濱江服務

BINJIANG SERVICE

濱江服務集團有限公司
BINJIANG SERVICE GROUP CO. LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3316.HK

ANNUAL REPORT 2019

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Corporate Information

Board of Directors

Executive Directors

Mr. ZHU Lidong *(Chairman of the Board and Chief Executive Officer)*
Ms. ZHONG Ruoqin

Non-executive Directors

Mr. MO Jianhua
Mr. CAI Xin

Independent Non-executive Directors

Mr. DING Jiangang
Mr. LI Kunjun
Ms. CAI Haijing

Audit Committee

Ms. CAI Haijing *(Chairman)*
Mr. DING Jiangang
Mr. LI Kunjun

Remuneration Committee

Mr. DING Jiangang *(Chairman)*
Mr. MO Jianhua
Ms. CAI Haijing

Nomination Committee

Mr. ZHU Lidong *(Chairman)*
Mr. DING Jiangang
Mr. LI Kunjun

Strategy Committee

Mr. MO Jianhua *(Chairman)*
Mr. ZHU Lidong
Ms. ZHONG Ruoqin
Mr. CAI Xin
Mr. DING Jiangang
Mr. LI Kunjun

Joint Company Secretaries

Ms. ZHONG Ruoqin
Ms. KO Mei Ying

Authorized Representatives

Ms. ZHONG Ruoqin
Ms. KO Mei Ying

Legal Advisor

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central, Hong Kong

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Compliance Adviser

Southwest Securities (HK) Capital Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal Banks

China Construction Bank Corporation
Agricultural Bank of China Limited

Company's Website

www.hzbjwy.com

Stock Code

3316

Listing Date

March 15, 2019

Registered Office

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

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New Town Times Square
Jianggan District
Hangzhou, China

Principal Place of Business in Hong Kong

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

Principal Registrar and Transfer Office

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

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Financial Summary

The following is a summary of the results and assets and liabilities of Binjiang Service Group Co. Ltd. (the "**Company**") and its subsidiaries (the "**Group**") for each of the years ended December 31, 2015, 2016, 2017, 2018 and 2019.

Results Summary

	Note	For the year ended December 31				
		2015	2016	2017	2018	**2019**
Revenue *(RMB'000)*		158,866	225,924	349,264	509,470	**701,875**
increase		N/A	42.2%	54.6%	45.9%	**37.8%**
Gross profit *(RMB'000)*		26,139	42,056	90,083	134,953	**197,040**
increase		N/A	60.9%	114.2%	49.8%	**46.0%**
Gross profit margin	*(1)*	16.5%	18.6%	25.8%	26.5%	**28.1%**
increase						
Profit for the year *(RMB'000)*		11,469	22,106	57,552	70,423	**114,921**
increase		N/A	92.7%	160.3%	22.4%	**63.2%**
Profit margin	*(2)*	7.2%	9.8%	16.5%	13.8%	**16.4%**
Profit attributable to equity shareholders of the Company *(RMB'000)*		11,469	22,297	57,173	70,177	**114,681**
increase		N/A	94.4%	156.4%	22.7%	**63.4%**
Basic and diluted earnings per share *(RMB)*		0.06	0.11	0.29	0.35	**0.44**

Notes:

(1) Gross profit margin is calculated as gross profit divided by revenue.

(2) Profit margin is calculated as profit for the year divided by revenue.

Summary of Assets and Liabilities

	Note	As of December 31				
		2015	2016	2017	2018	**2019**
Cash and cash equivalents *(RMB'000)*		69,261	167,547	303,949	458,543	**516,707**
Current assets *(RMB'000)*		115,814	222,962	373,550	534,720	**1,084,484**
Total assets *(RMB'000)*		122,371	232,192	389,389	551,095	**1,203,626**
Current liabilities *(RMB'000)*		91,398	177,810	278,202	366,363	**476,316**
Total liabilities *(RMB'000)*		91,398	178,623	278,202	366,363	**477,078**
Total equity attributable to equity shareholders of the Company *(RMB'000)*		30,973	53,270	110,509	181,358	**721,834**
Return on shareholders' equity	*(3)*	37.0%	41.9%	51.7%	38.7%	**15.9%**
Current ratio	*(4)*	1.27	1.25	1.34	1.46	**2.28**
Gearing ratio	*(5)*	N/A	N/A	N/A	N/A	**0.004**

Notes:

(3) Return on shareholders' equity is calculated as total profit attributable to equity shareholders of the Company divided by shareholders' equity.

(4) Current ratio is calculated as current assets divided by current liabilities.

(5) Gearing ratio is calculated as total interest-bearing borrowings (including lease liabilities) divided by total equity at the end of the respective period. The Group's gearing ratio was 0.004 as at December 31, 2019. The Group had no interest-bearing borrowings in 2018.

Chairman's Statement

To all Shareholders,

Thank you for your trust in and support to the Group. On behalf of the Board of Directors of the Company (the "**Board**"), I am pleased to present our audited annual results for the year ended December 31, 2019 (the "**Reporting Period**").

In 2019, the public demanded higher living standards in line with the increasing urbanization rate of China. The market potential of property management is promising. While the property management companies expand in business size, their operation will become more sophisticated and will continue to grow with stronger competitiveness and sustainability, renowned brand names and specialized services.

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 December 31, 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**"), ranking 28th, and awarded the "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.

Leveraging 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 Holdings**") and its subsidiaries ("**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 that 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 January 20, 2020. On January 25, 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 March 29, 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.

ZHU Lidong
Chairman

Hangzhou, March 30, 2020

* *For identification purpose only*

BUSINESS REVIEW AND PROSPECTS

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 of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on March 15, 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 December 31, 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 December 31, 2019		As at December 31, 2018	
	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	**9,152**	**11,633**	5,071	8,604
Addition	**3,283**	**2,736**	4,081	3,092
Termination	**—**	**—**	—	63
At the end of the year	**12,435**	**14,369**	9,152	11,633

Note: As at December 31, 2019, the contracted GFA of undelivered 75 properties was 12.4 million sq.m. (as at December 31, 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 2019 and 2018:

	As at December 31, 2019			As at December 31, 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
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 December 31, 2019			As at December 31, 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 December 31, 2019			As at December 31, 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 Yangtze River Delta and our existing service management system and standard to expand the business coverage in 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

Revenue

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.

	For the year ended December 31,				
	2019		2018		Changes
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	%
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 December 31, 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 RMB224.1million, 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 in 2019. 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.

Other net income

For the year ended December 31, 2019, the Group's other net income was RMB0.7 million, representing a decrease of 82.5% as compared with RMB4.0 million in 2018, mainly due to the reduction of investments in wealth management products of the Group by shifting to bank deposits with high return.

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.

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 points from 26.5% in 2018 to 28.1% in 2019, mainly due to the growth in revenue from value-added services to property owners and non-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.

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 fees 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 RMB4.7million in 2019, mainly due to the growth of business scale and the increase in impairment losses caused by the increase of trade receivables. During the year, other expenses mainly included impairment losses of assets of RMB4.5 million.

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 increase 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 and financial resources

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

As at December 31, 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 December 31, 2019, current ratio was 2.28, representing an increase as compared with 1.46 in 2018.

As at December 31, 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.

Treasury policies

For the year ended December 31, 2019, the Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash are invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments, such as the Group placed a certain amount of cash as bank deposits with maturity over three months for higher interest income to secure liquidity mentioned above.

Gearing ratio

Gearing ratio is calculated as total interest-bearing borrowings (including lease liabilities) divided by total equity at the end of the respective period. The Group's gearing ratio was 0.004 as at December 31, 2019. The Group had no interest-bearing borrowings in 2018.

Property, plant and equipment

For the year ended December 31, 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 Group 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.

Pledged assets

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

Trade and other receivables

As at December 31, 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 December 31, 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.

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's 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.

Risks and Uncertainties

Geographical concentration risk

All of the Group's operations are concentrated in the Yangtze River Delta, particularly in Hangzhou. During the Reporting Period, the total GFA under management located in the Yangtze River Delta accounted for almost all of our total GFA under management, and property management services revenue generated from our managed properties in the Yangtze River Delta amounted to almost all of our total property management services revenue. Though the Group will further expand to other key economics regions and cities in China, the Company expect that the Yangtze River Delta will still continue to account for a significant portion of our operations in the near future. If the Yangtze River Delta experiences any adverse economic conditions, such as an economic downturn, natural disaster, contagious disease outbreak, terrorist attack, or if the local governmental authorities adopt regulations that place additional restrictions on the property management service industry, the Group's business, financial condition and results of operations could be materially and adversely affected. Given the above, the Group actively seeks business opportunities outside the Yangtze River Delta to expand our geographical coverage.

New contract risk

During the Reporting Period, the Group procured almost all of our new property management service contracts through tender processes. Property developers and the property owners' general meetings choose property management companies based on a number of factors, including but not limited to the quality of services provided, pricing and the operating history of the property management company. There is no assurance that the Group will be able to procure new property management service contracts in the future. Furthermore, most of the Group's property management service contracts during the Reporting Period were related to the management of properties developed by Binjiang Group. Any adverse development in the operations of Binjiang Group or its ability to develop new properties may negatively impact the Group ability to procure new property management service contracts. The Group cannot assure that Binjiang Group will engage the Group as their property management service provider for any property they developed. If our Group are not able to increase the number of managed properties developed by independent third party property developers, our Group's results of operations and growth prospects may be materially and adversely affected. Given the above, the Group will enhance its quality service capabilities, and actively seek business opportunities from independent parties to expand our business access channel.

Future acquisition risk

In the future, our Group plans to seek and evaluate opportunities to acquire other property management companies and other businesses that may complement our existing service offerings to expand the Group's business scale and integrate their operations into the Group's business. However, acquisitions involve inherent risks and uncertainties, including, without limitation, potential ongoing financial obligations and hidden or unforeseen liabilities in connection with the target, inability to apply the Group's business model or standardize business processes with the acquisition targets, failure to achieve the intended acquisition objectives or benefits, diversion of resources and management attention from managing our existing business operations. In addition, there can be no assurance that our Group will be able to identify suitable acquisition opportunities. Even if the Company can, the Group may not be able to complete the acquisitions on terms favorable to us and in a timely matter, or at all. As a result, the Group's competitiveness and growth prospects could be materially and adversely affected. Given the above, the Company will identify acquisition targets in a cautious manner.

Epidemic risk

In the face of the Epidemic, the Group stands at the front line to enhance epidemic preventive measures in accordance with the requirement of local community and perform various duties to serve the general public. The social recognition of the Group was further enhanced. Additional human resources and materials were allocated and higher costs were incurred to maintain our service quality. During the period of and after Epidemic, the Group may encounter some problems, such as slowdown in property development, higher costs and dropping out of general staff. The operation and performance of the Group will be adversely affected. The Group has promptly and decisively responded to the Epidemic by introducing various preventive measures which will be adopted as our regular property management measures to deal with major public crisis in the future.

Tax reduction

Pursuant to the laws of the Cayman Islands, the Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax and estate duty.

Capital structure

There has been no change in capital structure of the Company for the year ended December 31, 2019. The capital of the Company comprises ordinary shares and other reserves.

Contingent liabilities

The Group had no contingent liability for the year ended December 31, 2019.

Significant investments and material investments, acquisitions and disposal of subsidiaries and associated companies

The Group did not have any significant investments and material investments, acquisitions, and disposals of subsidiaries and associated companies for the year ended December 31, 2019.

