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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 2020

The board (the “**Board**”) of directors (the “**Directors**”) 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 2020 (the “**Reporting Period**”), together with the comparative figures for 2019. 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 2021.

HIGHLIGHTS

Financial performance of the Group

- Revenue was RMB960.2 million in 2020, representing an increase of 36.8% as compared with RMB701.9 million in 2019.
- Revenue generated from three business lines are as follows:
 - 1) revenue from property management services was RMB554.2 million in 2020, accounting for 57.7% of total revenue, representing an increase of 34.7% as compared with RMB411.5 million in 2019;
 - 2) revenue from value-added services to non-property owners was RMB312.0 million in 2020, accounting for 32.5% of total revenue, representing an increase of 39.2% as compared with RMB224.1 million in 2019; and
 - 3) revenue from value-added services to property owners was RMB94.0 million in 2020, accounting for 9.8% of total revenue, representing an increase of 41.8% as compared with RMB66.3 million in 2019.

- Gross profit was RMB297.3 million in 2020, representing an increase of 50.9% as compared with RMB197.0 million in 2019. Gross profit margin was 31.0% in 2020, representing an increase of 2.9 percentage points as compared with 28.1% in 2019. Our gross profit margin of all three business lines recorded slight increases compared with the previous year.
- Profit for the year was RMB220.3 million, representing an increase of 91.7% as compared with RMB114.9 million in 2019. Profit for the year attributable to equity shareholders of the Company was RMB219.6 million in 2020, representing an increase of 91.5% as compared with RMB114.7 million in 2019. Adjusted profit for the year attributable to equity shareholders of the Company was RMB219.6 million in 2020, representing an increase of 75.1% from RMB125.4 million (excluding listing expenses and after-tax impact of RMB10.7 million) in 2019.
- As at 31 December 2020, cash and cash equivalents were RMB805.4 million, representing an increase of 55.9% as compared with RMB516.7 million as at 31 December 2019, mainly due to an increase of net cash inflow from operating activities driven by the growth of business as well as the increased gain from the preservation and appreciation of capital value.
- Basic and diluted earnings per share was RMB0.79 in 2020, representing an increase of RMB0.35 or 79.5% as compared with RMB0.44 in 2019.
- Having considered the needs of business development of the Group and returns of shareholders, the Board recommends the payment of a final dividend for 2020 of HK\$0.564 per share. The dividend ratio is approximately 60%.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	4	960,201	701,875
Cost of sales		<u>(662,884)</u>	<u>(504,835)</u>
Gross profit		297,317	197,040
Other revenue	5	10,321	3,964
Other net (loss)/income	5	(544)	657
Selling and marketing expenses		(2,680)	(799)
Administrative expenses		(39,768)	(56,603)
Impairment loss on trade receivables		(11,491)	(4,466)
Other expenses		<u>(195)</u>	<u>(262)</u>
Profit from operations		<u>252,960</u>	<u>139,531</u>
Finance income		30,973	19,527
Finance costs		<u>(541)</u>	<u>(1,696)</u>
Net finance income	6(a)	<u>30,432</u>	<u>17,831</u>
Share of profits less losses of associates		<u>560</u>	<u>(4,064)</u>
Profit before taxation	6	283,952	153,298
Income tax	7	<u>(63,678)</u>	<u>(38,377)</u>
Profit for the year		<u>220,274</u>	<u>114,921</u>
Attributable to:			
Equity shareholders of the Company		219,550	114,681
Non-controlling interests		<u>724</u>	<u>240</u>
		<u>220,274</u>	<u>114,921</u>

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year		220,274	114,921
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		(17,218)	20,136
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(2,428)</u>	<u>3</u>
Total comprehensive income for the year		<u>200,628</u>	<u>135,060</u>
Attributable to:			
Equity shareholders of the Company		199,904	134,820
Non-controlling interests		<u>724</u>	<u>240</u>
Total comprehensive income for the year		<u>200,628</u>	<u>135,060</u>
Earnings per share			
Basic and diluted (RMB)	8	<u>0.79</u>	<u>0.44</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment properties		2,124	—
Property, plant and equipment		14,595	12,904
Investment in associates		3,932	922
Deferred tax assets		12,520	5,316
Time deposits		101,300	100,000
		<u>134,471</u>	<u>119,142</u>
Current assets			
Inventories		52,044	33,379
Trade and other receivables	10	95,691	66,298
Time deposits		368,528	428,514
Restricted bank balances		46,461	39,586
Cash and cash equivalents		805,394	516,707
		<u>1,368,118</u>	<u>1,084,484</u>
Current liabilities			
Contract liabilities		107,482	117,340
Trade and other payables	11	473,326	318,329
Lease liabilities		1,202	2,226
Current taxation		60,943	38,421
		<u>642,953</u>	<u>476,316</u>
Net current assets		<u>725,165</u>	<u>608,168</u>
Total assets less current liabilities		<u>859,636</u>	<u>727,310</u>
Non-current liability			
Lease liabilities		<u>1,303</u>	<u>762</u>
NET ASSETS		<u><u>858,333</u></u>	<u><u>726,548</u></u>

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
CAPITAL AND RESERVES			
Share capital		181	181
Reserves		841,444	721,653
Total equity attributable to equity shareholders of the Company		841,625	721,834
Non-controlling interests		16,708	4,714
TOTAL EQUITY		858,333	726,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to 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 period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group’s interest in associates.

