濱江服務

BINJIANG SERVICE

Binjiang Service Group Co. Ltd.

濱江服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3316)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of Binjiang Service Group Co. Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures for 2018. The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the "**Audit Committee**") and approved by the Board on 30 March 2020.

HIGHLIGHTS

Financial performance of the Group

— Revenue was RMB701.9 million in 2019, representing an increase of 37.8% as compared with RMB509.5 million in 2018.

— Revenue generated from three business lines are as follows:

1) revenue from property management services was RMB411.5 million in 2019, accounting for 58.6% of total revenue, representing an increase of 30.1% as compared with RMB316.4 million in 2018;

2) revenue from value-added services to non-property owners was RMB224.1 million in 2019, accounting for 31.9% of total revenue, representing an increase of 44.2% as compared with RMB155.4 million in 2018; and

3) revenue from value-added services to property owners was RMB66.3 million in 2019, accounting for 9.5% of total revenue, representing an increase of 75.9% as compared with RMB37.7 million in 2018.

— Gross profit was RMB197.1 million in 2019, representing an increase of 46.0% as compared with RMB135.0 million in 2018. Gross profit margin was 28.1% in 2019, representing an increase of 1.6 percentage points as compared with 26.5% in 2018. Our gross profit margin of three business lines all recorded slight increases compared with the previous year.

— Profit for the year was RMB114.9 million, representing an increase of 63.2% as compared with RMB70.4 million in 2018. Net profit attributable to equity shareholders of the Company was RMB114.7 million in 2019, representing an increase of 63.4% as compared with RMB70.2 million in 2018. Excluding listing expenses and after-tax impact of RMB10.7 million (RMB14.2 million before tax), adjusted net profit attributable to equity shareholders of the Company was RMB125.4 million in 2019, representing an increase of 46.8% from RMB85.4 million (excluding listing expenses and after-tax impact of RMB15.2 million) in 2018.

— As at 31 December 2019, cash and cash equivalents were RMB516.7 million, representing an increase of 12.7% as compared with RMB458.5 million as at 31 December 2018, mainly due to an increase of net cash inflow from operating activities driven by the growth of business.

— Basic and diluted earnings per share was RMB0.44 in 2019, representing an increase of RMB0.09 or 25.7% as compared with RMB0.35 in 2018.

— Having considered the needs of business development of the Group and returns of shareholders, the Board recommends the payment of a final dividend for 2019 of HK$0.228 per share (before tax) and a special dividend of HK$0.091 per share (before tax), totaling HK$0.319 per share (before tax). The dividend ratio is 70%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
Revenue	*4*	**701,875**	509,470
Cost of sales		**(504,835)**	(374,517)
Gross profit		**197,040**	134,953
Other revenue	*5*	**3,964**	876
Other net income	*5*	**657**	4,044
Selling and marketing expenses		**(799)**	(1,022)
Administrative expenses		**(56,603)**	(41,611)
Other expenses		**(4,728)**	(1,764)
Profit from operations		**139,531**	95,476
Finance income		**19,527**	600
Finance costs		**(1,696)**	(1,387)
Net finance income/(costs)	*6(a)*	**17,831**	(787)
Share of profits less losses of an associate		**(4,064)**	(253)
Profit before taxation	*6*	**153,298**	94,436
Income tax	*7*	**(38,377)**	(24,013)
Profit for the year		**114,921**	70,423
Attributable to:			
Equity shareholders of the Company		**114,681**	70,177
Non-controlling interests		**240**	246
		114,921	70,423

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
Profit for the year		**114,921**	70,423
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**20,136**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**3**	50
Total comprehensive income for the year		**135,060**	70,473
Attributable to:			
Equity shareholders of the Company		**134,820**	70,227
Non-controlling interests		**240**	246
Total comprehensive income for the year		**135,060**	70,473
Earnings per share	*8*		
Basic and diluted (RMB)		**0.44**	0.35

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**12,904**	8,491
Investment in an associate		**922**	4,986
Deferred tax assets		**5,316**	2,898
Time deposits		**100,000**	—
		119,142	16,375
Current assets			
Inventories		**33,379**	476
Trade and other receivables	*10*	**66,298**	44,594
Time deposits		**428,514**	—
Restricted bank balances		**39,586**	31,107
Cash and cash equivalents		**516,707**	458,543
		1,084,484	534,720
Current liabilities			
Contract liabilities		**117,340**	128,764
Trade and other payables	*11*	**318,329**	214,960
Lease liabilities		**2,226**	—
Current taxation		**38,421**	22,639
		476,316	366,363
Net current assets		**608,168**	168,357
Total assets less current liabilities		**727,310**	184,732
Non-current liability			
Lease liabilities		**762**	—
NET ASSETS		**726,548**	184,732

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital		**181**	129
Reserves		**721,653**	181,229
Total equity attributable to equity shareholders of the Company		**721,834**	181,358
Non-controlling interests		**4,714**	3,374
TOTAL EQUITY		**726,548**	184,732

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements of Binjiang Service Group Co. Ltd. (the "**Company**") and its subsidiaries (together referred to as the "**Group**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interest in an associate.

The Company was incorporated in the Cayman Islands on 6 July 2017 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 Company's shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 March 2019 (the "**Listing**"). The principal activities of the Group are the provision of property management services and related services in the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis except for financial assets classified as fair value through profit or loss ("**FVPL**") which are stated at their fair value.