Future plans for substantial investments or capital assets

As stated in the prospectus of the Company dated February 28, 2019 (the "**Prospectus**") and the announcement of the Company dated February 28, 2019, approximately 35% (approximately HK$159.4 million) of the net proceeds from the Listing and the over-allotment is used for acquisition of other property management companies and companies which are engaged in property management related businesses, approximately 20% (approximately HK$91.1 million) for investment on asset management platform to engage in the operation of and long-term apartment and industrial parks, and approximately 10% (approximately HK$45.5 million) for establishment of joint companies or platforms. From the date of listing to the date of this annual report, the Company has been exploring and tracking potential opportunities in the market in a diligent and cautious manner. As of December 31, 2019, the Group has established three joint ventures which manage six projects under management and one pre-delivery management project. In 2019, the Group also actively explored acquisition and investment opportunities of asset management platforms. However, the Group has not yet identified any acquisition and investment target of asset management platforms since the potential targets did not satisfy the operating needs of the Group. The Group will continue to actively explore acquisition and investment targets of asset management platforms and such part of the proceeds will be utilized once the target is confirmed.

Purchase, sale or redemption of listed securities of the Company

On April 4, 2019, the Over-allotment Option described in the Prospectus was partially exercised by the Sole Global Coordinator in respect of an aggregate of 9,707,000 Shares (the "**Over-allotment Shares**"), representing 14.55% of the Offer Shares initially available under the listing of the Company on the Main Board of the Hong Kong Stock Exchange (the "**Over-allotment**"). The net proceeds from the offering was RMB56,108,000. Except for the Over-allotment Option exercised on April 4, 2019, the Company or any of its subsidiaries has not purchased, sold or redeemed any of the listed securities of the Company from the listing date to December 31, 2019.

Employees and remuneration policies

As at December 31, 2019, the Group had a total of 4,280 employees. The staff cost of the Group during the Reporting Period was RMB330.6 million (2018: RMB235.9 million).

The Group's remuneration packages for employees are determined based on their duties, qualifications, individual performance and current market standards. The discretionary bonus paid to employees, based on the performance of individual employees, recognized and rewarded their contribution. We have implemented and will continue to implement various employee recognition initiatives and rewards. The Group also makes social security contributions (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund contributions for our employees. During the Reporting Period, the Group also provided its staff with systematic and extensive training plans and promotion and rotation programs. During the Reporting Period, the Group did not adopt any share option scheme.

Community and public charity policies

The Group is committed to creating a harmonious relationship between the enterprise and the community. It considers the interests of the community in its daily operation and management, meets the needs of the residents and actively organizes various community activities to create a sense of belonging for the residents. The social benefits have been realized.

In October 2019, since the half-kilo market poverty alleviation by consumption campaign was launched in Hangzhou, Hangzhou Binjiang Property Management Co., Ltd. ("**Binjiang Property**"), a wholly-owned subsidiary of the Group, actively responded to this community activity by integrating offline implantation and online platforms in poverty alleviation, with an aim to delivering more quality agricultural products to the owners. Through the purchases, the owners can offer a sincere love to poor villagers in the mountain area. On December 11, 2019, Binjiang Property was awarded the "Community Power" Consumer Poverty Alleviation Enterprise Contribution Award of the Second Session of the Council of China Community Poverty Alleviation Alliance (中國社區扶貧聯盟第二屆理事會「社區的力量」消費扶貧企業貢獻獎). The selection criteria for this award is to be ranked as TOP50 among the national outstanding properties. With the unremitting efforts of all staff, Binjiang Property has finally ranked as 32nd among the national outstanding properties, with a sales volume of 17,200 catties. Kunlun Mansions Project of Binjiang Property also won the title of "Poverty Alleviation by Consumption Model Community", with a sales volume of 2,327.86 catties.

Executive Directors

Mr. ZHU Lidong (朱立東), aged 56, has been an executive Director, the chairman of the Board and president of the Company since September 2018. He has joined our Group in May 2003 and has more than 16 years of experience in the real estate industry. With his extensive experience, he is principally responsible for the overall management and business operation of our Group, including coordinating board affairs, formulating strategies and operational plans and making major business decisions. He is also the chairman of the board and the general manager of Binjiang Property, a company engaged in property management, since November 2006 and February 2010, respectively, where he is responsible for overall management and business operation.

From February 2017 to September 2018, Mr. ZHU was the deputy general manager of Binjiang Holdings, a company engaged in investment, where he was responsible for the general operations of the fellow subsidiaries. From May 2003 to February 2017, he served as the deputy general manager at Hangzhou Binjiang Real Estate Group Co., Ltd.* (杭州濱江房產集團股份有限公司) ("**Binjiang Real Estate**"), a company listed on the Shenzhen Stock Exchange (stock code: 002244) with its principal in business in real estate development. During his tenure, he was responsible for projects operation and market expansion. From October 1994 to April 2003, he was a reporter and the deputy director of general editing office and monograph office of Hangzhou Daily Newspaper Press Group (杭州日報報業集團) ("**Hangzhou Daily**") (formerly known as Hangzhou Daily Newspaper Press) and an associate general editor of Daily Commence Newspaper (每日商報) of Hangzhou Daily Newspaper, a mass media corporation listed on the Shenzhen Stock Exchange (stock code: 000607), where he was primarily responsible for writing and editing manuscripts. Prior to that, Mr. ZHU was a teaching staff at Armed Police Hangzhou Command College (武警杭州指揮學院) from September 1984 to October 1994.

Since July 2012, Mr. ZHU has been the vice chairperson of the Property Management Association of Zhejiang Real Estate Institute (浙江房地產協會物業管理分會). He has also been serving as the vice chairman of the Hangzhou Property Management Association (杭州物業管理協會) since August 2018. In July 2008, Mr. ZHU was recognized as the Hangzhou Property Management Bidding Expertise (杭州市物業管理招投標專家) and appointed as the fellow of Hangzhou Property Management Excellent Projects Evaluation Expert Database (杭州市物業管理優秀項目考評專家庫) from August 2018 to July 2020.

Due to his achievements and contributions to the economic and social development of Hangzhou, Mr. ZHU has been granted a number of awards. In 2004, he was awarded China Excellent Professional Manager (中國優秀職業經理人) by the 2004 China City-land Operation Exposition (2004中國城市土地運營博覽會). He was also conferred the Attitude Real Estate Person (態度地產人物) by the Netease Real Estate (網易房產) in 2017.

Mr. ZHU received his bachelor's degree in history from Hangzhou University (杭州大學) (currently merged into Zhejiang University (浙江大學)), the PRC, in July 1984.

Ms. ZHONG Ruoqin (鍾若琴), aged 34, has been an executive Director and the secretary to the Board of the Company since September 2018. She is also a joint company secretary of the Company. Ms. ZHONG has joined our Group in April 2013 and is primarily responsible for formulating and supervising operational strategies and plans, deciding and executing the board resolution, undertaking business objectives of the Board. Ms. ZHONG has extensive work experience in the real estate industry. Since July 2018, she has been appointed as the manager of securities department at Binjiang Property, where she is primarily responsible for forming and organizing the securities department.

From April 2013 to June 2018, she served in the securities department of Binjiang Real Estate, where she was responsible for the conduct of board meetings, information disclosure, and management of investment and refinancing. From August 2008 to February 2011, Ms. ZHONG was an agency supervisor of CITIC-Prudential Finance Company Ltd., a company engaged in insurance and wealth management business, where she was responsible for personal selling, team management and performance appraisal.

Ms. ZHONG received her master's degree in business administration from the City University of Hong Kong (香港城市大學), Hong Kong, in October 2012 and the bachelor's degree in business from the Dundalk Institute of Technology (愛爾蘭唐道克理工學院), Ireland, in June 2008.

Non-executive Directors

Mr. MO Jianhua (莫建華), aged 49, has been the non-executive Director of the Company since December 2017. He is primarily responsible for providing guidance and supervision to our Group's business operations. Mr. MO has over 21 years of experience in the real estate industry. Since January 2017, he has also been serving as the general manager of Hangzhou Pute Equity Investment Management Limited (杭州普特股權投資管理有限公司) ("**Pute Equity**"), a company which is principally engaged in equity investment, where he is responsible for the overall management of business. Since November 2006, he has been a director at Binjiang Real Estate, where he is responsible for providing guidance and supervision to our Group's business operations.

From July 2011 to November 2017, he was the general manager of Hangzhou Binjiang Venture Capital Investment Limited* (杭州濱江創業投資有限公司) ("**Binjiang Venture Capital**"), a company which is primarily engaged in venture capital, and he was responsible for overall operation of business. From December 1999 to July 2011 he was the managing deputy general manager of Binjiang Real Estate, where he was responsible for the management of construction costs. From October 1996 to December 1999, he served as a deputy general manager at Binjiang Real Estate Construction Co., Ltd. (濱江房屋建設開發有限公司), a company engaged in real estate construction. He was responsible for the management of construction costs.

Mr. MO obtained an executive master's degree in business administration (EMBA) from Zhejiang University (浙江大學), the PRC, in June 2013.

Mr. CAI Xin (蔡鑫), aged 44, has been the non-executive Director of the Company since September 2018. He is primarily responsible for providing guidance and supervision to our Group's business operations. Since November 2017, he has been the general manager at Binjiang Venture Capital, where he is in charge of overall operation of business, marketing expansion and investment projects implementation.

From July 2011 to November 2017, he served as the deputy general manager of Pute Equity, where he was responsible for corporate fund raising and investment projects implementation. From September 2002 to July 2011, he served as the manager of finance department at Binjiang Real Estate, where he was primarily responsible for the general management of finance department, preparation of financial reports, formulating budget plans and tax reports.

Mr. CAI obtained an executive master's degree in business administration from Zhejiang University (浙江大學) in December 2015 and a bachelor's degree in economics from Zhejiang University of Financial and Economics (浙江財經大學), the PRC, in July 1997. He obtained the certificate of senior accountant granted by Zhejiang Senior Accountant Certificate Evaluation Committee in June 2012.

Independent Non-executive Directors

Mr. DING Jiangang (丁建剛), aged 56, joined our Group in February 2019 as an independent non-executive Director. Since May 2014, Mr. DING has been the dean of Zhejiang Daily Media Real Estate Institute (浙報傳媒地產研究院), which is engaged in provision of market analysis of real estate industry, and is responsible for research on real estate policy and real estate market. He has also been serving at Zhejiang Real Estate Institute (浙江房地產業協會) as a council member and is responsible for research in relation to policies and market trends in the real estate industry since October 2017.

Mr. DING has approximately 31 years of experience in the media industry. Mr. DING has been an employee of Decision Research Consultancy Limited (杭州浙訊房地產決策研究諮詢有限公司) since June 2014. Mr. DING worked for Hangzhou Joint Founder Information Technology Co., Ltd. (杭州中房信息科技有限公司), which is engaged in provision of market analysis of real estate industry, and was responsible for research on real estate policy and real estate market from March 2013 to May 2014. He worked for the economic department of, and as the deputy editor of the website Live in Hangzhou (住在杭州) of Zhejiang Online News Website Co., Ltd. (浙江在線新聞網站有限公司), which is engaged in online news publication and he was responsible for researching financial properties and providing commentaries thereon from September 2008 to February 2013. He worked for Zhejiang Radio & TV Group (浙江廣播電視集團), which is engaged in publication and sales of newspaper, magazines and video, and he was responsible for production of property programs from April 1989 to September 2008. He worked for teaching and research group of building structure of Zhejiang Construction Industrial College (浙江省建築工業學校) and was responsible for teaching building structure courses and management of the teaching and research group from November 1985 to April 1989. He was also a teaching staff in Changchun Advanced Architecture Institute (長春高等建築專科學校) from July 1983 to October 1985.