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 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 the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to *References to the Conceptual Framework in IFRS Standards*
- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

None of these amendments 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.

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 assumptions 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 report

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised over time:		
Property management services	554,241	411,529
Value-added services to non-property owners	312,014	224,110
Value-added services to property owners	33,858	34,629
	<u>900,113</u>	<u>670,268</u>
Revenue recognised at point in time:		
Value-added services to property owners	59,496	31,607
	<u>959,609</u>	<u>701,875</u>
Revenue from other sources		
Value-added services to property owners		
— Rental income from investment properties	592	—
	<u>960,201</u>	<u>701,875</u>

5 Other revenue and other net (loss)/income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other revenue		
Government grants	8,403	2,804
Others	1,918	1,160
	<u>10,321</u>	<u>3,964</u>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other net (loss)/income		
Net loss on disposal of property, plant and equipment	(57)	(170)
Net realised gains on FVPL	780	2,161
Net foreign exchange losses	(1,267)	(1,334)
	<u>(544)</u>	<u>657</u>

6 Profit before taxation

(a) Net finance income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income on bank deposits	(30,973)	(19,527)
Interest expense on advance payments from customers	366	1,502
Interest on lease liabilities	175	194
	<u>(30,432)</u>	<u>(17,831)</u>

(b) **Staff costs**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries and other benefits	388,432	304,125
Contributions to defined contribution scheme	23,777	26,483
	<u>412,209</u>	<u>330,608</u>
Included in:		
Cost of sales	392,912	313,167
Administrative expenses	18,912	16,784
Selling and marketing expenses	385	657
	<u>412,209</u>	<u>330,608</u>

(c) **Other items**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation		
— owned property, plant and equipment	3,347	2,852
— right-of-use assets	2,160	2,224
— investment properties	425	—
	<u>5,932</u>	<u>5,076</u>
Expenses related to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	3,670	2,554
Auditors' remuneration		
— annual audit services	1,600	1,500
— review services	500	500
Listing expenses	—	14,174
Cost of inventories	29,494	16,342

7 Income tax in the consolidated statement of profit or loss and other comprehensive income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
PRC Corporate Income Tax	70,880	40,758
Under-provision in respect of prior years	2	37
	<u>70,882</u>	<u>40,795</u>
Deferred tax		
Origination and reversal of temporary differences	(7,204)	(2,418)
	<u>63,678</u>	<u>38,377</u>

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 RMB219,550,000 (2019: RMB114,681,000) and the weighted average number of 276,407,000 shares in issue during the year ended 31 December 2020 (2019: weighted average number of 260,434,000 shares), after adjusting for the shares sub-division occurred during the reporting period, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	276,407,000	20
Effect of shares sub-division (note (i))	—	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
	<u>276,407,000</u>	<u>260,434,000</u>
Weighted average number of ordinary shares at 31 December	<u>276,407,000</u>	<u>260,434,000</u>

- (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 2020 and 2019 and therefore the diluted earnings per share are same as the basic earnings per share.

9 Dividend

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend of HKD0.564 per share proposed after the consolidated statement of financial position date (2019: final dividend of HKD0.228 per share and special dividend of HKD0.091 per share proposed after the consolidated statement of financial position date)	<u>131,632</u>	<u>80,113</u>

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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend and special dividend in respect of the previous financial year, approved and paid during the year, of HKD0.228 per share and special dividend of HKD0.091 per share (2019: final dividend of HKD0.1 per share)	<u>80,113</u>	<u>24,235</u>

10 Trade and other receivables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	43,053	28,594
Less: Allowance for impairment of trade receivables	(19,175)	(7,684)
	<u>23,878</u>	<u>20,910</u>
Deposits and prepayments	13,834	24,785
Amounts due from related parties	34,436	2,032
Payments on behalf of property owners	4,308	2,861
Advances to employees	1,103	1,077
Interest receivables	16,309	13,095
Other receivables	1,823	1,538
	<u>95,691</u>	<u>66,298</u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	22,346	19,105
1 to 2 years	1,532	1,805
	<u>23,878</u>	<u>20,910</u>

11 Trade and other payables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables	31,112	15,434
Amounts due to related parties	17,614	23,515
Deposits	32,158	22,129
Other taxes and charges payable	5,141	8,530
Accrued payroll and other benefits	119,755	82,085
Cash collected on behalf of the property owners' associations	46,411	39,536
Temporary receipts from property owners	207,462	115,575
Other payables and accruals	13,673	11,525
	<u>473,326</u>	<u>318,329</u>

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

	2020 RMB'000	2019 RMB'000
Within 1 month or on demand	27,500	14,202
After 1 month but within 3 months	—	242
After 3 months but within 1 year	300	366
Over 1 year	3,312	624
	<u>31,112</u>	<u>15,434</u>

Chairman's Statement

To all 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 2020.

In recent years, there is a rapid growth in the property management industry due to the further urbanization and increasing demand in consumption. Ten ministries and commissions, including the Ministry of Housing and Urban-Rural Development, jointly issued the Circular on Strengthening and Improving the Administration of Residential Property (《關於加強和改進住宅物業管理工作的通知》), which sets forth specific requirements in six aspects for improving residential property management and effectiveness, including integration into grass-roots social governance system, improvement of governance structure of property owners' committee, enhancement of property management service, promotion of development of life service industry, standardization of use and management of maintenance funds and strengthening of supervision and management of property services. We expect that the triple benefits of favorable policies, capital and technologies provide opportunities for healthy development to property management service industry.