RMB is the functional currency for the Company's subsidiaries established in the mainland China. The functional currency of the Company and the Company's subsidiaries outside the mainland China are Hong Kong dollars.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

The Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	2,947
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(506)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	3,140
	5,581
Less: total future interest expenses	(411)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	5,170
Total lease liabilities recognised at 1 January 2019	5,170

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" or "inventories" if they are held for sales in the ordinary course of business and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB'000*	**Capitalisation of operating lease contracts** *RMB'000*	**Carrying amount at 1 January 2019** *RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	8,491	5,170	13,661
Total non-current assets	16,375	5,170	21,545
Lease liabilities (current)	—	2,182	2,182
Current liabilities	366,363	2,182	368,545
Net current assets	168,357	(2,182)	166,175
Total assets less current liabilities	184,732	2,988	187,720
Lease liabilities (non-current)	—	2,988	2,988
Total non-current liabilities	—	2,988	2,988
Net assets	184,732	—	184,732

c. *Impact on the financial result of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit for the year in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16	**Add back: IFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under IAS 17**	**Hypothetical amounts for 2019 as if under IAS 17**	Compared to amounts reported for 2018 under IAS 17
	(A)	**(B)**	**(C)**	**(D=A+B-C)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**139,531**	**2,224**	**(2,376)**	**139,379**	95,476
Finance costs	**(1,696)**	**194**	**—**	**(1,502)**	(1,387)
Share of profits less losses of an associate	**(4,064)**	**5,092**	**(3,976)**	**(2,948)**	(253)
Profit before taxation	**153,298**	**7,510**	**(6,352)**	**154,456**	94,436
Profit for the year	**114,921**	**7,510**	**(6,352)**	**116,079**	70,423

2 Accounting judgement and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty in the preparation of these financial statements are as follows:

(i) Impairment for trade and other receivables

The impairment allowances for trade and other receivables are based on assumptions about risk of expected credit loss rates. The Group adjusts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting period. Any change in such assumptions and judgement would affect the expected credit loss to be recognised and hence the net profit in future years.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

3 Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that Group's most senior executive management reviews regularly in allocating resource to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

No geographical segment analysis is shown as all of the Group's revenue are derived from activities in, and from customers located in the PRC and almost all of carrying values of the Group's assets are situated in the PRC.

4 Revenue

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised over time:		
Property management services	**411,529**	316,364
Value-added services to non-property owners	**224,110**	155,406
Value-added services to property owners	**34,629**	25,247
	670,268	497,017
Revenue recognised at point in time:		
Value-added services to property owners	**31,607**	12,453
	701,875	509,470

5 Other revenue and other net income

	2019	2018
	RMB'000	*RMB'000*
Other revenue		
Government grants	**2,804**	534
Others	**1,160**	342
	3,964	876
Other net income		
Net loss on disposal of property, plant and equipment	**(170)**	(59)
Net realised gains on FVPL	**2,161**	4,269
Net foreign exchange losses	**(1,334)**	(166)
	657	4,044

6 Profit before taxation

(a) Net finance (income)/costs

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Interest income on bank deposits	**(19,527)**	(600)
Interest expense on advance payments from customers	**1,502**	1,387
Interest on lease liabilities	**194**	—
Net finance (income)/costs	**(17,831)**	787

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

(b) Staff costs

	2019	2018
	RMB'000	*RMB'000*
Salaries and other benefits	**304,125**	215,362
Contributions to defined contribution scheme	**26,483**	20,541
	330,608	235,903
Included in:		
Cost of sales	**313,167**	222,486
Administrative expenses	**16,784**	12,678
Selling and marketing expenses	**657**	739
	330,608	235,903

(c) Other items

	2019	2018
	RMB'000	*RMB'000*
Depreciation		
— owned property, plant and equipment *(Note)*	**2,852**	2,669
— right-of-use assets *(Note)*	**2,224**	—
	5,076	2,669
Expenses related to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	**2,554**	—
Total minimum lease payments for leases previously classified as operating leases under IAS 17 *(Note)*	**—**	3,081
Impairment losses on trade receivables	**4,466**	1,441
Auditors' remuneration		
— annual audit services	**1,500**	500
— review services	**500**	—
Listing expenses	**14,174**	20,249
Cost of inventories	**16,342**	7,364

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

7 Income tax

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**40,758**	24,338
Under-provision in respect of prior years	**37**	—
	40,795	24,338
Deferred tax		
Origination and reversal of temporary differences	**(2,418)**	(325)
	38,377	24,013

8 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB114,681,000 (2018: RMB70,177,000) and the weighted average number of 260,434,000 shares in issue during the year ended 31 December 2019 (2018: weighted average number of 200,000,000 shares), after adjusting for the shares sub-division occurred during the reporting period, calculated as follows:

Weighted average number of ordinary shares

	2019	**2018**
Issued ordinary shares at 1 January	20	10
Effect of issuance of shares	—	10
Effect of shares sub-division *(note (i))*	199,999,980	199,999,980
Effect of issuance of shares upon initial public offering	53,360,000	—
Effect of issuance of shares upon exercise of the over-allotment option	7,074,000	—
Weighted average number of ordinary shares at 31 December	260,434,000	200,000,000

Note (i): The number of ordinary shares outstanding before the shares sub-division completed on 21 February 2019 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the shares sub-division had occurred at the beginning of the earliest period presented.