Mr. DING has been serving as an independent non-executive director of Dexin China Holdings Company Limited (德信中國控股有限公司), a property development company expected to be listed on the Hong Kong Stock Exchange (stock code: 02019) since January 2019. He is responsible for providing independent judgment and advice in relation to operations and management of the company. Mr. DING obtained his bachelor's degree in civil engineering from Xi'an University of Architecture and Technology (西安建築科技大學) (formerly known as Xi'an Metallurgy Architecture College (西安冶金建築學院)), the PRC, in July 1983.

Mr. LI Kunjun (李坤軍), aged 42, joined our Group in February 2019 as an independent non-executive Director. Since October 2017, he has been serving as the chief executive officer of Hangzhou Xiaodi Technology Co., Ltd. (杭州小嘀科技有限公司), a company engaged in the real estate technology development, which attracted investments from Hangzhou Tengguo Internet Technology Co., Ltd. (杭州騰果網絡科技有限公司) and Hangzhou Daily, and created one of the most influential Wechat official accounts with regard to property market in Hangzhou. He is responsible for the overall management and business operation.

Mr. LI has extensive work experience in the media industry. From September 2000 to December 2016, he held various positions at Hangzhou Daily, including reporter, and director of property office. During his tenure, he published a book, Hangzhou Qualified Houses – Guidance for purchasing houses from QIU Weiwei and LI Kunjun.

Mr. LI graduated from Zhejiang University (浙江大學), the PRC, with his bachelor's degree in Chinese in June 2000.

Ms. CAI Haijing (蔡海靜), aged 37, joined our Group in February 2019 as an independent non-executive Director. Since December 2007, she was a lecturer of accounting at Zhejiang University of Finance and Economics (浙江財經大學) and subsequently appointed as an associate professor and a professor in December 2014 and November 2019, respectively. In October 2017, Ms. CAI was regarded as the Leading Expert of the Zhejiang High-education Youngster (浙江省高校中青年學科帶頭人) and the nurturing target (發展對象) of the Zhejiang 151 Talent Project (浙江省新世紀151人才工程) in December 2015.

Ms. CAI has been serving as an independent non-executive director and a member of the audit committee of Wangneng Environment Co., Ltd. (旺能環境股份有限公司), an environment protection company listed on the Shenzhen Stock Exchange (stock code: 002034) since December 2017, Zhejiang Kang Long Da Special Protection Technology Co., Ltd. (浙江康隆達特種防護科技股份有限公司), a textile manufacturing company listed on the Shanghai Stock Exchange (stock code: 603665) since October 2017, Ue Furniture Co., Ltd. (永藝家具股份有限公司), a furniture manufacturing company listed on the Shanghai Stock Exchange (stock code: 603600) since July 2016, Hamaton Automotive Technology Co., Ltd. (浙江金科文化產業股份有限公司), a technology company listed on the Shenzhen Stock Exchange (stock code: 300459) since July 2016 and Hangzhou Jizhi Mechatronic Co., Ltd. (杭州集智機電股份有限公司), a machines manufacturing company listed on the Shenzhen Stock Exchange (stock code: 300553) since July 2015. As an independent non-executive director and a member of the audit committee, she is responsible for providing independent judgment and advice in relation to general management and audit committee to those listed companies.

Ms. CAI obtained a doctoral degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學), the PRC, in June 2013, a master's degree from Brock University (加拿大布魯克大學), Canada, in October 2007 and bachelor's degree from Zhejiang University of Financial and Economics (浙江財經大學), the PRC, in June 2006. She was admitted as a fellow of the Association of Chartered Certified Accountants (英國特許會計師協會) in June 2011 and the Canadian Institute of Chartered Accountants (加拿大註冊會計師協會) in September 2010.

Senior Management

Mr. WANG Guoyi (王國義), aged 57, has been appointed as a deputy general manager of our Group in December 2009. He is primarily responsible for business development, pre-delivery consulting, engineering management, pre-delivery examination management and after-sale services. Mr. WANG has almost 21 years of experience in the property management service industry. From March 2005 to December 2009, he served as an engineering director in Binjiang Property and was responsible for the engineering management.

Prior to joining our Group, he previously worked as an engineer at Zhejiang Nandu Property Management Co., Ltd. (浙江南都物業管理有限公司), a company engaged in property management, from January 2000 to February 2005, where he was responsible for engineering management and consultancy. From November 1996 to June 1998, he worked as a technician at the production department of Pt. San Weei Indonesia Rattan Industry (印尼上瑋籐業有限公司), a company engaged in rattan manufacturing, exporting and importing, where he was responsible for mechanical maintenance. From December 1991 to November 1996, he worked as an electrician at Hangzhou Chemistry Building (杭州化工大廈), a company engaged in chemical industry, where he was responsible for electrical installation and maintenance, as well as the operation of telephone switchboard. From December 1984 to December 1991, he served as an electrician at Hangzhou Standard Head Factory (杭州標準件總廠), a company engaged in manufacturing mechanical components, where he was responsible for electrical maintenance at the mold workshop. From December 1981 to December 1984, he served as an electrician at Hangzhou Broadcast Equipment Factory (杭州廣播器材廠) (previously known as Hangzhou Qianjiang Maobi Factory (杭州錢江毛筆製刷廠), a company engaged in manufacturing broadcasting equipment, where he was responsible for electrical maintenance.

Mr. WANG obtained a high school diploma from Hangzhou the Fifth High School, the PRC, in June 1980.

Mr. SHEN Guorong (沈國榮), aged 38, has been appointed as a deputy general manager of our Group in December 2009, and he is primarily responsible for the general management of the projects in Hangzhou, Shaoxing, Jiaxing, Huzhou, Taizhou, Wenzhou, Jiangxi and Suzhou areas. He has more than 16 years of experience in the property management service industry. He has joined our Group in October 2004 as a project manager and was responsible for the overall management of projects till February 2005. He was subsequently promoted as an assistant of general manager of Binjiang Property, and was responsible for the general management and supervision from February 2005 to December 2009.

Prior to joining our Group, he was a project manager at Jiaye Sunshine Property Management Co., Ltd. (嘉業陽光物業管理有限公司), a company engaged in property management service industry, from January 2002 to September 2004. He was responsible for the overall project management.

In June 2017, Mr. SHEN was appointed as the chairman of Jianggan District Property Management Institute (江幹區物業管理協會). He was also recognized as the Hangzhou Property Management Bidding Expertise (杭州市物業管理招投標專家) and the fellow of Hangzhou Property Management Excellent Projects Evaluation Expert Base (杭州市物業管理優秀項目考評專家庫) in July 2014.

Mr. SHEN graduated from Jiaxing University (嘉興學院), the PRC, with an associate degree in construction project management in January 2011. In November 2013, he was recognized as a registered Property Manager (註冊物業管理師) by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部).

Mr. YU Weiqi (俞偉琪), aged 39, has been appointed as a deputy general manager of our Group since December 2009 and he is primarily responsible for the general management of the projects in Hangzhou, Shanghai, Yiwu and Pujiang areas. He has more than 16 years of experience in the property management service industry. He has joined our Group in July 2006 as the project manager and was promoted to assistant president in April 2007, where he was responsible for quality control and copywriting till December 2009.

Prior to joining our Group, Mr. YU was a project manager and marketing manager of Zhejiang Guangsha Property Management Co., Ltd. (浙江廣廈物業管理有限公司), a company engaged in property management and he was primarily responsible for the overall management of projects and market expansion of property management, from May 2003 to June 2006. He previously served as the assistant quality control and marketing manager of Zhejiang Green City Property Management Co., Ltd. (浙江綠城物業管理有限公司), a company engaged in property management service industry, from March 2002 to April 2003, where was responsible for quality control management and property management consultancy.

Mr. YU was recognized as the Hangzhou Preliminary Property Management Bidding Expertise (杭州市前期物業管理招投標專家) in March 2014 and the fellow of Hangzhou Property Management Excellent Projects Evaluation Expert Database (杭州市物業管理優秀項目考評專家庫) in August 2018.

Mr. YU graduated from Chongqing University (重慶大學), the PRC, with an associate degree in business administration management in July 2017. In March 2012, he was recognized as a registered Property Manager (註冊物業管理師) by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部) and Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部).

Ms. GUO Chunlan (郭春蘭), aged 55, has been appointed as a deputy general manager of our Group in December 2009 and she is primarily responsible for the general management of projects in Hangzhou, Jinhua and Quzhou areas. She has also been serving as the general manager of another subsidiary, Binhe Property, a company engaged in property management, where she is in charge of overall management of business since January 2018.

Ms. GUO joined our Group in November 2005, when she was appointed as an assistant general manager in Binjiang Property and was responsible for the overall management of the company till December 2009. Prior to joining our Group, she was the vice president at Hangzhou Huanglong Hengli Hotel Co., Ltd. (杭州黃龍恒勵賓館有限公司), a company engaged in hotel and catering and she was responsible for daily management of projects and business operation in Hangzhou-Jinhua-Quzhou areas from January 2005 to November 2005. From June 1998 to January 2005, she served as the manager of sales department, housekeeping department, and reception department at Hangzhou Linquan Villa Co., Ltd. (杭州林泉山莊有限公司), a company engaged in hotel and catering, where she was in charge of daily operation of those departments. From April 1996 to April 1999, she served as the manager of human resources, quality of service and housekeeping department at Hangzhou Zhong Bei Hotel Co., Ltd. (杭州中北大酒店有限責任公司), a company engaged in hotel and catering and she was in charge of daily operation of those departments. She also worked at Zhejiang Travel Group Co., Ltd. (浙江省旅遊集團有限責任公司), a company engaged in hotel and catering and was responsible for managing the housekeeping and human resources from December 1982 to March 1996.

Ms. GUO graduated from Zhejiang Gongshang University Hangzhou College of Commerce (浙江工商大學杭州商學院), the PRC, with an associate degree in tourism management in December 1999.

Mr. ZHOU Dong (周棟), aged 37, has been appointed as the financial controller of our Group in August 2018 and he is primarily responsible for overall financial management of the Group.

Prior to Joining our Group, he was appointed as an assistant chief financial officer of Zhejiang Transfer Chemical Group. (浙江傳化化學集團有限公司), a company engaged in industries of chemical engineering, agriculture, investment, logistics and technology and he was responsible for daily management of finance department from April 2015 to April 2018. From November 2012 to April 2015, he was the group controller of budget management center and was responsible for the overall budget and financial management at Hailiang Group Co., Ltd. (海亮集團有限公司) ("**Hailiang Group**"), a company engaged in non-ferrous materials processing, education and medical industries. He was also the financial controller of Hailiang Group Finance Co., Ltd. (海亮集團財務有限責任公司), a company providing financial service for the Hailiang Group and he was responsible for daily operation of financial department during the same period. From August 2009 to October 2011, he was a financial manager of Zhong Cai Merchants Investment Group Co., Ltd. (中財招商投資集團有限公司), a company engaged in industrial development and financial investment, where he was responsible for daily management of finance department. From November 2007 to November 2009, he was a financial supervisor at Zhejiang Zheda Machinery and Electronics Group Co., Ltd. (浙江浙大網新眾合機電集團有限公司), a company engaged in mechanical engineering business, where he was responsible for overall budget management.

Mr. ZHOU graduated from Zhejiang University of Financial and Economics (浙江財經大學), the PRC, with a bachelor's degree in accounting in June 2004. In July 2016, he was recognized as an senior accountant (高級會計師) by Zhejiang Human Resource and Social Protection Bureau (浙江省人力資源與社會保障廳) and Chinese Certified Public Accountant (中國註冊會計師) by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). He was also admitted as Zhejiang leading accounting talent by Zhejiang Provincial Department of Finance (浙江省財政廳) in August 2016.

The Board of Directors (the "**Board**") of the Company is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2019 (the "**Reporting Period**").