During the epidemic period, property management service providers have acted as a solid barrier of community protection, which further demonstrated their value. The Group responded promptly with professional management and allocation of resources during the battle against the Epidemic, which was highly recognised in the Epidemic period by property owners and local governments as well as the national and local media such as the People's Daily and the CCTV, etc.. During the Reporting Period, Golden Jiangnan* (金色江南), Jiangnan Star* (江南之星) and Yuesheng International Community* (悅盛國際中心社區) were awarded "Anti-epidemic Pioneer Property Project (抗疫先鋒物業項目)". Jiangnan Star* (江南之星), Wanjia Xingcheng* (萬家星城), Wenjing Yuan* (文景苑), Qiandaohu Dongfang Hai'an* (千島湖東方海岸) and Daijiang Star* (大江之星) were awarded "Outstanding Property for Effective Epidemic Prevention (防疫得力物業)" by Hangzhou Housing Security and Management Bureau (杭州市住房保障和房產管理局). Pinghu Wanjia Huacheng* (平湖萬家花城) was awarded "Outstanding Unit for Anti-epidemic (抗疫先進單位)" by Pinghu Property Service Industry Association (平湖市物業服務行業協會). Hangzhou Jinse Lanting* (杭州金色藍庭) was awarded "Outstanding Property Service Provider for Anti-epidemic in Xihu (西湖區物業服務企業抗疫防疫(先進集體))". Zhejiang Publishing Group Building* (浙江出版集團大樓) was awarded "Outstanding Unit for Epidemic Prevention and Control (疫情防控先進單位)".

* for identification purpose only

The Group has placed great emphasis on its quality and adhered to its mission of providing high-quality services. Adhering to the new strategic plan formulated by the Board in September 2020, the Group has further promoted the building of a quality brand and strives to become a leading property service provider and a model company in Hangzhou within one to three years. Since 2020, the Group has fully reviewed the quality of its projects on a regular basis by carrying out comprehensive inspections, multiple assessments and random inspections and reviews on projects under management. The strict inspection standards of the Group cover all aspects without omitting any details such as green plants, road cracks, basement ceilings and directories, in order to strictly control its service quality and efficiency. The Group has put great efforts in building its brand name of property services and maintaining the quality of its services, so as to gain and capitalize its advantages in three aspects, namely premium projects, high-quality services and high-quality customers. The Group recognises the importance of environment for accentuating building structures. Property management is essential for the maintenance and value preservation of gardens. In addition to excellent facilities, the Group has optimized and upgraded its services in order to maintain its leading position with its brand name and high-quality services and gain market recognition, thereby laying a solid foundation for the sustainable development of the Group.

The Group continues to adhere to its qualitative development expansion strategy. As at 31 December 2020, GFA under management of the Group reached 20.0 million sq.m., representing a year-on-year increase of 38.9%. GFA under management developed by independent third parties reached 6.9 million sq.m., representing an increase of 45.5% as compared with the corresponding period of 2019, accounting for 34.7% of total GFA under management. In 2020, the Group was able to further maintain its brand advantage in high-end market in Hangzhou. The GFA under management of newly developed high-end properties in Hangzhou was 910,000 sq.m. and the average monthly property management fee was above RMB4.6 per sq.m. In order to support the implementation of its expansion strategies, the Group established market expansion departments for expanding into Southeast Zhejiang, Western Zhejiang and Northern Zhejiang in 2020 to enhance its insights for market expansion and expand its geographic coverage. As at 31 December 2020, through strategic partnerships and direct expansion, independent third party projects were developed in nine regions, including Pujiang, Jiande, Tongxiang, Changxing, Cixi, Fuyang, Haiyan, Hengdian and Jiaxing. The Group has also established new long-term partnerships with Hangzhou Xiaoshan Transportation Investment Group Co., Ltd.* (杭州蕭山交通投資集團有限公司), Ganjiantou (Hangzhou) Real Estate Co., Ltd. (甘建投(杭州)房地產有限公司), Zhejiang Publishing United Group* (浙江出版集團), Hengdian Group* (橫店集團), Tongkun Group Co., Ltd.* (桐昆集團股份有限公司) and Hongxiang Zhongjin Real Estate Development Co., Ltd.* (鴻翔·中金房地產開發有限公司) securing a sustained pipeline of premium projects for the future.

Further refinement and implementation of internal standards of the Group are essential for business growth. The Group has formulated Binjiang Service Standardization Management Manual (2020 Edition) (《濱江服務標準化管理手冊(2020年版)》) based on the market trends and experience, covering service system, talent training and development, tendering and purchase, finance and other aspects. The Group has refined its star-rated service standard system and strictly implemented product standardization and management standardization, in order to support the rapid growth of the Group and development of diversified business in the future.

The implementation of standardization includes recruiting talents. The Group refined its human resource management system and restructured its internal management and human resource system based on its management structure and future development strategies. The Group also formulated Administrative Measures on Employee Training (《員工培訓管理規定》) and Talent Training Program (《人才梯隊培養方案》). The Group refined its employee training system, organized various training programs, established clear promotion path for employees and enhanced the training ability of its human resources, in order to retain talents for its future development.

As the government encourages the development of smart cities and smart communities, the Group fully recognises the importance of technology in the development of property management service providers. In 2020, the Group accelerated the application of technologies and introduced intelligent management system through various channels. The Group enhanced its management efficiency and reducing its labor costs through integrating and upgrading its existing information software, platforms and hardware. In addition, the Group put great efforts in establishing online service system and integrating online and offline resources to further explore user needs and improve user experience, thereby laying a solid foundation for the launching of value-added services.