There were no dilutive potential shares outstanding for the years ended 31 December 2019 and 2018 and therefore the diluted earnings per share are same as the basic earnings per share.

9 Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2019	2018
	RMB'000	*RMB'000*
Final dividend proposed after the consolidated statement of financial position date of HKD0.319 (2018: HKD0.1 (assuming the over-allotment option is not exercised)) per ordinary share	**80,113**	22,878

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2019	2018
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.1 per share (2018: Nil)	**24,235**	—

10 Trade and other receivables

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**28,594**	19,794
Less: Allowance for impairment of trade receivables	**(7,684)**	(3,218)
	20,910	16,576
Deposits and prepayments	**24,785**	14,211
Amounts due from related parties	**2,032**	6,089
Payments on behalf of property owners	**2,861**	3,957
Advances to employees	**1,077**	2,528
Interest receivables	**13,095**	—
Other receivables	**1,538**	1,233
	66,298	44,594

As at the end of each reporting period, the aging analysis of trade receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**19,105**	16,121
1 to 2 years	**1,805**	455
	20,910	16,576

Trade receivables are due when the receivables are recognised.

11 Trade and other payables

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Trade payables	**15,434**	6,688
Amounts due to related parties	**23,515**	15,116
Deposits	**22,129**	19,811
Other taxes and charges payable	**8,530**	5,124
Accrued payroll and other benefits	**82,085**	59,252
Cash collected on behalf of the property owners' associations	**39,536**	30,907
Temporary receipts from property owners	**115,575**	69,340
Other payables and accruals	**11,525**	8,722
	318,329	214,960

As at the end of the reporting period, the aging analysis of trade payables, based on invoice date is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month or on demand	**14,202**	6,665
After 1 month but within 3 months	**242**	—
After 3 months but within 1 year	**366**	—
Over 1 year	**624**	23
	15,434	6,688

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your trust in and support to the Group. On behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2019.

In 2019, the Group maintained steady growth and continued to place emphasis on its development in Yangtze River Delta. The Group further expanded the geographical scope of operations in Yangtze River Delta. The Group has 61 subsidiaries and branches covering 20 regions across Zhejiang Province, China, as well as Shanghai, Jiangsu Province and Jiangxi Province, providing property management services to approximately 70,000 property units. Moreover, the gross floor area being managed by the Group under signed property management service contracts ("**GFA under management**") and the gross floor area that will be managed by the Group under signed property management service contracts ("**contracted GFA**") also increased significantly. As at 31 December 2019, the GFA under management was 14.4 million sq.m., representing a year-on-year increase of 24.1%, while the contracted GFA was 12.4 million sq.m., representing a year-on-year increase of 34.8%. In aggregate, the GFA under management and the contracted GFA was 26.8 million sq.m., representing a year-on-year increase of 28.8%, which lays a solid foundation for the business growth of the Group. In order to diversify our property management portfolios, in addition to further developing existing properties such as apartments, town houses, villas, office buildings, commercial complexes, corporate headquarters and industrial parks, we also expanded our property management service to public facilities of the government, resulting in stronger brand position of the Group in 2019. It is expected that the property management service business for public facilities of the government will maintain steady growth in the next few years.

In 2019, the Group was awarded the "2019 Top 100 Property Management Enterprises in China (2019中國物業服務百強企業)" by China Index Academy ("**CIA**") and "2019 Top 20 Professional Property Management Service Brand in China (2019中國物業服務專業化運營品牌價值 TOP20)" with brand value of RMB2,082 million. In addition, in response to the government policies on environmental protection and corporate social responsibilities, the Group promoted water saving and waste sorting. The One* (武林壹號) was awarded "water-saving residential area in Zhejiang province" by Zhejiang Province Housing and Construction Department, Pinghu Wanjia Huacheng Jiaheyuan* (平湖萬家花城家和苑) was awarded "property service model community in Jiaxing" by Jiaxing Housing and Construction Department, and Wanjia Xingcheng Phase II* (萬家星城二期) was awarded "waste sorting model project" of Xiacheng District, Hangzhou in 2019. In the "Power of the Community" campaign of poverty alleviation through consumption, the Group was awarded the "Contribution Award for Enterprises Promoting Poverty Alleviation through Consumption (消費扶貧企業貢獻獎)" by the China Poverty Alleviation Volunteer Service Promotion Association and the China Property Management Association. In particular, the project of Kunlun Mansions in Hangzhou was awarded the "Poverty Alleviation through Consumption Model Community (消費扶貧榜樣社區)" for its outstanding work in poverty alleviation during the year. The series of awards demonstrate not only the achievement in fulfilling our social responsibilities but will also provide motivation for our continuing quality services.

Leverage on our expert and in-depth knowledge of local market, the Group has established a brand name of property management by providing customized quality property management services, which is highly recognised by the market. In spite of severe competition in the property management industry, the Group believes that we can secure many properties as we are specialized in high-end properties and we have high brand value and customers are highly satisfied with our quality services. As our quality services are highly regarded in the region, we have established close relationship with Hangzhou Binjiang Investment Holdings Co., Ltd., ("**Binjiang Group**"), a leading property developer in China, and its subsidiaries which continuously provide large number of premium properties. According to CIA, Binjiang Group has been awarded China Top 100 Real Estate Developers jointly by Enterprise Research Institute under the Development Research Center of the State Council, Property Research Institute of Tsinghua University and CIA each year since 2007 and ranked 25th in 2019. The Company was also awarded the "Top Ten Funder Raisers of China Top 100 Real Estate Developers of 2019" and "Top Ten Profitability of China Top 100 Real Estate Developers of 2019". The contracted sales of Binjiang Group for 2017, 2018 and 2019 were RMB61.5 billion, RMB85.01 billion and RMB112.06 billion, respectively, representing a CAGR of 35.0%. Furthermore, the recognition of our premium brand name will facilitate our Group in the exploration of business opportunities. The Group will secure property management for existing buildings developed by independent third parties or managed by property owners' committee.

