At 31 December 2017	(4,066)	(2,856)	(11,600)	(18,522)
At 1 January 2018	(4,066)	(2,856)	(11,600)	(18,522)
Acquisition of subsidiaries (Note 31)	—	(38,672)	—	(38,672)
Credited/(charged) to profit or loss	463	2,219	(14,043)	(11,361)
At 31 December 2018	(3,603)	(39,309)	(25,643)	(68,555)

As at 31 December 2018, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB1,165,454,000 (2017: RMB804,187,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Cash flow information

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit before income tax	1,069,387	608,197
Adjustments for		
– Depreciation of property, plant and equipment (Note 15)	25,727	17,504
– Amortisation of intangible assets (Note 16)	5,499	1,552
– Amortisation of non-current assets	1,720	–
– Impairment of other intangible assets	5,431	–
– Revaluation gains on reclassification from investments in associates to financial assets at fair value through other comprehensive income (Note 8)	(4,313)	–
– (Gains)/losses on disposal of property, plant and equipment (Note 8)	(121)	43
– Investment income from financial assets at fair value through profit or loss (Note 7)	(9,368)	–
– Employee share schemes – value of employee services (Note 10)	20,537	–
– Share of results of joint ventures	(6,211)	(991)
– Share of results of associates	2,818	8,920
– Gains on disposal of investments in associates (Note 8)	(12,579)	–
– Finance income – net (Note 11)	(53,845)	(34,995)
Changes in working capital (excluding the effects of acquisition of subsidiaries):		
– Restricted bank deposits	(2,569)	(1,740)
– Inventories	(881)	(649)
– Trade and other receivables	(59,726)	(74,277)
– Contract liabilities	344,392	154,660
– Trade and other payables	335,649	357,648
	1,661,547	1,035,872

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Net book amount (Note 15)	8,172	2,304
Gains/(losses) on disposals	121	(43)
Proceeds from disposals	8,293	2,261



29. Commitments

(a) Operating lease commitments

The Group leases offices and staff dormitories under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years. The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	6,019	3,306
Later than 1 year and no later than 5 years	4,325	2,138
Later than 5 years	22	—
	10,366	5,444

30. Transaction with non-controlling interests

Acquisition of additional interests in subsidiaries

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

	Year ended 31 December 2018
	RMB'000
Consideration paid to non-controlling interests	115,200
Carrying amount of non-controlling interests acquired	(103,441)
Difference recorded within equity	11,759

31. Business combinations

In November 2018, the Group acquired 70% equity interest in Shengshi and 100% equity interest in Ruijing from third parties at a fixed cash consideration of RMB252,000,000 and RMB218,520,000, respectively. The Group also acquired several other property management companies from third parties during the current year at an aggregate fixed cash considerations of RMB197,375,000 and a contingent cash consideration of not more than RMB18,000,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Business combinations (continued)

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

	Shengshi RMB'000	Ruijing RMB'000	Others RMB'000	Total RMB'000
Total purchase considerations	252,000	218,520	197,375	667,895
– Fixed cash considerations				
Settled in 2018	252,000	152,964	138,043	543,007
Outstanding as at 31 December 2018	–	65,556	59,332	124,888
– Estimated contingent cash consideration	–	–	7,681	7,681
	252,000	218,520	205,056	675,576
Total recognised amounts of identifiable assets acquired and liabilities assumed are as follows:				
– Property, plant and equipment (Note 15)	4,167	617	1,534	6,318
– Property management contracts and customer relationships (Note 16)	80,026	36,576	38,087	154,689
– Other intangible assets (Note 16)	–	–	3	3
– Investment in a joint venture (Note 18)	–	–	980	980
– Trade and other receivables	126,551	61,734	53,215	241,500
– Inventories	714	346	396	1,456
– Financial assets at fair value through profit and loss	65,000	1,949	7,000	73,949
– Cash and cash equivalents	90,020	29,730	19,417	139,167
– Contract liabilities	(80,267)	(11,149)	(7,468)	(98,884)
– Trade and other payables	(160,904)	(60,423)	(55,724)	(277,051)
– Deferred income tax liabilities	(20,007)	(9,144)	(9,521)	(38,672)
Total identifiable net assets	105,300	50,236	47,919	203,455
Non-controlling interests	(31,590)	–	(1,651)	(33,241)
Goodwill	178,290	168,284	158,788	505,362
	252,000	218,520	205,056	675,576
Outflow of cash to acquire business, net of cash acquired:				
– Partial settlement of cash considerations	252,000	152,964	138,043	543,007
– Cash and cash equivalents in the subsidiaries acquired	(90,020)	(29,730)	(19,417)	(139,167)
Net cash outflow on acquisitions	161,980	123,234	118,626	403,840