Zhu Lidong
Chairman

Hangzhou, March 30, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2020, the Group maintained steady growth and continued to place emphasis on the development of the Yangtze River Delta and further expanded its operations within Yangtze River Delta. The Group has 96 subsidiaries and branches covering 30 regions across the Zhejiang Province, Shanghai, Jiangsu Province and Jiangxi Province in China. Moreover, the gross floor area currently being managed by us (“**GFA under management**”) and the combined GFA including those under management and to be managed under signed management contracts (“**contracted GFA**”) of the Group also increased significantly. During the Reporting Period, the Group made amendments on the definition of contracted GFA as follows: the GFA managed or to be managed by the Group under signed property management services contracts. Such amended definition is more consistent with that used within the industry. The Group intends to calculate all contracted GFA thereafter based on the new definition. As at 31 December 2020, the GFA under management was 20.0 million sq.m., representing a year-on-year increase of 38.9%, the contracted GFA was 35.5 million sq.m., representing a year-on-year increase of 32.4%, which will strongly support the business growth of the Group.

For the year ended 31 December 2020, the Group’s revenue increased by 36.8% to RMB960.2 million. The Group’s gross profit increased by 50.9% from the corresponding period of 2019 to RMB297.3 million. The Group’s gross profit margin increased by 2.9 percentage points from the corresponding period of 2019 to 31.0%. Revenue generated from property management services, value-added services to non-property owners and value-added services to property owners amounted to RMB554.2 million, RMB312.0 million and RMB94.0 million, respectively. In 2020, the average monthly property management fee of the Group was approximately RMB4.26 per sq.m. (2019: RMB4.16 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 rate of property management fee in 2020, calculated by dividing the property management services fee the Group actually received by the total property management fees payable to the Group for the same period was 96.2% (2019: 96.8%). Leveraging on its brand recognition and industry influence, the Group was able to charge higher property management fee for its high-quality property management services. During the years 2015 to 2020, the Group has raised the property management fee 27 times.

The GFA under management of projects under the Group's management in Hangzhou accounted for 60.6% of the total GFA under management of projects under the Group's management and the income from property management services generated in Hangzhou accounted for approximately 75% of total income from property management services. The Group continued to solidify its high regional concentration advantages, expanded its GFA under management in a qualitative and sustainable manner while maintaining its high brand recognition and acceptance. The Group ranked 26th among the top 100 property management service brands selected by the CIA and the brand value of the Group amounted to RMB2,506 million. Hangzhou Binjiang Investment Holdings Co., Ltd., and its subsidiaries ("**Binjiang Group**") continuously provided large number of premium properties to us as our quality services are highly recognised within the region. Binjiang Group has been named as top 100 real estate developers in China by the CIA consecutively from 2007 and ranked 24th in 2020. The contract sales of Binjiang Group increased from RMB61.5 billion in 2017 to RMB136.36 billion in 2020, representing a compound growth rate of 30.4%. In respect of land reserves, the inventory value of Binjiang Group as at the end of 2020 exceeded RMB280 billion*.

Leveraging on its high-quality services, the Group was able to expand its business through various channels and undertake a wide range of projects. In addition to undertaking government projects and maintaining good relationship with strategic partners, the Group also achieved remarkable results in bidding and the contracted GFA of projects acquired during the year was 4.1 million sq.m. As at the end of 2020, GFA under management by the third parties under our management was 6.9 million sq.m., representing a year-on-year increase of 45.5%, with revenue generated from these projects amounting to RMB179.7 million, representing a year-on-year increase of 46.2%. Average monthly property management fee from these properties was RMB4.28 per sq.m., higher than the overall average property management fee of the Group. The above results were mainly attributable to the great trust in our high-quality services and high recognition for our differentiated management from our premium owners in the local market. During the year, the Group adjusted the geographic coverage and staffing of its expansion teams. Focusing on its operation in Hangzhou with its strong base in Zhejiang, the Group has gained great advantages brought by high regional concentration. In 2020, 87 projects under our management were located in Hangzhou with GFA under management of 12.1 million sq.m., representing a year-on-year increase of 30.2% and 45 projects under our management were located in regions other than Hangzhou in Zhejiang with GFA under management of 7.7 million sq.m., representing a year-on-year increase of 56.8%. To enrich the type of projects undertaken by the Group, the Group refined its service and project standard system based on its frequent market surveys and its experience, in order to support its expansion. In 2020, the Group managed 35 non-residential properties with GFA under management of 3.0 million sq.m., representing a year-on-year increase of 50.0%.