In the beginning of 2020, China became the first country encountered the outbreak of COVID-19 epidemic (the "**Epidemic**"). As the Epidemic became more severe, local governments adopted various policies to prevent the spread of the Epidemic. The management anticipated the development of the Epidemic and established a task force to coordinate the deployment of staff and procurement of materials for the prevention of the spreading of the Epidemic and avoidance of extra cost for the battle against the virus. The Group also alerted the property owners of the possible impacts of the Epidemic and recommended relevant precautions in advance. The Group introduced comprehensive anti-epidemic measures to strengthen the management of its projects in different regions, including frequent and thorough disinfection of public areas, temperature measurement for property owners in and out, distribution of masks to property owners and registration of personal information since 20 January 2020. On 25 January 2020, residential estates were required by local governments to strictly control access. Binjiang Wanjia Xingcheng* (濱江萬家星城) was the first community in Hangzhou to adopt emergent closed-off management. During the period, access to the estate was strictly controlled and all areas were sterilized regularly. The Group undertook the delivery service within the estate for elderly living alone and those isolated for quarantine for their convenience. To prepare for the resumption of works after the Chinese New Year holidays, the Group issued guidelines on working during the Epidemic to all companies in the estate and traffic was regulated to avoid congestion. As of 29 March 2020, no infection of property owners and our staff in the estates under our management was recorded. Our prompt response, professional management and allocation of resources during the battle against the Epidemic were highly recognized in the Epidemic by property owners and local governments as well as the media such as the People's Daily and the CCTV. Furthermore, with more understanding of the property management industry, the Group expects that the government and the community will realize the value and importance of property management service in community management. Market recognition and competitiveness of high quality property service providers will further improve.

The Chinese family culture has lasted for thousands of years. Home has been playing an extremely important role in the hearts of Chinese people. Home should be a shelter carrying happiness and warmth. The Group has always adhered to our enterprise philosophy of "Make Life Warmer", and strive to bring more happiness to our owners. The Group is committed to make home not only a place to live but also a source of happiness that meets all needs. The Group has always and will continue to optimize our property management services, and strive to become an industry-leading brand and participate in the establishment of high-end quality standards.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a reputable property management service provider in China with a focus on high-end properties. Through our accumulation of industry experience since our establishment in 1995, the Group has grown from a local residential property management service provider in Hangzhou, Zhejiang province, to one of the leading premium property management service providers in Yangtze River Delta. The Group was successfully listed on the Main Board of the Stock Exchange on 15 March 2019 (the "**Listing Date**").

Business models of the Group

The Group has three major business lines, namely property management services, value-added services to non-property owners and value-added services to property owners, together they form an entire value chain of comprehensive services covering all kinds of property management business.

- Property management services. The Group provides property management services, including security, cleaning, gardening, repair, maintenance and ancillary services to common area of residential and non-residential properties, including commercial properties, office buildings, corporate headquarters buildings, public facilities, industrial parks and government buildings.

- Value-added services to non-property owners. The Group provides value-added services to non-property owners, mainly to property developers. These services refer to pre-delivery services, consulting services and community space services. Pre-delivery services include cleaning, assisting with quality check and security services for completed properties, displaying units and providing property sales venues management services to property developers at the pre-delivery state of a sale of property. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.

- Value-added services to property owners. The Group also provides value-added services to property owners. These services include home living services, customized interior furnishing services, property agent services as well as car park space and store room sales. For home living services, in view of the different functions in residential and non-residential properties, the Group provided additional services that are tailored to our customers' need. For residential properties, the Group provide personal training at our club houses in the residential areas managed by us. For non-residential properties, including commercial properties, office buildings, corporate headquarters buildings, public facilities, industrial parks and government buildings, the Group provides business center and/or parking lot management services. In addition, seeing the growth potential of high-end customized interior furnishing service market, the Group leverages our service concept "Living Home" to provide elegant, stylish, modern and customized interior furnishing services to our customers.

For the year ended 31 December 2019, the Group's revenue increased by 37.8% to RMB701.9 million, among which, revenue generated from property management services were RMB411.5 million, revenue generated from value-added services to non-property owners were RMB224.1 million, and revenue generated from value-added services to property owners were RMB66.3 million.

Leveraging on our strong brand name and market position, the Group is able to demand higher property management fee to reflect our quality services. Since the Group operated independently in 2015, the property management fee is allowed for adjustment on the following conditions: (i) upward adjustment of fee is provided in property management contract ; and (ii) a new or supplemental property management contract must be entered between the Group and property owner's committee to set out the upward adjusted fee. From 2015 to 2019, the property management fee of the Group have been upward adjusted for 22 times. Approval of property owners' meeting, being agreed by a majority of property owners holding more than 50% of the total GFA of the buildings, must be sought before entering a new or supplemental property management contract. For properties without property owner's committee, the adjustment of property management fee is not governed by any laws and regulations in the PRC, including the Property Management Regulations, unless otherwise stipulated in certain regional or local regulations.