LISTING ON THE HONG KONG STOCK EXCHANGE

On the Listing Date, the ordinary shares of the Company (the "**Shares**") were successfully listed on the Main Board of the Hong Kong Stock Exchange, which marked a significant milestone for our Group. 66,700,000 Ordinary Shares were issued by the Company under the Global Offering at the price of HK$6.96 per Share, raising net proceeds of approximately HK$389.8 million (after deducting listing expenses). The net price of the issued Shares was HK$5.84 per Share. The additional capital raised allows us to support the growth and expansion of the Group. As at the Listing Date, the share capital of the Company was US$26,670, divided into 266,700,000 ordinary shares of US$0.0001 each.

PARTIAL EXERCISE OF THE OVER-ALLOTMENT OPTION

On April 4, 2019, the over-allotment option was partially exercised by the sole global coordinator in respect of an aggregate of 9,707,000 shares with par value of US$0.0001, at a price of HK$6.96 per share. The total nominal value amounted to US$970.7, representing 14.55% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). Net proceeds from such issuance amounted to HK$65.5 million. The additional capital raised allows us to support the growth and expansion of the Group. The net price of the Over-allotment Shares was HK$6.75 per Share.

Pursuant to the Stock Borrowing Agreement entered into between the Stabilizing Manager and Great Dragon Ventures Limited ("**Great Dragon**"), the Stabilizing Manager has borrowed 10,005,000 Shares from Great Dragon to cover over-allocations in the International Offering. The Over-allotment Shares will be used to facilitate the return of 9,707,000 Shares of the 10,005,000 Shares borrowed by the Stabilizing Manager from Great Dragon.

The Over-allotment Shares were issued and allotted by the Company at HK$6.96 per Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), being the Offer Price per Offer Share under the Global Offering. The Over-allotment Shares will be used to cover over-allocations in the International Offering.

Over-allotment Shares were allotted to public shareholders.

The Company intends to utilize the additional net proceeds pro-rata in accordance with the purposes described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

USE OF PROCEEDS

The total proceeds from the Listing and Over-allotment amounted 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 the Over-allotment were approximately HK$65.5 million (after deducting over-allotment expenses), which are intended to be utilized pro-rata in accordance with the purposes described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The Group had utilized approximately HK$21.1 million of the net proceeds as at December 31, 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 the end of the Reporting Period, the net proceeds had been utilized as follows:

Use of proceeds	**Amount of net proceeds** *HK$ million*	**Utilized** *HK$ million*	**Unutilized** *HK$ million*
Acquisition of property management companies located in major cities in the 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 be completed by 2021. 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 be completed by 2021. As at December 31, 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.

PRINCIPAL BUSINESS

The Group is principally engaged in provision of property management services, value-added services for non-property owners and value-added services for property owners in the People's Republic of China (the "**PRC**"). The analysis of the Group's principal business for the year ended December 31, 2019 is set out in Note 3 of the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 68 to 69 of this annual report.

FINAL DIVIDEND AND SPECIAL DIVIDEND

Having considered the needs of business development of the Group and returns of shareholders (the "**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). Dividend before tax means that a dividend of HK$0.319 per Share in aggregate will be paid out and no withholding of any tax will be made by the Company. Shareholders are required to deal with the filing and payment of tax with the relevant tax authority. 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**"). If approved at the AGM, the final dividend and special dividend are expected to be paid on or around June 19, 2020.

DIVIDEND POLICY

During the Reporting Period, the Company has adopted a dividend policy. The Board shall take into account the following factors of the Group when considering the declaration of dividends:

- results of operations;
- cash flows;
- financial position;
- statutory and regulatory restrictions on the payment of dividends by the Company;
- funding requirements of the Company;
- future business plan and prospects; and
- any other factors the Board may consider relevant.

The payment of dividend shall be also subject to any restrictions under laws and the Articles of Association of the Company (the "**Articles of Association**").

On March 19, 2020, the Company approved and adopted a revised dividend policy as follows:

In accordance with the dividend policy, the Group intends to distribute not less than 50% of its net profit to its shareholders as dividend distribution for each year. The Board will consider, among others, the following factors when proposing to pay any dividend:

- the business environment and various internal or external factors which may affect the operation or financial performance of the Group;
- the actual and estimated future financial performance of the Group;
- the actual and estimated working capital requirement, operation strategy and development plan of the Group;
- legal and regulatory requirement;
- contractual restriction on the distribution of dividend by the Group or subsidiaries of the Group;
- the taxation implication;
- interests of the shareholders; and
- other factors the Board may considers relevant.

The declaration of the dividend by the Company shall be at the full discretion of the Board and be subject to the Company Law of Cayman Islands and the Articles of Association of the Company. Even though the Board decides to propose and declare the distribution of dividend, the form, frequency and amount of the dividend distribution shall be subject to the factors disclosed above and other factors which may affect the Company. For details of the abovementioned revised dividend policy, please refer to the announcement of the Company dated March 19, 2020.

BUSINESS REVIEW

Business review of the Group for the Reporting Period and the Group's prospects are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 to 21 of this annual report. The analysis of the Group during the Reporting Period using key indicators of financial performance is set out in the section headed "Financial Review" on pages 13 to 18.

Environmental Policy and Performance

The Group recognises the importance of environmental protection and was adopted stringent measures for environmental protection in order to ensure the compliance to the prevailing environmental protection laws and regulations.

Given the nature of operations of the Group, we believe we are not subject to material environmental liability risk or compliance costs. During the Reporting Period and up to the date of this annual report, no fines or penalties for non-compliance of the PRC environmental laws had been imposed on us.

The environmental, social and governance report of the Company will be published in a separate report to be published onto the websites of the Company and the Hong Kong Stock Exchange.

Risks and Uncertainties

A description of the principal risks and uncertainties that the Group may be facing is set out in the section headed "Management Discussion and Analysis" on pages 18 to 19 of this annual report.

Compliance with relevant laws and regulations

The Company strictly complied with the following laws and regulations which may have a significant impact on its operation: (a) the laws and regulations relating to foreign investment; (b) the laws, regulations and policies relating to qualification of property management service company, appointment, fees, outsourcing and real estate brokerage; (c) the laws and regulations relating to intellectual property; (d) the laws and regulations relating to merger and acquisition of domestic enterprises by foreign investors; (e) the laws and regulations relating to foreign exchange and taxation; (f) the laws and regulations relating to labor and social security. Meanwhile, a list of applicable laws and regulations was established within the Company and updated from time to time for compliance.

During the year ended December 31, 2019, the Company was able to comply with the relevant laws and regulations within and outside China which have a significant impact on it, through the full cooperation between its legal department and the external legal advisors, and the Company's continuous and effective supervision.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2019, the transaction amounts of our Group's top five customers accounted for 23.8% (2018: 21.2%) of the Group's total revenues while the transaction amounts of our single largest customer accounted for 18.0% (2018: 15.9%) of the Group's total revenues.

Major Suppliers

For the year ended December 31, 2019, the transaction amounts of our Group's top five suppliers accounted for 26.3% (2018: 18.6%) of the total purchases while the transaction amounts of our single largest supplier accounted for 11.9% (2018: 13.2%) of the Group's total purchases.

During the Reporting Period, save as disclosed in Note 26 to the consolidated financial statements, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

Relationship with Employees

As a service-oriented enterprise, the Group has realized employees' service level and professional development are critical to its development. During the Reporting Period, the Group continued to offer competitive compensation packages and performance review systems, enhance employee recognition initiatives and rewards and provide various training opportunities to enhance employees' sense of belonging. During the year, the performance of employees were satisfied and we have not experienced any material labour disputes or litigations.

The details of employment, salaries and benefits and staff training of the Group during the Reporting Period are set out in the paragraphs "Employees and remuneration policies" in the section headed "Management Discussion and Analysis" on page 20 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended December 31, 2019 are set out in Note 10 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in Note 22(b) to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended December 31, 2019 are set out in the consolidated statement of changes in equity on page 72.

RESERVES AVAILABLE FOR DISTRIBUTION

As at December 31, 2019, the reserves available for distribution of the Company (including share premium, exchange reserve and retained profits of the Company) amounted to RMB515.7 million.

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, we did not have any bank loans and other borrowings.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors:

ZHU Lidong
ZHONG Ruoqin

Non-executive Directors:

MO Jianhua
CAI Xin

Independent Non-executive Directors:

DING Jiangang (appointed on February 21, 2019)
LI Kunjun (appointed on February 21, 2019)
CAI Haijing (appointed on February 21, 2019)

MO Jianhua (Non-executive Director), DING Jiangang (Independent Non-executive Director) and LI Kunjun (Independent Non-executive Director) shall retire by rotation, and offer themselves for re-election at the AGM in accordance with articles 84(1) and 84(2) of the Articles of Association.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 22 to 28 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") and the Company considers all of the independent non-executive Directors are in compliance with the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

For the details of the service contracts and the appointment letters of the Directors, please see the section headed "Corporate Governance Report" in this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended December 31, 2019 and up to the date of this annual report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

EMOLUMENT POLICY

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policy and structure for directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy and to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration.

In determining remuneration of Directors and Senior Management, the Board will consider the remuneration level of comparable companies, the time commitment and responsibilities and employment conditions elsewhere in the Group, individual performance of respective Directors and the Company's performance. No Director shall be involved in deciding his/her own remuneration.

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in Note 7 and Note 8 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 5(b) to the consolidated financial statements.

CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

Save for the appointment of Ms. Cai Haijing (Director) as a professor at Zhejiang University of Finance and Economics in November 2019, there was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the period from the publication date of interim report 2019 to the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at the December 31, 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which had been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, are set out as follows:

Name	Capacity/Nature of interest	Number of shares	Long/Short position	Approximate percentage of shareholding in the Company
Mr. MO Jianhua	Settlor of a discretionary trust and interest in controlled corporation	35,640,000 *(Note 1)*	Long position	12.89%

Note:

(1) As at December 31, 2019, each of Jovial Success Global Holdings Limited ("**Jovial Success**") and Haoyu Ventures Limited ("**Haoyu**") hold 12.89% of issued share capital of our Company, respectively. The entire issued share capital of Jovial Success and Haoyu are held by Infiniti Trust (Asia) Limited (through its nominee companies) as trustee of each Splendid Force Trust and Great Splendor Trust, respectively. Splendid Force Trust is a discretionary trust set out by Mr. ZHU Huiming as settlor on November 19, 2018. The beneficiaries of the Splendid Force Trust include Mr. ZHU Huiming and certain family members of Mr. ZHU Huiming. Great Splendor Trust is a discretionary trust set out by Mr. MO as settlor on November 19, 2018. The beneficiaries of the Great Splendor Trust include Mr. MO and certain family members of Mr. MO.

Save as disclosed above, as at December 31, 2019, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at any time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at December 31, 2019, to the knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

Names	Capacity/Nature of interest	Number of shares	Long/Short position	Approximate percentage of shareholding in the Company
Mr. QI Jinxing	Settlor of a discretionary trust and interest in controlled corporation	126,720,000	Long position	45.85%
Great Dragon Ventures Limited ("**Great Dragon**")	Beneficial owner	126,720,000	Long position	45.85%
Bright Cloud Holding Limited	Interest in controlled corporation	126,720,000	Long position	45.85%
Cantrust (Far East) Limited *(Note 1)*	Trustee and interest in controlled corporation	126,720,000	Long position	45.85%
Mr. ZHU Huiming	Settlor of a discretionary trust and interest in controlled corporation	35,640,000	Long position	12.89%
Jovial Success	Beneficial owner	35,640,000	Long position	12.89%
Splendid Force Holding Limited I	Interest in controlled corporation	35,640,000	Long position	12.89%
Haoyu	Beneficial owner	35,640,000	Long position	12.89%
Great Splendor Holding Limited	Interest in controlled corporation	35,640,000	Long position	12.89%
Infiniti Trust (Asia) Limited *(Note 2)*	Trustee and interest in controlled corporation	71,280,000	Long position	25.79%

Notes:

(1) As at the December 31, 2019, Great Dragon holds 45.85% of issued share capital of the Company. The entire issued share capital of Great Dragon is held by Cantrust (Far East) Limited (through its nominee company) as trustee of Bright Cloud Trust. Bright Cloud Trust is a discretionary trust set up by Mr. QI as settlor on November 19, 2018. The beneficiaries of the Bright Cloud Trust include Mr. QI and certain family members of Mr. Qi.