31. Business combinations *(continued)*

- (a) Intangible assets including identified property management contracts and customer relationships of RMB154,689,000 in relation to the acquisitions have been recognised by the Group (Note 16).
- (b) The goodwill arose from the acquisitions was mainly attributable to the expected synergies from combining the operations of the Group and the acquired entities.
- (c) The acquired businesses contributed total revenues of RMB72,304,000 and net profits of RMB2,389,000 to the Group for the period from their respective acquisition dates to 31 December 2018.
- (d) The total revenues and net profits of these acquired companies for the year ended 31 December 2018 were RMB772,169,000 and RMB82,571,000 respectively. Had these companies been consolidated from 1 January 2018, the consolidated statements of comprehensive income would show pro-forma revenue of RMB5,375,152,000 and net profit of RMB1,014,392,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Related party transactions

(a) Ultimate Controlling Shareholder

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

(b) Transactions with related parties

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Provision of services		
– Entities controlled by the Ultimate Controlling Shareholder	785,327	439,621
– Entities jointly controlled by the Ultimate Controlling Shareholder	108,300	37,722
– Entities over which the Ultimate Controlling Shareholder has significant influence	53,419	17,941
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	832	844
– Key management and their close relatives	1,333	736
	949,211	496,864
Purchase of goods and services		
– Entities controlled by the Ultimate Controlling Shareholder	53,501	35,163
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	4,291	2,561
– Associates of the Group	–	47
	57,792	37,771
Rental expenses		
– Entities controlled by the Ultimate Controlling Shareholder	1,268	605
Purchase of financial assets at fair value through other comprehensive income		
– Entity controlled by the Ultimate Controlling Shareholder	5,000	–
Disposal of associates		
– Entity controlled by the Ultimate Controlling Shareholder	6,000	–

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



32. Related party transactions *(continued)*

(c) Free trademark license agreement

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

(d) Key management compensation

Key management includes directors and senior management. Compensations for key management are set out below:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries and other short-term employee benefits	22,800	15,760
Share-based payments	15,864	—
Fees	520	120
Contributions to retirement benefits and other social security costs	332	190
	39,516	16,070



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Related party transactions *(continued)*

(e) Balances with related parties

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Receivables from related parties		
Trade receivables		
– Entities controlled by the Ultimate Controlling Shareholder	63,754	13,820
– Entities jointly controlled by the Ultimate Controlling Shareholder	1,777	–
– Entities over which the Ultimate Controlling Shareholder has significant influence	1,313	2,654
	66,844	16,474
Other receivables		
– Entities controlled by the Ultimate Controlling Shareholder	–	233,489
	66,844	249,963

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Payables to related parties		
Trade payables		
– Entities controlled by the Ultimate Controlling Shareholder	6,136	15,238
– Entities controlled by the close relatives of the Ultimate Controlling Shareholder	2,646	3,226
– Entities over which the Ultimate Controlling Shareholder has significant influence	–	4
	8,782	18,468
Other payables		
– Entities controlled by the Ultimate Controlling Shareholder	–	439
	8,782	18,907



33. Balance sheet and reserve movement of the Company

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		940	—
Current assets			
Cash and cash equivalents		434	—
Dividend receivable		233,790	—
Other receivable		13	—
		234,237	—
Total assets		235,177	—
EQUITY			
Share capital		1,584	—
Retained earnings	(a)	231,574	—
Total equity		233,158	—
LIABILITIES			
Current liabilities			
Other payables		2,019	—
Total liabilities		2,019	—
Total equity and liabilities		235,177	—

The balance sheet of the Company was approved by the Board of Directors on 19 March 2019 and was signed on its behalf.