In 2019, the average monthly property management fee of the Group was RMB4.16 per sq.m. (2018: RMB4.07 per sq.m.), calculated by dividing the property management fee income for the period by the average chargeable GFA at the beginning and the end of the period. The collection ratio of property management fee for 2019 was 96.8% (2018: 96.6%).

It has been the strategic objective of the Group to expand our managed area. We seek to maintain steady increase in contracted GFA and GFA under management through various channels.

The table below sets out the contracted GFA and GFA under management of the Group for 2019 and 2018:

	As at 31 December 2019		As at 31 December 2018	
	Contracted GFA	**GFA under management**	Contracted GFA	GFA under management
	('000 sq.m.)	***('000 sq.m.)***	*('000 sq.m.)*	*('000 sq.m.)*
At the beginning of the year	**9,152**	**11,633**	5,071	8,604
Addition	**2,383**	**2,736**	4,081	3,092
Completion	**—**	**—**	—	63
At the end of the year	**12,435**	**14,369**	9,152	11,633

Note: As of 31 December 2019, the contracted GFA of undelivered 75 properties was 12.4 million sq.m. (as of 31 December 2018: 52 properties of 9.2 million sq.m.). The Group's average monthly property management fees for 2019 (property management fees income during the period divided by the average chargeable GFA at the beginning and the end of the period) were approximately RMB4.16 per sq.m. (2018: RMB4.07 per sq.m).

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by type of properties during 2018 and 2019:

	As at 31 December 2019			As at 31 December 2018		
	Revenue	**GFA under Management**	**Number of Projects**	Revenue	GFA under Management	Number of Projects
	(RMB'000)	***('000 sq.m.)***		*(RMB'000)*	*('000 sq.m.)*	
Residential	**337,308**	**12,338**	**72**	267,007	10,167	57
Non-residential	**74,221**	**2,031**	**27**	49,357	1,466	19
Total	**411,529**	**14,369**	**99**	316,364	11,633	76

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by type of developers of 2019 and 2018:

	As at 31 December 2019			As at 31 December 2018		
	Revenue *(RMB'000)*	**GFA under Management** *('000 sq.m.)*	**Number of Projects**	Revenue *(RMB'000)*	GFA under Management *('000 sq.m.)*	Number of Projects
Properties developed by Binjiang Group	**288,586**	**9,603**	**56**	233,628	8,203	48
Properties developed by independent property developers	**122,943**	**4,766**	**43**	82,736	3,430	28
Total	**411,529**	**14,369**	**99**	316,364	11,633	76

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by geographic region of 2019 and 2018:

	As at 31 December 2019			As at 31 December 2018		
	Revenue *(RMB'000)*	**GFA under Management** *('000 sq.m.)*	**Number of Projects**	Revenue *(RMB'000)*	GFA under Management *('000 sq.m.)*	Number of Projects
Hangzhou	**318,694**	**9,279**	**69**	254,336	7,939	55
Zhejiang province (excluding Hangzhou)	**89,807**	**4,899**	**29**	62,028	3,694	21
Outside Zhejiang province	**3,028**	**191**	**1**	—	—	—
Total	**411,529**	**14,369**	**99**	316,364	11,633	76

Prospects

Further expansion of business scale and market share

According to CIA, the property management service industry in China is highly fragmented. The Group intends to leverage on our successful experience in the high-end market in the Yangtze River Delta and our existing service management system and standard to expand the business coverage to eastern China with focus on Hangzhou and Yangtze River Delta. The Group will also explore the opportunities in Guangdong, Hong Kong, Macau and the mid-west China. Once we have established a presence in a new regional market, we plan to grow our presence rate in the market with a view to enhance our economies of scale.

Introduction of various new services

To improve our services, the Group will further standardize the service procedures and pursue customization. The Group will tailor to the needs of property owners and residents by providing professional value-added services under our service concept "Living Home", such as housekeeping and personal fitness classes. In particular, having witness the growing demands for high-end interior furnishing services from the owners, the Group will enrich our service concept "Living Home" by expanding our business horizon in the provision of decoration, renovation, repair and maintenance, gardening and housekeeping services. The Group expects that the business will see sustainable growth. In addition, the Group will leverage on the competitiveness of its platform to establish strategic cooperation with business partners to expand our property management service business. In 2019, the Group introduced car park space and storage room sales service under the value-added services for property owners. The service is provided for the properties of Binjiang Group and will serve as a driving factor for the Group's sustainable development. The Group seeks to maintain and explore more cooperation with industry-renowned merchants as well as to replicate our successful cooperation model.

Further improvement of management and operation systems

To sustain our growth, the Group has established a talent development system covering both internal training, promotion and external recruitment. The Group's internal training features differentiated employee cultivation, performance assessment and incentive schemes which tailor to the needs of different positions from entry-level staff to senior management. The Group also focuses on external recruitment to expand our talent pool and nurture management for the future. The Group will also seek to reduce labour cost and improve management efficiency by using technology and advanced intelligent management system.

Financial Review

The Group's revenue was generated from three main business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) value-added services to property owners.