(2) As at the December 31, 2019, each of Jovial Success and Haoyu hold 12.89% of issued share capital of the Company, respectively. The entire issued share capital of Jovial Success and Haoyu are held by Infiniti Trust (Asia) Limited (through its nominee companies) as trustee of each Splendid Force Trust and Great Splendor Trust, respectively. Splendid Force Trust is a discretionary trust set out by Mr. ZHU Huiming as settlor on November 19, 2018. The beneficiaries of the Splendid Force Trust include Mr. ZHU Huiming and certain family members of Mr. ZHU Huiming. Great Splendor Trust is a discretionary trust set out by Mr. MO as settlor on November 19, 2018. The beneficiaries of the Great Splendor Trust include Mr. MO and certain family members of Mr. MO.

Save as disclosed above, as at December 31, 2019, to the knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

SHARE OPTION SCHEME

For the year ended December 31, 2019, no share option scheme has been adopted, granted, exercised or cancelled by the Company.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Group or in existence during the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

NON-COMPETITION UNDERTAKING

Our controlling shareholders, Mr. QI Jinxing and Great Dragon Ventures Limited (the "**Controlling Shareholders**") entered into the Deed of Non-Competition on February 21, 2019 pursuant to which the Controlling Shareholders has unconditionally and irrevocably undertaken to and covenanted with our Group that he or it will not (except through the Group and any investment or interests held through the Group), and will procure that his or its close associates (except members of our Group) will not, directly or indirectly (including through nominees), either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which competes or is likely to compete, directly or indirectly, with property management services, value-added services to non-property owner and value-added services to property owners in the PRC.

Please refer to the Prospectus for details of the Non-Competition Undertaking.

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with the Non-Competition Undertaking from the Listing Date and up to December 31, 2019 for disclosure in this annual report.

Based on the information and confirmation provided by the Controlling Shareholders, the independent non-executive Directors have reviewed the implementation of Non-Competition Undertaking during the Reporting Period, and are satisfied that the Controlling Shareholders have complied with the Non-Competition Undertaking.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, none of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of the Group from the Listing Date and up to December 31, 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in "Connected Transactions" and "Continuing Connected Transactions", no controlling shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in Notes 26 to the consolidated financial statements. Details of any related party transaction which constitutes continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below, and other related party transactions did not constitute connected transactions.

The Board confirms that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the above related party transactions.

Connected Transactions

During the Reporting Period, the Group has entered into connected transactions subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Purchase of the Right to Use the Storage Rooms and Car Parking Spaces from Binjiang Real Estate Group

On May 17, 2019, Ningbo Binrun Property Service Co., Ltd (寧波濱潤物業服務有限公司) ("**Ningbo Binrun**") and Zhejiang Jinxiu Tiancheng Real Estate Co., Ltd. (浙江錦繡天成置業有限公司) ("**Jinxiu Tiancheng**") entered into agreements (the "**Jiuxiu Tiancheng Agreements**"). Pursuant to the Storage Room Agreement, Ningbo Binrun agreed to assume the right to use the Storage Rooms from Jinxiu Tiancheng for a consideration of approximately RMB7,216,900.

Pursuant to the Car Park Agreement, Ningbo Binrun agreed to assume the right to use the Car Parking Spaces from Jinxiu Tiancheng for a consideration of approximately RMB15,565,500. The Storage Rooms and the Car Parking Spaces are both located in residential development projects developed by Jinxiu Tiancheng.

For details of the above continuing connected transactions, please refer to the announcement of the Company dated May 17, 2019.

On November 18, 2019, Ningbo Binrun entered into an agreement (the "**Chunjiangyue Agreement**") with Hangzhou Binjiang Real Estate Group Quzhou Real Estate Co., Ltd. (杭州濱江房產集團衢州置業有限公司) ("**Quzhou Real Estate**"), pursuant to which, Ningbo Binrun assumed the right to use the Chunjiangyue Car Parking Spaces and the Chunjiangyue Storage Rooms. Pursuant to the Chunjiangyue Agreement, Ningbo Binrun agreed to assume from Quzhou Real Estate, the right to use the Chunjiangyue Storage Rooms and the Chunjiangyue Car Parking Spaces for a consideration of RMB3,310,000, and the right will be expired on January 18, 2080. The Chunjiangyue Storage Rooms and the Chunjiangyue Car Parking Spaces are both located in residential development projects developed by Quzhou Real Estate.

On November 18, 2019, Ningbo Binrun entered into an agreement (the "**Jinse Jiangnan Agreement**") with Hangzhou Binjiang South Real Estate Development Co., Ltd. (杭州濱江南部房地產開發有限公司) ("**Binjiang South Real Estate**"), pursuant to which, Ningbo Binrun assume the right to use the Jinse Jiangnan Car Parking Spaces and the Jinse Jiangnan Storage Rooms. Pursuant to the Jinse Jiangnan Agreement, Ningbo Binrun agreed to assume from Binjiang South Real Estate, the right to use the Jinse Jiangnan Storage Rooms and the Jinse Jiangnan Car Parking Spaces for a consideration of RMB13,774,978, and the right will be expired on July 30, 2083. The Jinse Jiangnan Storage Rooms and Jinse Jiangnan Car Parking Spaces are both located in residential development projects developed by Binjiang South Real Estate.

On November 18, 2019, Ningbo Binrun entered into an agreement (the "**Jinse Liming Agreement**") with Hangzhou Binjiang Sanhua Real Estate Development Co., Ltd. (杭州濱江三花房地產開發有限公司) ("**Binjiang Sanhua**"), pursuant to which, Ningbo Binrun agreed to assume the right to use the Jinse Liming II Car Parking Spaces and Jinse Liming II and Jinse Liming III Storage Rooms. Pursuant to the Jinse Liming Agreement, Ningbo Binrun agreed to assume from Binjiang Sanhua, the right to use the Jinse Liming II Storage Rooms, Jinse Liming III Storage Rooms and Jinse Liming II Car Parking Spaces for a consideration of RMB5,022,836, and the right will be expired on February 10, 2081. The Jinse Liming II Storage Rooms, Jinse Liming III Storage Rooms and the Jinse Liming II Car Parking Spaces are all located in residential development projects developed by Binjiang Sanhua.

For details of the above continuing connected transactions, please refer to the announcement of the Company dated November 18, 2019.

As of the date of this annual report, Ningbo Binrun is an indirect wholly-owned subsidiary of the Company. Jinxiu Tiancheng, Quzhou Real Estate, Binjiang South Real Estate and Binjiang Sanhua are all wholly-owned subsidiaries of Binjiang Real Estate. Binjiang Real Estate is controlled by Mr. Qi, one of the Company's controlling shareholder. Therefore, Jinxiu Tiancheng, Quzhou Real Estate, Binjiang South Real Estate and Binjiang Sanhua are all connected persons of the Company.

As the Chunjiangyue Agreement, the Jinse Jiangnan Agreement and the Jinse Liming Agreement, together with the Jiuxiu Tiancheng Agreements (the "**Agreements**"), are of a similar nature and entered into with subsidiaries of Binjiang Real Estate at the time of their entry, they shall be aggregated under Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio for the Company in respect of the transactions contemplated under the Agreements is more than 0.1% but less than 5%, the transactions contemplated under the Agreements are subject to reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into continuing connected transactions subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules:

Provision of Property Management Services for Binjiang Real Estate Group

On December 20, 2018, the Company (for itself and on behalf of its subsidiaries) entered into a property management services agreement (the "**Property Management Services Agreement**") with Binjiang Real Estate (for itself and on behalf of its subsidiaries) to regulate the transactions with Binjiang Real Estate Group in relation to the provision of property management services, pursuant to which, the Group provided property management services for Binjiang Real Estate Group for its unsold residential and non-residential property units.

The Property Management Services Agreement is for a term commencing on the Listing Date and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The parties will enter into a separate property management services agreement in respect of each residential and non-residential property unit subject to the terms of Property Management Services Agreement.

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company to continue the transactions under the Property Management Services Agreement after the Group's listing in 2019. The Directors estimate that for each of the years ended December 31, 2019 and 2020, the maximum amount of the relevant property management service fees payable by Binjiang Real Estate Group to us will not exceed RMB15.0 million and RMB16.0 million, respectively. The actual transaction amount for these continuing connected transactions in 2019 is RMB14.5 million. The actual transaction amount for these continuing connected transactions in 2018 is RMB15.0 million.

Provision of Consultancy Services for Binjiang Real Estate Group

On December 20, 2018, the Company (for itself and on behalf of its subsidiaries) entered into a master consultancy agreement (the "**Master Consultancy Agreement**") with Binjiang Real Estate (for itself and on behalf of its subsidiaries) to regulate the transactions with Binjiang Real Estate Group in relation to the provision of property management consultancy services, pursuant to which, the Group provided consultancy services for Binjiang Real Estate Group for its residential property projects. Consultancy services include advising Binjiang Real Estate Group at the early stages (such as planning and design stage, marketing stage and construction stage) on project planning, design management and construction management and property management.

The Master Consultancy Agreement is for a term commencing on the Listing Date and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The parties will enter into a separate consultancy services agreement in respect of each consultancy projects subject to the terms of Master Consultancy Agreement.

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company to continue the transactions under the Master Consultancy Agreement after the Group's listing in 2019. The directors estimate that for the each of the years ended December 31, 2019 and 2020, the maximum amount of management fees payable by the Binjiang Real Estate Group to the Group will not exceed RMB7.5 million and RMB10.0 million, respectively. The actual transaction amount for these continuing connected transactions in 2019 is RMB7.4 million. The actual transaction amount for these continuing connected transactions in 2018 is RMB6.2 million.

Provision of Pre-Delivery Management Services for Binjiang Real Estate Group

On December 20, 2018, the Company (for itself and on behalf of its subsidiaries) entered into a Master Pre-delivery Management Services Agreement (the "**Master Pre-delivery Management Services Agreement**") with Binjiang Real Estate (for itself and on behalf of its subsidiaries) to regulate the transactions with Binjiang Real Estate Group in relation to the provision of pre-delivery management services, pursuant to which, the Group provided pre-delivery management services for Binjiang Real Estate Group.

The Master Pre-delivery Management Services Agreement is for a term commencing on the Listing Date and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The parties will enter into a separate pre-delivery management services agreement in respect of each pre-delivery management project subject to the terms of Master Pre-delivery Management Services Agreement.

The Directors (including the independent non-executive Directors) consider that it is in the interests of the Company to continue the transaction under the Master Pre-delivery Management Services Agreement after the listing in 2019. The Directors estimate that for the each of the years ended December 31, 2019 and 2020, the maximum amount of management fees payable to the Group by the Company will not exceed RMB105.0 million and RMB135.0 million, respectively. The actual transaction amount for these continuing connected transactions in 2019 is RMB104.8 million. The actual transaction amount for these continuing connected transactions in 2018 is RMB58.1 million.

As the highest of the applicable percentage ratios for the transactions contemplated under the Property Management Services Agreement and the Master Consultancy Agreement are more than 0.1%, and all the applicable percentage ratios are less than 5%, the transactions under each of the agreements are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements.