* Source: CRIC

In 2020, the Group was awarded the “2020 China Excellent Listed Property Management Company by Investment Value (2020中國上市物業服務投資價值優秀企業)” and named as “Top Ten Property Management Service Companies in Hangzhou (杭州物業服務優勢企業 TOP 10)” by CIA. In 2020, the properties under the Group’s management received 150 rewards in total, including the following awards. The phase I of Binjiang Wanjia Xincheng* (濱江萬家星城) and Qingtang Yingxiang Community* (錢塘印象社區) were awarded “2020 China 5-star Property Service Project (2020中國五星級物業服務項目)”. Hangzhou Wanjia Xingcheng Phase II* (杭州萬家星城二期), Shaoxing Golden Home* (紹興金色家園) and Quzhou Moon Bay* (衢州月亮灣) were awarded “Waste Sorting High Standard Model Community in Zhejiang (浙江省生活垃圾分類高標準示範社區)”. Wanjia Xingcheng* (萬家星城), Binjiang City Star* (濱江城市之星), Dawn City* (曙光之城), Daijiang Star* (大江之星), Golden Home* (金色家園) were named as “Beautiful Home (美好家園)” in Hangzhou. Quzhou Chunjiangyue* (衢州春江月), Lvgn Yunxi* (綠谷雲溪), Puyuang One* (浦陽壹號) were awarded “Garden Model Community in Zhejiang (浙江省園林示範社區)”. Quzhou Chunjiangyue* (衢州春江月) was awarded “Red Property Alliance Model Community in Quzhou (衢州市紅色物業聯盟示範引領社區)” and “Excellent Property Management Model Residential Community in Quzhou (衢州市物業管理優秀示範住宅小區)”. Jinhua Binjiang Jinse Lanting* (金華濱江金色藍庭) was awarded “Model Property Management Project in Jinhua (金華市物業管理示範項目)”. Nanxiaobu Wenjing Garden* (南肖埠文景苑) and Nanxiaobu Qinghe Garden* (南肖埠慶和苑) were awarded “Five-star Property Management Project (物業管理工作五星級物業)”. Puyuang One* (浦陽壹號) was awarded “Excellent Property Project in Jinhua (金華市優秀物業項目)”. Quzhou Moon Bay* (衢州月亮灣) was awarded “Excellent Unit for Community Coordination and Disaster Prevention and Mitigation (社區聯動、防災減災優秀組織單位)” and “Excellent Property Management Model Residential Community in Quzhou (衢州市物業管理優秀示範住宅小區)”. Dawn City* (曙光之城) was awarded “Excellent Community for Waste Sorting (垃圾分類工作優勝小區)”. Wanjia Mingcheng Phase II* (萬家名城二期) was awarded “Outstanding Property Security Unit (優秀物業保安從業單位)”. Golden Dawn Phase I* (金色黎明一期) was awarded “Outstanding Fire Station of Community (星級社區消防站)” and “Model Community for Waste Sorting in Hangzhou (杭州市垃圾分類示範小區)”. Huajiachi Apartment* (華家池公寓), Qiandaohu Dongfang Haian* (千島湖東方海岸) and Qingtang Yingxiang Apartment* (錢塘印象公寓) were awarded “Outstanding Residential Community in Hangzhou (杭州市優秀住宅小區)”. Xiaoshan Branch in Hangzhou was awarded “Outstanding Security Unit (優秀保安從業單位)” by Xiaoshan Branch of Hangzhou Public Security Authorities. Our Jinhua Branch was awarded “Outstanding Company in Building National Civilized Cities in Jinhua (金華市創建全國文明城市成績突出集體)”. In respect of individual honors of our employees, Ms. Zhang Xiuying and Mr. Gao Fei, employees of our Group, were awarded “Most Excellent Property Service Personnel” (最美物業人) for 2020 in Hangzhou and the first prize in the “Fourth Session of Property Service Skill Competition” (第四屆物業服務行業技能比武大賽), respectively, by the Hangzhou Housing Security and Management Bureau. The Group is committed to the corporate tenet of “Property Owners First, Service First, Quality First” through providing standardized and specialized services.

In view of the rapid development of the overall property services industry in recent years, the Group shall expand its scale and increase its profit while maintaining its service quality. The Group will regard its high-quality services as its core competitiveness and will raise the standard of specialized services by leveraging on its effective and flat structure management. The Group will increase its investment in technologies to enhance the efficiency of its management and operation. Through strengthening staff management, monitoring facilities and equipment and upgrading internal systems, the operation procedures will be streamlined and the quality assurance system will be optimized to further improve its service capabilities. The Group will be able to expand its scale and increase its profits while maintaining its service quality.

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 within property management.

- **Property management services.** The Group provides a series of high-quality property management services, including security, cleaning, gardening, repair, maintenance and ancillary services to our property owners, and charges service fee from residents and property owners or real estate developers of such properties under our management for property management services.
- **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, display units and providing property sales venue management services to property developers during the pre-delivery stage of property sales. 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 parking space and storage 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. In addition, considering the growth potential of high-end customized interior furnishing service market, the Group utilizes our "Living Home" interior services concept to provide elegant, stylish, modern and customized interior furnishing services to our customers.

The table below sets out the contracted GFA and GFA under management of the Group for 2020 and 2019:

	As at 31 December 2020		As at 31 December 2019	
	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)
At the beginning of the year	26,804	14,369	20,785	11,633
Addition	9,023	5,885	5,119	2,736
Termination	(339)	(299)	—	—
At the end of the year	<u>35,488</u>	<u>19,955</u>	<u>26,804</u>	<u>14,369</u>

Note: As of 31 December 2020, the Group had 231 contracted projects and the contracted GFA was 35.5 million sq.m. (as of December 31, 2019: 174 projects of 26.8 million sq.m.). Contracted GFA refers to the GFA managed or to be managed by the Group under signed management contracts. The Group's average monthly property management fees for 2020 (property management fees income during the period divided by the average chargeable GFA at the beginning and the end of the period) were approximately RMB4.26 per sq.m. (2019: RMB4.16 per sq.m).