	2019		2018		
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*Changes (%)*
Property management services	**411,529**	**58.6**	316,364	62.1	30.1
Property management services for residential properties	**337,308**	**48.0**	267,007	52.4	26.3
Property management services for non-residential properties	**74,221**	**10.6**	49,357	9.7	50.4
Value-added services to non-property owners	**224,110**	**31.9**	155,406	30.5	44.2
Pre-delivery services	**188,681**	**26.9**	128,820	25.3	46.5
Consulting services	**13,684**	**1.9**	12,917	2.5	5.9
Community space services	**21,745**	**3.1**	13,669	2.7	59.1
Value-added services to property owners	**66,236**	**9.5**	37,700	7.4	75.7
Home living services	**34,629**	**5.0**	25,247	5.0	37.2
Customized home furnishing services	**19,323**	**2.8**	10,469	2.0	84.6
Property agent services	**1,660**	**0.2**	1,984	0.4	(16.3)
Sales of Car park space and store room	**10,624**	**1.5**	—	—	—
Total	**701,875**	**100.0**	509,470	100.0	37.8

Revenue generated from **property management services** amounted to RMB411.5 million, representing an increase of 30.1% as compared with RMB316.4 million in 2018. It was the Group's main source of revenue and accounted for 58.6% of total revenue in 2019. Revenue generated from the provision of property management services to properties solely developed by subsidiaries or associates of Binjiang Group or jointly developed with other parties was RMB288.6 million, accounted for 70.1% of revenue from property management services in 2019. Leveraging on its leading position in traditional property business, the Group aggressively expand business to cover properties developed by the independent third parties and properties outside Hangzhou. For the year ended 31 December 2019, the revenue from property management services for properties developed by the independent third parties amounted to RMB122.9 million, representing an increase of 48.4% when compared with that of 2018; and the revenue from property management services for properties outside Hangzhou amounted to RMB92.8 million, representing an increase of 49.7% when compared with that of 2018.

Revenue generated from **value-added services to non-property owners** amounted to RMB224.1 million, representing an increase of 44.2% as compared with RMB155.4 million in 2018, and accounted for approximately 31.9% of the Group's total revenue. The increase was mainly due to the implementation of business expansion strategy of the Group. In 2019, the Group's revenue from value-added services to non-property owners increased in line with the increase in number of property projects.

Revenue generated from **value-added services to property owners** amounted to RMB66.3 million in 2019, representing an increase of 75.9% as compared with RMB37.7 million in 2018, and accounted for approximately 9.5% of the Group's total revenue in 2019. The value-added services to property owners increased in line with the number of property owners served by the Group. The revenue from customized home furnishing services increased by 84.6% when compared with last year, mainly due to higher demand for high quality home decoration services. In 2019, we launched new business of sales of remaining parking spaces in the community and store rooms and generated revenue of RMB10.6 million.

Gross profit and gross profit margin

Based on the above factors, the Group's gross profit increased by 46.0% from RMB135.0 million in 2018 to RMB197.1 million in 2019. The Group's gross profit margin increased by 1.6 percentage point from 26.5% in 2018 to 28.1% in 2019, mainly due to the growth in revenue from value-added services to non-property owners and property owners.

Gross profit of property management services increased by 34.4% from RMB49.4 million in 2018 to RMB66.4 million in 2019, and gross profit margin increased by 0.5 percentage point from 15.6% in 2018 to 16.1% in 2019. In 2019, based on our strong brand name, we were able to maintain the continuous increase in revenue by providing services for high value properties. In addition, through upgrade of operation system, operation efficiency was improved to effectively control cost while the quality of services were maintained.

Gross profit of value-added services to non-property owners increased by 44.7% from RMB66.9 million in 2018 to RMB96.8 million in 2019, and gross profit margin increased from 43.1% in 2018 to 43.2% in 2019.

Gross profit of value-added services to property owners increased by 81.3% from RMB18.7 million in 2018 to RMB33.9 million in 2019, and gross profit margin increased from 49.5% in 2018 to 51.0% in 2019. The increase in gross profit was mainly due to higher demand of various value-added services in line with the increase in number of property owners served by the Group and the new business of sales of parking spaces and store rooms.

Cost of sales

During the year, the Group's cost of sales increased by 34.8% from RMB374.5 million in 2018 to RMB504.8 million in 2019. The increase in cost of sales was in line with the increase in the growth of business scale.

Selling and marketing expenses

During the year, the Group's selling and marketing expenses decreased from RMB1.0 million in 2018 to RMB0.8 million in 2019, mainly due to the strategic move of the Group to focus on cooperation with strategic business partners instead of direct advertising in order to expand business and to improve marketing efficiency, resulting in saving in selling expenses.

Administrative expenses

During the year, the Group's administrative expenses increased by 36.1% from RMB41.6 million in 2018 to RMB56.6 million in 2019. Excluding the listing expenses, administrative expenses in 2019 were RMB42.4 million, representing an increase of 98.1% from 2018, mainly due to the growth of related labor costs and office expenses as a result of business expansion and the increase in compliance consultation service fee for intermediary agencies after the listing of the Company.

Other expenses

During the year, the Group's other expenses increased from RMB1.8 million in 2018 to RMB4.7 million in 2019, mainly due to the growth of business scale and the increase in impairment losses caused by the increase of trade receivables.