As one or more of the applicable percentage ratios for the transactions contemplated under the Master Pre-delivery Management Service Agreement are more than 5% and the total consideration is more than HK$10,000,000, the transactions contemplated under the Master Pre-delivery Management Service Agreement are subject to announcement, circular and independent Shareholders' approval requirements under Rule 14A of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement in respect of the continuing connected transactions under the Property Management Services Agreement, Master Consultancy Agreement and a waiver from strict compliance with the announcement and independent Shareholders' approval requirements in respect of the continuing connected transactions under the Master Pre-delivery Management Services Agreement, subject to the aggregate value of each of these continuing connected transactions for each financial year not exceeding the relevant annual caps amount set forth in this section. We will re-comply with the applicable requirements under Chapter 14A of the Listing Rules before any of the relevant annual caps is exceeded or a material change to the terms and conditions of each Property Management Services Agreement, Master Consultancy Agreement and Master Pre-delivery Management Services Agreement is proposed.

For details of the above continuing connected transactions, please refer to the section headed "Connected Transactions" set out in the Company's prospectus. The independent non-executive directors have reviewed the above non-exempt continuing connected transactions and confirmed that these transactions have been entered into:

(a) in the ordinary and usual course of the Group's business;

(b) on normal commercial terms or not inferior to the terms available or obtained by the Group from an independent third party; and

(c) in accordance with its regulatory agreement, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged its auditor to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing the findings and conclusions in respect of the continuing connected transactions of the Group disclosed above in accordance with Rule 14A.56 of the Listing Rules:

1. Nothing had come to its attention that may cause it to believe that the disclosed continuing connected transactions had not been approved by the Board.

2. For transactions involving the provision of services by the Group, nothing had come to its attention that may cause it to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group.

3. Nothing had come to its attention that may cause it to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

4. With respect to the aggregate amount of each of the continuing connected transactions, nothing had come to its attention that may cause it to believe that the disclosed continuing connected transactions had exceeded the annual caps as set by the Company.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended December 31, 2019 has been provided by the Company to the Hong Kong Stock Exchange.

As the Company was listed on the Hong Kong Stock Exchange on March 15, 2019, the transactions did not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules during the period from January 1, 2019 to March 14, 2019.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules since the Listing Date.

CHARITY DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to RMB70,000.

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2019, the Company were not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of potential legal actions against its Directors and senior management arising from corporate activities.

The Directors, Secretary and other senior officers of the Company at any time, whether at present or in the past, and the liquidator or trustees (if any) acting or who have acted in relation to any of the affairs of the Company and each of them, and each of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in Note 28 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has, together with the Company's management, reviewed the annual results and the accounting policies and practices adopted by the Group, and discussed matters in relation to audit, risk management, internal control and financial statements, including reviewing the Group's consolidated financial statements for the year ended December 31, 2019.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 47 to 61 in this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules and at least 25% of the Company's entire issued share capital were held by the public from the Listing Date and up to the date of this annual report.

AUDITOR

KPMG has been appointed as auditor for the year ended December 31, 2019. KPMG has audited the accompanying financial statements which were prepared in accordance with International Financial Reporting Standards.

KPMG is subject to retirement and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution for re-appointment of KPMG as auditor will be proposed at the AGM.

By Order of the Board
ZHU Lidong
Chairman and executive Director

Hangzhou, March 30, 2020

The Board is pleased to present the corporate governance report of the Company during the period from the Listing Date to the date of this annual report, being March 30, 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and achieving good corporate governance by an effective Board, segregation of duties with clear accountability, sound internal controls and risk management procedures and transparency to shareholders in order to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own corporate governance code. The Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to the date of this annual report, except for the deviation from code provision A.2.1 of the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees, including the Audit Committee (the "**Audit Committee**"), the Remuneration Committee (the "**Remuneration Committee**"), the Nomination Committee (the "**Nomination Committee**") and the Strategy Committee (the "**Strategy Committee**") (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company plans to arrange appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

COMPOSITION OF THE BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised two executive Directors, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

ZHU Lidong *(Chairman of the Board)*
ZHONG Ruoqin

Non-Executive Directors:

MO Jianhua
CAI Xin

Independent Non-Executive Directors:

DING Jiangang
LI Kunjun
CAI Haijing

The biographies of the Directors are set out in section headed "Directors and Senior Management" in this annual report.

During the period from the Listing Date to December 31, 2019, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing one-third of the Board. Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee and the Nomination and Remuneration Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretary of the Company update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

During the year ended December 31, 2019, all current Directors have received relevant training on corporate governance and regulatory issues, and have provided their training records. In view of the above, the Company considers that all Directors have complied with code provision A.6.5 of the CG Code.

A summary of the continuous professional developments in relation to the business of the Group received by the Directors for the year ended December 31, 2019 is as follows:

Name of Director	Way of training	Training topics
Executive Director		
ZHU Lidong	Meeting	Corporate governance/Industry related training/Laws and regulations
ZHONG Ruoqin	Meeting/Training	Corporate governance/Industry related training/Laws and regulations/Finance
Non-executive Director		
MO Jianhua	Meeting	Corporate governance/Industry related training/Laws and regulations
CAI Xin	Meeting	Corporate governance/Industry related training/Laws and regulations
Independent Non-executive Director		
DING Jiangang	Meeting	Corporate governance
LI Kunjun	Meeting	Corporate governance
CAI Haijing	Meeting	Corporate governance/Finance

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and chief executive officer and the responsibility of both chairman and chief executive officer vest in Mr. ZHU. The Board believes that vesting the responsibilities of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our 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 our Company and our 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 our 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 chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for term of three years from February 21, 2019, subject to termination in accordance with the requirements of the service contract.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for term of three years commencing from February 21, 2019, subject to termination in accordance with the requirements of the service contract.

None of the Directors has a service contract with the Group which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

The Directors are subject to retirement by rotation and re-election at each annual general meeting of the Company in accordance with Article 84 of the Articles of Association. Appointed as an addition to the Board or to fill a casual vacancy on the Board will be subject to re-election by the Shareholders at the forthcoming annual general meeting or the first general meeting of the Company respectively after the appointment. In addition, when an independent non-executive Director proposed for re-election has served the Company for more than nine years, his/her re-election will be subject to a separate resolution to be approved at the annual general meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's structure, size and composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During the year ended December 31, 2019, five Board meetings and one annual general meeting were held and the attendance of each Director at the Board meetings and annual general meeting are set out in the table below:

Name of Directors	Attended/ Eligible to attend the board meetings	Attended/ Eligible to attend the annual general meeting
Mr. ZHU Lidong	5/5	1/1
Ms. ZHONG Ruoqin	5/5	1/1
Mr. MO Jianhua	3/3[1]	0/1[2]
Mr. CAI Xin	5/5	1/1
Mr. DING Jiangang	5/5	0/1[3]
Mr. LI Kunjun	5/5	1/1
Ms. CAI Haijing	5/5	1/1

Notes:

1. Mr. MO Jianhua, a non-executive Director, also a director of Binjiang Real Estate, a connected party of the Company. In order to avoid any conflict of interest, he was abstain from voting on the resolution regarding considering and approving the entering into of the Jinxiu Tiancheng Agreement on May 17, 2019, the resolutions regarding considering and approving the entering into of the Chunjiangyue Agreement, the Jinse Jiangnan Agreement and the Jinse Liming Agreement on November 18, 2019, and shall not be counted in the quorum of the related board meeting. As such, the number of the board meeting which Mr. MO Jianhua was eligible to attend during the Reporting Period was three.

2. Due to other important affairs, Mr. MO Jianhua delegated Ms. ZHONG Ruoqin, an executive Director, to attend the annual general meeting held on May 30, 2019 on his behalf and was approved by the Board.

3. Due to other important affairs, Mr. DING Jiangang was not able to attended the annual general meeting of the Company held on May 30, 2019 and submitted a leave application in advance and was approved by the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to December 31, 2019.

During the period from the Listing Date to December 31, 2019, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the day-to-day operations of the corporate governance functions of the Group, which include:

(a) review and monitor the Company's policies and practices in complying with legal and regulatory requirements;

(b) review and monitor the training and continuous professional development of the Directors and senior management;

(c) develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) develop and review the Company's corporate governance policies and practices, make recommendations and report on related issues to the Board;

(e) review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report; and

(f) review and monitor the Company's compliance with its whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, all being independent non-executive Directors, namely Ms. CAI Haijing (Chairman), Mr. DING Jiangang and Mr. LI Kunjun.

The major duties of the Audit Committee of the Company are as follows:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;

2. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them; and

3. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

Major works of the Audit Committee in 2019 were as follows:

- review the annual results of the Group for 2018;
- review the interim results of the Group for 2019;
- review the report of the auditor regarding audit plan and strategy of the Group; and
- review the financial reporting system, compliance procedures, internal control (including internal control of fraudulence risk of the Company and the management and identification of business conflict of substantial shareholder in listed companies), risk management system and procedures and re-appointment of external auditors. The Board did not deviate from any recommendations made by the Audit Committee regarding the selection, appointment, retirement or removal of external auditors.

During the year ended December 31, 2019, the Audit Committee held three meetings and the attendance record of the Audit Committee members is set out in the table below:

Name of Audit Committee Members	**Attendance/number of meetings held**
Ms. CAI Haijing *(Chairman)*	3/3
Mr. DING Jiangang	3/3
Mr. LI Kunjun	3/3

Remuneration Committee

The Remuneration Committee currently comprises three members including two independent non-executive Directors Mr. DING Jiangang (Chairman) and Ms. CAI Haijing as well as a non-executive Director, Mr. MO Jianhua.

The major duties of the Remuneration Committee of the Company are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of the non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. to ensure that no Director or any of his associates is involved in deciding his own remuneration;

9. to consult with the Company's chairman and/or the president/managing director/chief executive officer about their remuneration proposals for other executive Directors; and

10. to consider all other matters as referred to the Committee by the Board.

The written terms of reference of the Remuneration Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

Major works of the Remuneration Committee in 2019 were as follows:

- formulate the remuneration policy of the Group; and

- determine the remuneration of each Director and make recommendations on its adjustment to the Board.

During the year ended December 31, 2019, the Remuneration Committee held one meeting and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Remuneration Committee Members	Attendance/number of meetings held
Mr. DING Jiangang *(Chairman)*	1/1
Ms. CAI Haijing	1/1
Mr. MO Jianhua	1/1

Nomination Committee

The Nomination Committee currently comprises three members including two independent non-executive Directors Mr. DING Jiangang and Mr. LI Kunjun as well as an executive Director and Chairman of the Board, Mr. ZHU Lidong (Chairman).

The major duties of the Nomination Committee of the Company are as follows:

1. to review the structure, size and composition (including the skills, diversity, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors; and

4. to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Company has adopted a nomination policy (the "**Nomination Policy**"). Pursuant to the Nomination Policy, the Nomination Committee carefully considers, including but not limited to the following criteria for evaluating, selecting and recommending candidates for directors to the Board:

1. diversity in all aspects, including but not limited to gender, age, experience, cultural and educational background, professional level, skills and knowledge;

2. sufficient time to perform their duties effectively; their services to other listed and unlisted companies shall be limited to a reasonable amount;

3. qualifications, including skills, achievements and experience gained in the relevant industries involved in the Company's business;

4. independence;

5. integrity and reliability;

6. potential contribution that the person may made to the Board; and

7. commitment to enhancing and maximizing shareholders' value.