The table below sets forth the breakdown of the Group's total property management services revenue, GFA under management and number of projects by type of properties during 2020 and 2019:

	As at 31 December 2020			As at 31 December 2019		
	Revenue (RMB'000)	GFA under management ('000 sq.m.)	Number of projects	Revenue (RMB'000)	GFA under management ('000 sq.m.)	Number of projects
Residential	447,206	16,908	98	337,308	12,338	72
Non-residential	107,035	3,047	35	74,221	2,031	27
Total	<u>554,241</u>	<u>19,955</u>	<u>133</u>	<u>411,529</u>	<u>14,369</u>	<u>99</u>

The table below sets forth the breakdown of the Group's total property management services revenue, GFA under management and number of projects by type of developers of 2020 and 2019:

	As at 31 December 2020			As at 31 December 2019		
	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	374,512	13,021	74	288,586	9,603	56
— early stage	219,098	8,710	50	181,167	6,175	35
— property owners' association stage	155,414	4,311	24	107,419	3,428	21
Properties developed by independent property developers	179,729	6,934	59	122,943	4,766	43
— early stage	138,333	5,574	50	104,755	4,292	40
— property owners' association stage	41,396	1,360	9	18,188	474	3
Total	<u>554,241</u>	<u>19,955</u>	<u>133</u>	<u>411,529</u>	<u>14,369</u>	<u>99</u>

The table below sets forth the breakdown of the Group's total property management services revenue, GFA under management and number of projects by geographic region of 2020 and 2019:

	As at 31 December 2020			As at 31 December 2019		
	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	414,574	12,084	87	318,694	9,279	69
Zhejiang province (excluding Hangzhou)	126,421	7,680	45	89,807	4,899	29
Outside Zhejiang province	13,246	191	1	3,028	191	1
Total	<u>554,241</u>	<u>19,955</u>	<u>133</u>	<u>411,529</u>	<u>14,369</u>	<u>99</u>

Prospects

Further promotion of quality brand building

The Group will further raise its service standard and develop customized services in order to become a leading property service provider in China and a model company in Hangzhou within one to three years. Through providing effective and consistent services, the Group will gain higher brand value and sustainable market competitiveness. Aiming to become an industry-leading brand and the benchmark for luxury quality within three to five years, the Group will improve its regular quality inspections and enhance and expand the monitoring of its daily quality control through unannounced inspections, project safety inspections and daily inspections by regional property departments. In addition, the Group will redesign its high-end butler service team, so as to ensure the long-lasting quality of projects under management with up-to-date service standards.

Further expansion of business scale and market share

The property management service industry in China is increasingly concentrated. The Group intends to leverage its success in the high-end market in the Yangtze River Delta and its existing service management systems and standards to expand its current market share and to further penetrate new markets. Focusing in Hangzhou and the Yangtze River Delta, the Group will focus on the operation in the existing market and strategically expand the business coverage in eastern China. The Group will also explore 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 in the market to enhance our economies of scale. In recent years, the Group has developed its business adhering to the strategies of becoming a model company for high-end residential projects, undertaking large-scale projects of mid-range properties and generating profit from value-added services.

Introduction of various services

Based on the demand of property owners, the Group strives to become a trustworthy property manager and caretaker for property owners by leveraging on its professional property products and services. The Group will develop value-added services system focusing on 5S, which includes furnishing services, interior design services, agency services, leasing services, repair and maintenance and upgrades and replacements of intelligent facilities and devices. All business lines of 5S value-added services will provide business opportunities to other business segments and complement services provided by such segments, becoming a new driver for profit growth within the Company. In addition, the Group will capitalize its advantages of the existing platform to establish strategic partnerships through various channels and expand its service coverage. The Group will continue to maintain and actively seek for additional partnership opportunities with well-known enterprises in the industry, promoting and replicating its successful partnership model.

Further improvement of management and operation systems

The Group puts great efforts in upgrading its internal management system and smart management platform, while adhering to its principles and maintaining a degree of flexibility to prepare for future development. The Group aims to boost its development through optimizing its management structure, setting up standardized operation procedures, developing human resources and strengthening the procurement control to refine its internal control mechanism. In addition, the Group strives to enhance its management efficiency by using smart approaches. The Group aims to provide property owners with comprehensive and convenient services in a timely and safe manner through integrating internal and external resources. Leveraging on its management experience, the Group intends to accelerate the application of smart technologies and the informatization of its platforms and ecosystems, creating a digital management system platform.

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.

	2020		2019		Changes (%)
	RMB'000	% of total revenue	RMB'000	% of total revenue	
Property management services	554,241	57.7	411,529	58.6	34.7
Property management services for residential properties	447,206	46.6	337,308	48.0	32.6
Property management services for non-residential properties	107,035	11.1	74,221	10.6	44.2
Value-added services to non-property owners	312,014	32.5	224,110	31.9	39.2
Pre-delivery services	282,053	29.4	188,681	26.9	49.5
Consulting services	16,275	1.7	13,684	1.9	18.9
Community space services	13,686	1.4	21,745	3.1	(37.1)
Value-added services to property owners	93,946	9.8	66,236	9.5	41.8
Home living services	33,858	3.5	34,629	5.0	(2.2)
Customized home furnishing services	24,111	2.5	19,323	2.8	24.8
Property agent services	2,123	0.3	1,660	0.2	27.9
Sales of car parking space and storage room	33,854	3.5	10,624	1.5	218.7
Total	960,201	100.0	701,875	100.0	36.8

Revenue generated from **property management services** amounted to RMB554.2 million, representing an increase of 34.7% as compared with RMB411.5 million in 2019. It was the Group's main source of revenue and accounted for 57.7% of total revenue in 2020. 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 RMB374.5 million, accounted for 67.6% of revenue from property management services in 2020. Leveraging on its leading position in traditional property business, the Group aggressively expanded business to cover properties developed by the independent third parties and properties outside Hangzhou. For the year ended 31 December 2020, the revenue from property management services for properties developed by the independent third parties amounted to RMB179.7 million, representing an increase of 46.2% as compared with 2019; and the revenue from property management services for properties outside Hangzhou amounted to RMB139.7 million, representing an increase of 50.5% as compared with 2019.