Net finance income/(costs)

During the year, the finance income of the Group was interest income on bank deposits. Finance income increased from RMB0.6 million in 2018 to RMB19.5 million in 2019. The increase was mainly attributable to the increase in interests as the headquarters of the Group centralized the management of funds and placed the funds with banks as high yield deposits. Finance costs represent lease liabilities and interest expenses on prepaid customized home furnishing services fees received from property owners categorized as contract liabilities. Finance costs increased from RMB1.4 million in 2018 to RMB1.7 million in 2019. The increase was mainly attributable to increased in interest expenses on related lease liabilities after the newly adoption of new accounting standard — *Leases* (IFRS16).

Share of profits less losses of an associate

During the year, the Group's share of profits less losses of an associate changed from a loss of RMB0.3 million in 2018 to a loss of RMB4.1 million in 2019, mainly due to continuous losses from an associate, as a result of low occupancy rate and negative impact after adoption of new accounting standard — *Leases* (IFRS16) on provision of lease service.

Profit before taxation

During the year, profit before taxation of the Group was RMB153.3 million, representing an increase of 62.4% as compared with RMB94.4 million in 2018, mainly due to an increase in gross profit of RMB62.1 million and the increase in interest income from the centralization of fund management for higher security and a decrease in listing expenses of RMB6.0 million as compared with last year.

Income tax

During the year, income tax expenses of the Group were RMB38.4 million, representing an increase of 60.0% in 2019 as compared with RMB24.0 million in 2018, mainly due to an increase in profits in line with business growth.

Profit for the year

The Group's profit for the year was RMB114.9 million, representing an increase of 63.2% as compared with RMB70.4 million in 2018 as a result of business expansion during the year. Net profit attributable to equity shareholders of the Company was RMB114.7 million, representing an increase of 63.4% as compared with RMB70.2 million in 2018. Net profit margin (net profit attributable to equity shareholders of the Company divided by revenue) was 16.3%, representing an increase of 2.5 percentage points as compared with 13.8% in the corresponding period of 2018, mainly due to the further improvement of gross profit margin of various business segments and the centralization of fund management for higher security and income from increase in bank deposits. Excluding listing fees and after-tax impact of RMB10.7 million (RMB14.2 million before tax), adjusted net profit attributable to equity shareholders of the Company was RMB125.4 million in 2019, representing an increase of 46.8% from 2018. Adjusted net profit margin (adjusted net profit attributable to equity shareholders of the Company divided by revenue) was 17.9%, representing an increase of 1.1 percentage point as compared with 16.8% in the corresponding period of 2018.

Current assets, financial resources and gearing ratio

The Group maintained a well financial performance in 2019. As at 31 December 2019, current assets were RMB1,084.5 million, representing an increase of 102.8% as compared with RMB534.7 million in 2018.

As at 31 December 2019, the Group's cash and cash equivalents were RMB516.7 million, representing an increase of 12.7% as compared with RMB458.5 million for the same period of 2018. This was mainly due to an increase in the net cash inflow of operating activities in line with the growth of business scale. As at 31 December 2019, current ratio was 2.28, representing an increase as compared with 1.46 in 2018.

As at 31 December 2019, the total equity of the Group was RMB726.5 million, representing an increase of 293.3% as compared with RMB184.7 million for the same period of 2018. This was mainly due to the growth resulting from the listing of the Group and the operating profit in 2019.

Property, plant and equipment

For the year ended 31 December 2019, the property, plant and equipment of the Group amounted to RMB12.9 million, representing an increase of 51.8% as compared with RMB8.5 million in 2018, mainly due to the growth resulting from the capitalization of right-of-use of leased buildings and parking spaces of the Company after the newly adoption of new accounting standard — *Leases* (IFRS 16). Moreover, purchased of property, plant and equipment for business development also increased in line with the expansion of business scales.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2019 and 2018.

Pledged assets

The Group did not have any pledged assets as at 31 December 2019 and 2018.

Trade and other receivables

As at 31 December 2019, trade and other receivables amounted to RMB66.3 million, representing an increase of RMB21.7 million or 48.7% as compared with RMB44.6 million in 2018, mainly due to an increase in interest receivables on time deposits of RMB13.1 million, an increase of prepayment of furnitures of RMB11.7 million and an increase in property management services receivables resulting from the increase of income in line with the business expansion.

Trade and other payables

As at 31 December 2019, trade and other payables amounted to RMB318.3 million, representing an increase of RMB103.3 million or 48.0% as compared with RMB215.0 million in 2018, mainly due to an increase in staff costs resulting from the increase in number of staff, sub-contract costs and an increase in payment received on behalf of property owners resulting from the business expansion.

Human resources

As at 31 December 2019, the Group employed a total of 4,280 employees. During the Reporting Period, the staff costs of the Group were RMB330.6 million (2018: RMB235.9 million).

Significant investments, material acquisitions and disposals

The Company did not have any significant investments, material acquisitions or disposals during the year.

Exposure to foreign exchange risks

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities.

The Company, the British Virgin Islands subsidiary and the Hong Kong subsidiary's functional currency is HKD. Their businesses are principally conducted in HKD. In addition, as the HKD is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

The functional currency of the Group's subsidiaries' in the PRC is RMB and their businesses are principally conducted in RMB. So the Group considers the currency risk to be insignificant.

FINAL DIVIDEND AND SPECIAL DIVIDEND

Having considered the needs of business development of the Group and returns of shareholders, the Board recommends the payment of a final dividend for 2019 of HK$0.228 per share (before tax) and a special dividend of HK$0.091 per share (before tax), totaling HK$0.319 per share (before tax). The dividend ratio is 70%. The proposed final dividend and special dividend amounted to HK$88.2 million in total, and shall be subject to approval by shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"). The final dividend and special dividend are expected to be paid on or around 19 June 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 27 May 2020 to Monday, 1 June 2020 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 26 May 2020.