The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

Major works of the Nomination Committee in 2019 were as follows:

- review the structure, size and composition (including skills, diversity, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- assess the independence of independent non-executive Directors; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

During the year ended December 31, 2019, the Nomination Committee held one meeting and the attendance record of the Nomination Committee members is set out in the table below:

Name of Nomination Committee Members	**Attendance/number of meetings held**
Mr. ZHU Lidong *(Chairman)*	1/1
Mr. LI Kunjun	1/1
Mr. DING Jiangang	1/1

BOARD DIVERSITY POLICY

The Board remains committed to enhance its operating efficiency and maintain high standards of corporate governance on a continuing basis and recognizes the vital importance of the diversity of the Board with regard to the maintenance of competitive advantage and sustainable development. Therefore, the Company has adopted a board diversity policy. In designing the composition of the Board, the Company has taken into account the diversity of the Board, including but not limited to gender, age, cultural and educational background, professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted as a Director of the Company. The Company will consider its own business model and special needs from time to time as well. The ultimate decision will be made based on the contribution and merit that the selected candidates will bring to the Board.

The Board strives to ensure the appropriate balance of skills, experience and diversity of perspectives that are essential for the implementation of its business strategies of the Board and the effective operation of the Board. As of the date of this annual report, the seven directors include two women, each of whom is aged between 34 and 56. Their industry experience covers such a wide range of fields such as real estate, investment and financing, accounting and auditing, media and market research.

Strategy Committee

The Strategy Committee currently comprises six members including two independent non-executive Directors Mr. DING Jiangang and Mr. LI Kunjun, two non-executive Directors Mr. MO Jianhua (Chairman) and Mr. CAI Xin as well as two executive Directors Mr. ZHU Lidong and Ms. ZHONG Ruoqin.

The major duties of the Strategy Committee of the Company are as follows:

1. to review and make recommendation to our Board on business development;

2. to provide advice to the Board on significant investment, merger, acquisition and disposal; and

3. to perform other duties and responsibilities as may be assigned by the Board.

The written terms of reference of the Strategy Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended December 31, 2019, the Strategy Committee did not hold any meeting and no work was done as there was no significant change in the overall business strategy of the Group.

REMUNERATION OF DIRECTORS

The Company has made full disclosure of remunerations of Directors by name, amount and type in Note 7 to the financial statements. No director has waived or agreed to waive any emoluments for the year ended December 31, 2019.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of senior management of the Company (whose biographies are set out on pages 26 to 28 of this annual report) for the year ended December 31, 2019 falls under the following bands:

Band of remuneration	Number
Nil–RMB1,000,000	5
Over RMB1,000,000	0

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended December 31, 2019, which give a true and fair view of the affairs of the Company and the Group, and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions, which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 62 to 67 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

In the course of business operation, the Group is subject to various risks, including business risks, financial risks, compliance risks, and operational and other risks.

The Board acknowledges its responsibility for the Company's risk management and internal control systems, and is responsible for reviewing the effectiveness of such systems. The Audit Committee is responsible for overseeing the Company's financial records, internal control procedures and risk management systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The Company has reviewed the need for an internal audit function since the Listing Date and the internal audit function of the Company would been carried out and reviewed by the Audit Committee and reported to the Board timely or annually.

The Company has established comprehensive risk management and internal control processes through which the Company monitors, evaluates and manages the risks that the Company is exposed to its business activities. The risk management procedure of the Company is based on the well-defined risk identification standards, risk monitor responsibilities and risk control measure of each major classification. The management of the Company actively monitors the regional economy, trend of property management services industry, reliance on continuing connected transactions and changes in applicable laws and regulations, and assesses income and expenditure and absorptive capacity of business expansions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management. The risk management procedure of the Company clearly specifies the management duties, authorization and approval of each party in respect of the major risk identification and management, and develops clear written policy for significant risk management process and circulate it to all managements and staffs. The Company's internal control procedures are designed to provide reasonable assurance for achieving objectives, including efficient and stable operations, reliable financial reporting and compliance with applicable laws and regulations.

In order to effectively reduce unnecessary financial risks and operational risks, and thus ensure the realization of corporate business objectives, the Company has designated specific departments to perform internal control and audit functions, establish a sound internal control system, monitor the implementation of the system, and evaluate the adequacy and effectiveness of internal control and risk management systems annually. For the significant risks affecting the Group's business and operations, the management has ensured that appropriate measures have been taken to provide reasonable protection for compliance with laws and regulations and improve the effectiveness and efficiency of operations. The Board and management of the Company also evaluate the adequacy and effectiveness of the relevant systems annually, and consider and implement the recommendations proposed by the specific departments for the improvement of systems.

The Directors and senior management of the Company regularly receive training relating to continuing disclosure obligation of listed company. The Company also engaged external legal consultant, compliance consultant and auditor to obtain professional guidance on disclosure obligations in respect of inside information. The management of the Company is responsible for designing, implementing and maintaining the effectiveness of the internal control system, which includes control on compliance with disclosure obligations in respect of inside information. The Board is responsible for supervising the appropriateness and efficiency of the internal control measure carried by management.

During the year ended December 31, 2019, the Company has adopted various measures to ensure the effective implementation of the internal control system, including through the review of the Group's internal control system and provision of guidance in respect of the internal control policies, responsibilities and duties of the listing company's directors and management under the Listing Rules and other applicable laws and regulations for the Directors, senior management and employees. The Board had reviewed the risk management and internal control system of the Group three times. During the Reporting Period, the Board has reviewed the effectiveness of the risk management and internal control system of the Group and considered it sufficient and effective.

The Company has adopted an inside information policy in accordance with the SFO and the Listing Rules to ensure the confidentiality of handling inside information and the publication of respective disclosure to the public as soon as practicable. The Company will make corresponding information disclosure timely with regard to information that is unlikely to maintain confidentiality, so as to ensure effective protection of the rights and interests of investors and stakeholders.

Since the outbreak of the Epidemic in the beginning of 2020, an Epidemic prevention task force (the "**Task Force**") was formed by members of the Board and the senior management to implement contingent measures for prevention of the adverse effects of the Epidemic. The Task Force has issued Epidemic prevention measures, service standards during the Epidemic and contingent measures in dealing with the Epidemic and is responsible for the management of Epidemic prevention of the Group. In anticipation of the spreading of the Epidemic, the Group properly deployed its staff, purchased necessary protective and preventive gears and proactively enhanced various Epidemic preventive measures. As advised by the Task Force, all service centres issued alerts to property owners and proposed measures to prevent the spreading of Epidemic. The residential areas are frequently sterilized. All persons entering and leaving the residential areas are required to have their body temperature measured and have their health certification code produced. Property owners are provided with face masks. To provide assistance to people in need, elderly living alone and people under home quarantine are provided with delivery services. Factories and offices in properties under our management are provided with guidelines for their resumption of operation and are required to implement measures for crowd control. The Group has prepared the contingent measures for the normal operation of the companies.

In conclusion, the Company believes that its internal control system is sufficient and effective.

AUDITOR'S REMUNERATION

For the year ended December 31, 2019, the auditor's remuneration for the annual audit services and review services were RMB1.5 million and RMB0.5 million respectively. The fee for non-audit services, mainly the review of environmental, social and governance report, was RMB0.1 million.

COMPANY SECRETARY

Ms. ZHONG Ruoqin, one of the Company's executive Directors, is also a joint company secretary of the Company. Ms. KO Mei Ying, the manager of SWCS Corporate Services Group (Hong Kong) Limited (an external service provider), is another joint company secretary of the Company, and her primary contact person at the Company is Ms. ZHONG Ruoqin, an executive director and joint company secretary.

For the year ended December 31, 2019, Ms. ZHONG Ruoqin and Ms. KO Mei Ying have undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunity for shareholders to communicate directly with the Directors. The Chairman of the Board and the chairman of the Board Committees of the Company attends the annual general meeting to answer shareholders' questions. The auditor also attends the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a shareholders' communication policy and maintains a website at http://www.hzbjwy.com, where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard the shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, the Shareholders may put forward proposals at the general meeting of the Company for consideration. Any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company to require an extraordinary general meeting to be convened by the Company for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the Investor Relations of the Company at its headquarters through email at ir@hzbjwy.com.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Memorandum of Association and the Articles of Association of the Company (the "**Memorandum and Articles**") have been amended and restated, with effect from the Listing Date. Save for the aforesaid disclosed, during the Reporting Period, no change has been made to the Memorandum and Articles.

To the shareholders of Binjiang Service Group Co. Ltd.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Binjiang Service Group Co. Ltd. ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 68 to 138, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

Revenue recognition

Refer to accounting policy note 1(r) and note 3 to the consolidated financial statements.

The Key Audit Matter

For the year ended 31 December 2019, the Group generated total revenue of RMB701.9 million which comprised revenue from property management services, value added services to non-property owners and value added services to property owners. Among which, revenue from value added services to non-property owners for the year ended 31 December 2019 totaled RMB224.1 million, increased by 44% from RMB155.4 million for the year ended 31 December 2018.

The Group's revenue from value added services to non-property owners is mainly derived from pre-delivery services and consulting services to Hangzhou Binjiang Investment Holding Limited ("**Binjiang Holding**") and its subsidiaries and associates, related parties of the Group. These value added services contribute a significant part of the Group's gross profit. The Group recognises such revenue based on the value of performance completed.

We identified revenue recognition of value added services to non-property owners as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significant growth, its heavy reliance on related parties to generate the related revenue and profit and there is an inherent risk that revenue could be recorded in an incorrect period or could be subject to manipulation in order to achieve financial targets and expectations.

How the matter was addressed in our audit

Our audit procedures to assess revenue recognition of value added services to non-property owners included the following:

- understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the Group's systems which govern the revenue recognition of value added services to non-property owners;
- inspecting sales contracts with customers on a sample basis to understand and assess the terms and conditions therein which may affect the recognition of revenue;
- comparing, on a sample basis, revenue transactions recorded during the year with the underlying sales contracts, service acknowledgement receipts and their supporting documents, sales invoices and bank-in slips for settled balances and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition policies;
- comparing, on a sample basis, service prices charged to Binjiang Holding and its subsidiaries and associates against service prices charged to third parties and other market data, enquiring of management the reasons for any significant differences and assessing the reasonableness of the reasons provided;
- comparing sales transactions recorded just before and after the year end with the relevant underlying documents, including service acknowledgement receipts and their supporting documents and sales invoices, to assess if the related revenue had been recognised in the appropriate accounting period; and
- scrutinising all manual journal entries relating to revenue of value added servers to non-property owners which were raised during the year, enquiring of management the reasons for such adjustments and inspecting underlying documentation on a sample basis.

Key audit matters (Continued)

Recoverability of trade receivables

Refer to accounting policy note 1(l), note 14 and note 23(a) to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2019, the Group's gross trade receivables from third parties and an corresponding impairment provision amounted to RMB28.6 million and RMB7.7 million, respectively.

The Group's trade receivables comprised mainly receivables from property owners and property developers.

Management measured an allowance for impairment of trade receivables at an amount equal to lifetime expected credit losses, based on the loss patterns for different customers, aging of trade receivables and loss rate.

We identified the recoverability of trade receivables as a key audit matter because the balance of trade receivables is material to the Group and the recognition of expected credit loss is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of trade receivables included the following:

- obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls over management assessment performed on the recoverability of trade receivables, including credit control, segmentation of trade receivables, aging analysis review, estimate of expected credit losses and making related allowances;

- obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by management, including the basis of segmentation of trade receivables based on credit loss characteristics, historical default data and assumptions involved in management' estimated loss rate;

- assessing the reasonableness of management's loss allowance estimate and examining the information used by management to form such judgement, including testing accuracy of the historical default data and evaluating whether historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;

- assessing whether items were correctly categorised in the trade receivables aging report by comparing a sample of individual items with the demand notes, sales invoices and other relevant underlying documentation; and

- inspecting, on a sample basis, cash receipts from debtors subsequent to the financial year end relating to trade receivables at 31 December 2019.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fung Ping Kwong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 (Note) RMB'000
Revenue	3(a)	**701,875**	509,470
Cost of sales		**(504,835)**	(374,517)
Gross profit		**197,040**	134,953
Other revenue	4	**3,964**	876
Other net income	4	**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)	5(a)	**17,831**	(787)
Share of profits less losses of an associate		**(4,064)**	(253)
Profit before taxation	5	**153,298**	94,436
Income tax	6	**(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

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 (Note) 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	*9*		
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).