LI Changjiang

Director

GUO Zhanjun

Director



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Balance sheet and reserve movement of the Company *(continued)*

(a) Movement of retained earnings of the Company

	Retained earnings RMB'000
At 1 January 2017 and 31 December 2017	—
Profit for the year	325,474
Dividend paid	(93,900)
	<hr/>
At 31 December 2018	231,574

34. Directors' benefits and interests

In March 2018, the following directors were appointed:

Chairman and Non-executive Director

Ms. Yang Huiyan (Note (a)(i))

Executive Director

Mr. Li Changjiang, General Manager

Mr. Xiao Hua

Mr. Guo Zhanjun (Note (a)(ii))

Non-executive Directors

Mr. Yang Zhicheng (Note (a)(i))

Ms. Wu Bijun (Note (a)(i))

In May 2018, the following directors were appointed:

Independent Non-executive Directors

Mr. Mei Wenjue (Note (a)(iii))

Mr. Rui Meng (Note (a)(iii))

Mr. Chen Weiru (Note (a)(iv))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



34. Directors' benefits and interests *(continued)*

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors) for the year ended 31 December 2018 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes – value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	6,030	36	4,978	11,044
Mr. Xiao Hua	–	2,200	27	1,829	4,056
Mr. Guo Zhanjun	–	1,620	27	1,804	3,451
Independent non-executive directors					
Mr. Chen Weiru	187	–	–	–	187
Mr. Mei Wenyu	167	–	–	–	167
Mr. Rui Meng	167	–	–	–	167
	521	9,850	90	8,611	19,072

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors) for the year ended 31 December 2017 as follows:

Name	Fees RMB'000	Salaries and bonus RMB'000	Contributions to retirement benefits and other social security costs RMB'000	Employee share schemes – value of employee services RMB'000	Total RMB'000
Executive directors					
Mr. Li Changjiang	–	5,580	34	–	5,614
Mr. Xiao Hua	–	2,040	24	–	2,064
Mr. Guo Zhanjun	–	750	11	–	761
Independent non-executive directors					
Mr. Chen Weiru	120	–	–	–	120
	120	8,370	69	–	8,559



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Directors' benefits and interests *(continued)*

(a) Directors' emoluments *(Continued)*

- (i) The non-executive directors, Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun did not receive any emoluments from the Group during the years ended 31 December 2018 and 2017. Ms. Yang Huiyan, Mr. Yang Zhicheng and Ms. Wu Bijun have respectively made arrangements with the Company under which they have waived or agreed to waive their emoluments.
- (ii) The director, Mr. Guo Zhanjun joined the Group in August 2017.
- (iii) The independent non-executive directors, Mr. Mei Wenjue and Mr. Rui Meng were appointed as directors of the Company in May 2018.
- (iv) The independent non-executive director, Mr. Chen Weiru, was appointed as director of CG Property Services in May 2016 and director of the Company in May 2018.

(b) Directors' retirement benefits

There were no retirement benefits was paid to or receivable by directors during the year by defined benefit pension plans operated by the Group.

(c) Directors' termination benefits

There were no director's termination benefits subsisted during the year.

(d) Consideration provided to third parties for making available directors' services

There was no consideration provided to third parties for making available directors' services subsisted during the year.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted during the year.

(f) Directors' material interests in transactions, arrangements or contracts

The Chairman and non-executive director, Ms. Yang Huiyan, is an executive director of CGH. The Group's transactions with CGH and related entities are set out in Note 32.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year.



35. Events occurred after the reporting period

On 11 January 2019, the Company entered into a placing and subscription agreement with Concrete Win Limited ("Concrete Win"), a company wholly-owned by Ms. Yang Huiyan, and a placing agent (the "Agreement") (the "Placing"). The placing agent had conditionally agreed to place, on a fully underwritten basis, 168,761,000 existing shares at the placing price of HKD11.61 per Share. Pursuant to the Agreement, Concrete Win conditionally agreed to subscribe at the placing price for the same number of new shares as the placing shares that have been placed by the placing agent. The placing was completed in January 2019 and the net proceeds received by the Company, after deducting relating fees and expenses, were approximately HKD1,939 million.

In January 2019, the Group entered into equity transfer agreements with certain third parties to acquire 100% equity interest in each of Shanghai Lianyuan Property Development Company Limited ("Shanghai Lianyuan") and Guangdong Yuanhai Asset Property Investment Management Company Limited ("Guangdong Yuanhai") at a cash consideration of RMB136 million and RMB100 million, respectively (the "Acquisitions"). The Acquisitions have not been completed as of the date of these financial statements. Shanghai Lianyuan and Guangdong Yuanhai will become subsidiaries of the Group upon the completion of the Acquisitions.

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

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