Revenue generated from **value-added services to non-property owners** amounted to RMB312.0 million, representing an increase of 39.2% as compared with RMB224.1 million in 2019, and accounted for approximately 32.5% of the Group's total revenue in 2020. The increase was mainly due to the stable growth in the number of projects undertaken during the year.

Revenue generated from **value-added services to property owners** amounted to RMB94.0 million, representing an increase of 41.8% as compared with RMB66.2 million in 2019, and accounted for approximately 9.8% of the Group's total revenue in 2020. 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 24.8% when compared with last year, mainly due to an increase in number of property owners to whom we provided services and increasing demand in high-quality home furnishing services from property owners.

Gross profit and gross profit margin

Based on the above factors, the Group's gross profit increased by 50.9% from RMB197.0 million in 2019 to RMB297.3 million in 2020. The Group's gross profit margin increased by 2.9 percentage points from 28.1% in 2019 to 31.0% in 2020, mainly due to the growth of business and decrease in costs as a result of the social insurance concession policy during the outbreak of Epidemic and adoption of cost control measures.

	2020		2019	
	Gross profit	Gross profit	Gross profit	Gross profit
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	104,378	18.8	66,427	16.1
Value-added services to non-property owners	141,224	45.3	96,838	43.2
Value-added services to property owners	51,715	55.0	33,775	51.0
Total	<u>297,317</u>	<u>31.0</u>	<u>197,040</u>	<u>28.1</u>

Gross profit of property management services increased by 57.2% from RMB66.4 million in 2019 to RMB104.4 million in 2020, and gross profit margin increased by 2.7 percentage points from 16.1% in 2019 to 18.8% in 2020. In 2020, leveraging 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 was maintained.

Gross profit of value-added services to non-property owners increased by 45.9% from RMB96.8 million in 2019 to RMB141.2 million in 2020, and gross profit margin increased from 43.2% in 2019 to 45.3% in 2020.

Gross profit of value-added services to property owners increased by 53.0% from RMB33.8 million in 2019 to RMB51.7 million in 2020, and gross profit margin increased from 51.0% in 2019 to 55.0% in 2020. The increase in gross profit was mainly due to the increasing demand of value-added services to property owners as a result of an increase in number of property owners and the rapid growth in car parking space and sales of storage room business during the year.

Cost of sales

During the year, the Group's cost of sales increased by 31.3% from RMB504.8 million in 2019 to RMB662.9 million in 2020. The increase in cost of sales was in line with the growth of business scale.

Selling and marketing expenses

During the year, the Group's selling and marketing expenses increased from RMB0.8 million in 2019 to RMB2.7 million in 2020, mainly due to a year-on-year increase in sale commission as a result of the growth of sales business.

Administrative expenses

During the year, the Group's administrative expenses decreased by 29.7% from RMB56.6 million in 2019 to RMB39.8 million in 2020, mainly because no listing expense was incurred during the year.

Impairment loss on trade receivables

During the year, the Group's impairment loss on trade receivables increased from RMB4.5 million in 2019 to RMB11.5 million in 2020, mainly due to the growth of business and an increase in allowance on bad debts as a result of an increase of receivables during the year.

Net finance income

During the year, the finance income of the Group was interest income on bank deposits. Finance income increased from RMB19.5 million in 2019 to RMB31.0 million in 2020. The increase was mainly attributable to an increase in interest income from high-yield deposit products as a result of the centralized capital management of the Group. 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 decreased from RMB1.7 million in 2019 to RMB0.5 million in 2020. The decrease was mainly attributable to a decrease in interest expenses as a result of a decrease in prepayment of service fee from properties owners for customized interior furnishing services.

Share of profits less losses of two associates

During the year, the Group's share of profits less losses of two associates changed from a loss of RMB4.1 million in 2019 to a profit of RMB0.6 million in 2020, mainly due to the associates turned losses into profits during the year.

Profit before taxation

During the year, profit before taxation of the Group was RMB284.0 million, representing an increase of 85.3% as compared with RMB153.3 million in 2019, mainly due to an increase of RMB100.3 million in gross profit during the year and effective fund management as well as the fact that no listing expense was incurred during the year.

Income tax

During the year, income tax expenses of the Group were RMB63.7 million, representing an increase of 65.9% in 2020 as compared with RMB38.4 million in 2019, mainly due to the growth of business and a year-on-year increase in income tax expenses as a result of an increase in gross profit.