For the purpose of determining the shareholders who are entitled to the right of the final dividend and special dividend, the register of members of the Company will be closed from Friday, 5 June 2020 to Tuesday, 9 June 2020 (both days inclusive). Only those shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2020 will be entitled to the right of the final dividend and special dividend. In order to qualify for receiving the final dividend and special dividend, which must be approved by shareholders in the AGM, all completed transfer documents together with the relevant share certificates must be returned to the Company's Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 4 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. From the Listing Date to the date of this announcement, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**"), except for the following deviations:

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and president and the responsibility of both chairman and president vest in Mr. Zhu Lidong. The Board believes that vesting the responsibilities of both chairman and president in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of seven Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and president of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Save as disclosed above, the Company complied with the Corporate Governance Code for the period from the Listing Date to 31 December 2019. The Company will continue to strictly abide by the corporate governance requirements under the Corporate Governance Code and the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the audit committee in compliance with the Listing Rules to perform the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee currently consists of three independent non-executive Directors, namely, Ms. Cai Haijing, Mr. Ding Jiangang and Mr. Li Kunjun. Ms. Cai Haijing is the chairman of the audit committee.

The audit committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors and relevant employees (the "**Securities Transactions Code**"). The Company had made specific enquiry with all Directors whether they have complied with the required standard set out in the Model Code and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code from the Listing Date and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 4 April 2019, the over-allotment option described in the prospectus of the Company dated on 28 February 2019 (the "**Prospectus**") was partially exercised by the sole global coordinator in respect of an aggregate of 9,707,000 shares of the Company, representing 14.55% of the offer shares initially available under the listing of the Company on the Main Board of the Stock Exchange. Apart from the over-allotment option exercised on 4 April 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this announcement.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this announcement. The Company maintained the minimum level of public float of 25% of its total issued share capital.

EVENTS AFTER THE END OF REPORTING PERIOD

Subsequent to the end of the Reporting Period, the directors proposed final dividend and special dividend. Further details are disclosed in this announcement "Final Dividend and Special Dividend" on page 35.

USE OF PROCEEDS FROM THE LISTING

Gross proceeds from Listing and over-allotment amount to HK$455.3 million. The net proceeds from the Listing were approximately HK$389.8 million (after deducting listing expenses), which are intended to be utilized in the manner as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The net proceeds from over-allotment (after deducting expenses for over-allotment) were approximately HK$65.5 million, which are intended to be applied in the manner as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus on a pro-rata basis.

The Group had utilized approximately HK$21.1 million of the net proceeds as at 31 December 2019. The unutilized net proceeds of approximately HK$434.2 million are intended to be applied in the manner consistent with the proposed allocations. As at 31 December 2019, the net proceeds had been utilized as follows:

Use of proceeds	**Net proceeds from the Listing** *HK$ million*	**Utilized amount** *HK$ million*	**Unutilized amount as at 31 December 2019** *HK$ million*
Acquisition of property management companies located in major cities in Yangtze River Delta to further increase the Group's market share in the existing market, and also in new cities such as Shenzhen to expand the Group's geographical coverage[1]	159.4	—	159.4
Updating the Group's management service systems and recruiting and nurturing talents[2]	113.8	10.1	103.7
Investment in the asset management platform to engage in the operation of industrial parks[3]	91.1	—	91.1
Establishing joint venture companies or platform through the cooperation with local governments and property developers[4]	45.5	9.3	36.2
As working capital and for other general corporate purposes[5]	45.5	1.7	43.8
	455.3	21.1	434.2

The use or proposed use of proceeds from the Listing is in compliance with the plans previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and there have been no material changes or delays.

1. The Group is actively identifying acquisition targets, and this portion of proceeds will be used after the acquisition targets are determined.

2. The Group has started to update the management service system in 2019, which is expected to be completed by 2021. The proceeds for recruitment and nurture of talents will be used according to the needs of the Group from time to time.

3. The Group expects that investment in the platform will be made in 2020 and the establishment of the platform will complete by 2010. The Group actively explored a platform for investment in 2019. The proceeds will be used when a suitable platform is identified.

4. The Group has launched the cooperation projects and established joint venture companies in the second half of 2019. The projects will complete by 2021. As at 31 December 2019, three joint ventures had been established to manage six existing management projects and one pre-delivery project.

5. To be used according to the business needs of the Group from time to time.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY

The annual results announcement has been published on the websites of the Stock Exchange at ***(www.hkexnews.com.hk)*** and our Company at ***(http://www.hzbjwy.com)*** respectively. The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be despatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 1 June 2020, while the notice and circular convening the AGM will be published and despatched to the Company's shareholders in due course.

By Order of the Board
Binjiang Service Group Co. Ltd.
Zhu Lidong
Chairman and Executive Director

Hangzhou, PRC
30 March 2020

As at the date of this announcement, the Board comprises Mr. Zhu Lidong and Ms. Zhong Ruoqin as executive Directors; Mr. Mo Jianhua and Mr. Cai Xin as non-executive Directors; Mr. Ding Jiangang, Mr. Li Kunjun and Ms. Cai Haijing as independent non-executive Directors.

* *For identification purposes only*