Profit for the year

The Group's profit for the year was RMB220.3 million, representing an increase of 91.7% as compared with RMB114.9 million in 2019, mainly due to the growth of business. Net profit attributable to equity shareholders of the Company was RMB219.6 million, representing an increase of 91.5% as compared with RMB114.7 million in 2019. Net profit margin (net profit attributable to equity shareholders of the Company divided by revenue) was 22.9%, representing an increase of 6.6 percentage points as compared with 16.3% in the corresponding period of 2019, mainly due to the further increase in gross profit margin of all business segments during the year and increased gain from the preservation and appreciation of capital value.

Current assets, financial resources and gearing ratio

The Group maintained a well financial performance in 2020. As at 31 December 2020, current assets were RMB1,368.1 million, representing an increase of 26.2% as compared with RMB1,084.5 million as at 31 December 2019.

As at 31 December 2020, the Group's cash and cash equivalents were RMB805.4 million, representing an increase of 55.9% as compared with RMB516.7 million as at 31 December 2019. This was mainly due to an increase of net cash inflow from operating activities of RMB317.7 million driven by the growth of business and increased gain from the preservation and appreciation of capital value. As at 31 December 2020, current ratio was 2.13, representing a decrease as compared with 2.28 as at 31 December 2019.

As at 31 December 2020, the Group did not have any loans or borrowings (31 December 2019: Nil).

As at 31 December 2020, the total equity of the Group was RMB858.3 million, representing an increase of 18.1% as compared with RMB726.5 million as at 31 December 2019. This was mainly due to the growth of business and an increase in operating profit.

Investment properties, property, plant and equipment

As at 31 December 2020, the investment properties, property, plant and equipment of the Group amounted to RMB16.7 million, representing an increase of 29.5% as compared with RMB12.9 million as at 31 December 2019, mainly due to the addition of investment properties of RMB2.1 million and fixed assets of RMB1.7 million. In addition, fixed assets for business development increased in line with the growth of business.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2020 and 2019.

Pledged assets

The Group did not have any pledged assets as at 31 December 2020 and 2019.

Trade and other receivables

As at 31 December 2020, trade and other receivables amounted to RMB95.7 million, representing an increase of RMB29.4 million or 44.3% as compared with RMB66.3 million in 2019, mainly due to an increase in property management fee receivables as a result of the growth of business.

Trade and other payables

As at 31 December 2020, trade and other payables amounted to RMB473.3 million, representing an increase of RMB155.0 million or 48.7% as compared with RMB318.3 million in 2019, mainly due to an increase in staff salaries payable as a result of an increase in number of staff. In addition, the payment received from property owners increased in line with the growth of business.

Human resources

As at 31 December 2020, the Group employed a total of 5,507 employees. During the Reporting Period, the staff costs of the Group were RMB412.2 million (2019: RMB330.6 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

Having considered the needs of business development of the Group and returns of shareholders, the Board recommends the payment of a final dividend for 2020 of HK\$0.564 per share. The dividend ratio is approximately 60%. The proposed final dividend amounted to approximately HK\$155.9 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 are expected to be paid on or around Friday, 25 June 2021.

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 Thursday, 27 May 2021 to Tuesday, 1 June 2021 (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 Wednesday, 26 May 2021.

For the purpose of determining the shareholders who are entitled to the right of the final dividend, the register of members of the Company will be closed from Saturday, 5 June 2021 to Wednesday, 9 June 2021 (both days inclusive). Only those shareholders whose names appear on the register of members of the Company on Wednesday, 9 June 2021 will be entitled to the right of the final dividend. In order to qualify for receiving the final 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 Friday, 4 June 2021.

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. During the Reporting Period, 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 Reporting Period. 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 2020.

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 throughout the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

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 during the Reporting Period 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. Further details are disclosed in this announcement “Final Dividend” on page 33.

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\$181.7 million of the net proceeds as at 31 December 2020. The unutilized net proceeds of approximately HK\$273.6 million are intended to be applied in the manner consistent with the proposed allocations. As at 31 December 2020, the net proceeds had been utilized as follows:

Use of proceeds	Proposed use of proceeds <i>HK\$ million</i>	Unutilized amount as at 1 January 2020 <i>HK\$ million</i>	Utilized Amount during the year <i>HK\$ million</i>	Unutilized amount as at 31 December 2020 <i>HK\$ million</i>
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	—	159.4
Updating the Group’s management service systems and recruiting and nurturing talents ²	113.8	103.7	97.1	6.6
Investment in the asset management platform to engage in the operation of industrial parks ³	91.1	91.1	—	91.1
Establishing joint venture companies or platform through the cooperation with local governments and property developers ⁴	45.5	36.2	19.7	16.5
As working capital and for other general corporate purposes ⁵	45.5	43.8	43.8	—
	<u>455.3</u>	<u>434.2</u>	<u>160.6</u>	<u>273.6</u>

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 has been actively identifying acquisition targets since its listing, and this portion of proceeds will be used after the acquisition targets are determined. The Group will select suitable acquisition targets in a prudent manner. It is expected that this portion of proceeds will be fully utilized by 31 December 2023.
2. The Group has put great efforts in updating the management service system in 2020. 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 to invest in the platform in 2021. The Group actively explored a platform for investment in a prudent manner as at the end of the Reporting Period. The proceeds will be used when a suitable platform is identified. It is expected that this portion of proceeds will be fully utilized by 31 December 2023.
4. The Group has launched the cooperation projects and established joint venture companies from the second half of 2019. The projects will complete by 2021. As at 31 December 2020, five joint ventures had been established to manage eight existing management projects and one pre-delivery project.
5. The amount 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 2020 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 Tuesday, 1 June 2021, 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 2021

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*