The notes on pages 74 to 138 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 22(c).

Consolidated Statement of Financial Position

At 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	*10*	**12,904**	8,491
Investment in an associate	*12*	**922**	4,986
Deferred tax assets	*21(b)*	**5,316**	2,898
Time deposits	*15*	**100,000**	—
		119,142	16,375
Current assets			
Inventories	*13*	**33,379**	476
Trade and other receivables	*14*	**66,298**	44,594
Time deposits	*15*	**428,514**	—
Restricted bank balances	*16*	**39,586**	31,107
Cash and cash equivalents	*17*	**516,707**	458,543
		1,084,484	534,720
Current liabilities			
Contract liabilities	*18*	**117,340**	128,764
Trade and other payables	*19*	**318,329**	214,960
Lease liabilities	*20*	**2,226**	—
Current taxation	*21(a)*	**38,421**	22,639
		476,316	366,363
Net current assets		**608,168**	168,357
Total assets less current liabilities		**727,310**	184,732

At 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 (Note) RMB'000
Non-current liability			
Lease liabilities	*20*	**762**	—
NET ASSETS		**726,548**	184,732
CAPITAL AND RESERVES			
Share capital	*22(b)*	**181**	129
Reserves	*22(d)*	**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

Approved and authorised for issue by the board of directors on 30 March 2020

Zhu Lidong)
Zhong Ruoqin) Directors

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 2.

The notes on pages 74 to 138 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	The People's Republic of China (the "**PRC**") statutory reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2018		66	—	20,000	8,112	—	82,331	110,509	678	111,187
Changes in equity for 2018:										
Total profit and comprehensive income for the year		—	—	—	—	50	70,177	70,227	246	70,473
Issue of shares		63	87,043	—	—	—	—	87,106	—	87,106
Appropriation to statutory reserve	*22(d)(iii)*	—	—	—	1,888	—	(1,888)	—	—	—
Deemed distribution arising from reorganisation	*22(d)(ii)*	—	—	(86,484)	—	—	—	(86,484)	—	(86,484)
Capital injection from non-controlling shareholders		—	—	—	—	—	—	—	2,450	2,450
Balance at 31 December 2018 *(Note)*		129	87,043	(66,484)	10,000	50	150,620	181,358	3,374	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).

	Note	Share capital RMB'000 note 22(b)	Share premium RMB'000 note 22(d)(i)	Capital reserve RMB'000 note 22(d)(ii)	PRC statutory reserves RMB'000 note 22(d)(iii)	Exchange reserve RMB'000 note 22(d)(iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2019		129	87,043	(66,484)	10,000	50	150,620	181,358	3,374	184,732
Changes in equity for 2019:										
Total profit and comprehensive income for the year		—	—	—	—	20,139	114,681	134,820	240	135,060
Issue of ordinary shares upon initial public offering, net of issuing costs	*22(b)(ii)*	45	373,738	—	—	—	—	373,783	—	373,783
Issue of ordinary shares upon exercise of the over-allotment option in connection with initial public offering, net of issuing costs	*22(b)(iii)*	7	56,101	—	—	—	—	56,108	—	56,108
Dividends declared in respect of the previous year	*22(c)(ii)*	—	(24,235)	—	—	—	—	(24,235)	—	(24,235)
Capital injection from non-controlling shareholders		—	—	—	—	—	—	—	1,100	1,100
Balance at 31 December 2019		181	492,647	(66,484)	10,000	20,189	265,301	721,834	4,714	726,548

The notes on pages 74 to 138 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Cash generated from operations	*17(b)*	**183,587**	172,770
PRC Corporate Income Tax paid	*21(a)*	**(25,013)**	(22,616)
Net cash generated from operating activities		**158,574**	150,154
Investing activities			
Payments for the purchase of property, plant and equipment		**(5,136)**	(3,551)
Proceeds from disposal of property, plant and equipment		**46**	—
Payments for purchase of financial assets classified as fair value through profit or loss ("**FVPL**")		**(956,000)**	(1,406,000)
Proceeds from redemption of FVPL		**958,161**	1,410,269
Payment for time deposits with original maturity over three months		**(646,748)**	—
Proceeds from maturity of time deposits with original maturity over three months		**122,579**	—
Interest received		**6,514**	600
Net cash (used in)/generated from investing activities		**(520,584)**	1,318
Financing activities			
Capital contribution from non-controlling interests		**1,100**	2,450
Proceeds from issue of shares, net of issuing costs		**429,891**	87,106
Deemed distribution arising from the reorganisation		**—**	(86,484)
Capital element of lease rentals paid		**(2,182)**	—
Interest element of lease rentals paid		**(194)**	—
Dividends paid		**(24,235)**	—
Net cash generated from financing activities		**404,380**	3,072
Net increase in cash and cash equivalents		**42,370**	154,544
Cash and cash equivalents at 1 January	*17(a)*	**458,543**	303,949
Effect of foreign exchange rate changes		**15,794**	50
Cash and cash equivalents at 31 December	*17(a)*	**516,707**	458,543

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).

The notes on pages 74 to 138 form part of these 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 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 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.

1 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

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.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

a. *New definition of a lease* (Continued)

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 as disclosed in note 10(b). For an explanation of how the Group applies lessee accounting, see note 1(h).

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.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. *Lessee accounting and transitional impact* (Continued)

The following table reconciles the operating lease commitments as disclosed in note 24 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.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. *Lessee accounting and transitional impact* (Continued)

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 and cash flows 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.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 17(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 17(d)).

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. *Impact on the financial result and cash flows of the Group* (Continued)

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result and cash flows 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 (A) *RMB'000*	Add back: IFRS 16 depreciation and interest expense (B) *RMB'000*	Deduct: Estimated amounts related to operating leases as if under IAS 17 *(note 1)* (C) *RMB'000*	Hypothetical amounts for 2019 as if under IAS 17 (D = A+B-C) *RMB'000*	Compared to amounts reported for 2018 under IAS 17 *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

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. *Impact on the financial result and cash flows of the Group* (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 *(notes 1 & 2)* (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C = A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	183,587	(2,376)	181,211	172,770
Net cash generated from operating activities	158,574	(2,376)	156,198	150,154
Capital element of lease rentals paid	(2,182)	2,182	—	—
Interest element of lease rentals paid	(194)	194	—	—
Net cash generated from financing activities	404,380	2,376	406,756	3,072

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash generated from financing activities as if IAS 17 still applied.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(e) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (Continued)

(f) Other investments in debt and equity financial instruments

The Group's and the Company's policies for investments in debt and equity financial instruments, other than investments in subsidiaries and associates, are set out below:

Investments in debt and equity financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(r)(iii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity financial instruments is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity financial instruments, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(r)(ii).

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

— right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Office equipment and furniture	3–5 years
— Other properties leased for own use	shorter of the unexpired term of lease and the Buildings' estimated useful lives
— Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

1 Significant accounting policies (Continued)

(h) Leased assets (Continued)

As a lessee

(A) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(g) and 1(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(h) Leased assets (Continued)

As a lessee (Continued)

(B) Policy applicable prior to 1 January 2019

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— Financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

— Contract assets as defined in IFRS 15 (see note 1(k))

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— Fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— Variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 Significant accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, amounts due from related parties (trade nature) and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic condition at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instruments credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 1(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— Significant financial difficulties of the debtor;

— Significant decrease in property management and other service fees collection rate;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income (Continued)

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— investment in an associate; and

— investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories and other contract costs

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 Significant accounting policies (Continued)

(j) Inventories and other contract costs (Continued)

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(j)(i)) and property, plant and equipment (see note 1(g)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(r).

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(l)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(l)).

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(k) Contract assets and contract liabilities (Continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(r)(iii)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

1 Significant accounting policies (Continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income recognition

Income is classified by the Group as revenue when it arises from sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(r) Revenue and other income recognition (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Property management service, value-added services to non-property owners and value-added services to property owners

For property management service, the Group recognises revenue in the amount to which the Group has the right to invoice based on the value of performance completed to date.

For property management service income arising from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management service fee received. For property management service income arising from properties managed under commission basis, where the Group acts as an agent of the property owners, the Group entitles to revenue at a pre-determined percentage or fixed amount of the property management service fees the property owners are obligated to pay.

Value-added services to non-property owners mainly include consulting services to property developers and cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage. The Group recognises revenue as the services are provided based on the value of performance completed to date.

Value-added services to property owners mainly include housekeeping services, brokerages services, sales of furniture, parking places and storage rooms and other community value-added services to property owners. For sales of goods, including sales of furniture, parking places and storage rooms, and brokerage services, the Group recognises revenue at point in time when the property owners take possession of and accept the goods and services. For housing keeping services and other community value-added services, the Group recognises revenue when the services are rendered. Housing keeping services and other community value-added services are normally billable immediately upon the services are provided.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(r) Revenue and other income recognition (Continued)

(ii) Dividends

Dividend income from unlisted investments is recognised when the equity shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(i)(i)).

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognised in other revenues.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 Significant accounting policies (Continued)

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various service lines and geographical locations.

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Significant accounting policies (Continued)

(u) Segment reporting (Continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Revenue and segment report

(a) Revenue

The principal activities of the Group are property management services, value-added services to non-property owners and value-added services to property owners.

Revenue represents income from property management services, value-added services to non-property owners and value-added services to property owners.

The amount of each significant category of revenue that fall within the scope of IFRS15 and are recognised in the consolidated statement of profit or loss are as follows:

	2019 *RMB'000*	2018 *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 *(note)*	**31,607**	12,453
	701,875	509,470

Note: For value-added services to property owners that involve sale of goods, including sales of furniture, parking places and storage rooms, and brokerage services for property sales and leasing, the Group recognises revenues at point in time when the property owners take possession of and accept the goods and services.

For the year ended 31 December 2019, the Group had transactions with one customer exceeding 10% individually of its total revenue for the years ended 31 December 2019 (2018: one).

(i) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount to which the Group has a right to invoice that corresponds directly with the value of performance completed to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Revenue and segment report (Continued)

(a) Revenue (Continued)

(i) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date (Continued)

For value-added services to property owners that involved provision of services, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of each reporting period. For value-added services to property owners that involved in sales of furniture in customised interior furnishing services, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts as at 31 December 2019 is RMB25,640,000 (2018: RMB43,068,000). The amount as at 31 December 2019 includes the interest component of sales of furniture contracts under which the Group obtains significant financing benefits from the customers (see note 1(r)). The Group will recognise the expected revenue in future when the furniture is delivered to and accepted by the customers as follows:

	2019	2018
	RMB'000	*RMB'000*
2019	**—**	41,582
2020	**20,045**	1,012
2021	**5,595**	474
	25,640	43,068

(b) 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.

(Expressed in Renminbi Yuan unless otherwise indicated)

4 Other revenue and other net income

	2019 RMB'000	2018 RMB'000
Other revenue		
Government grants *(note (i))*	2,804	534
Others	1,160	342
	3,964	876

(i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities.

	2019 RMB'000	2018 RMB'000
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

5 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance (income)/costs

	2019 RMB'000	2018 *(Note)* RMB'000
Interest income on bank deposits	(19,527)	(600)
Interest expense on advance payments from customers *(note 18)*	1,502	1,387
Interest on lease liabilities *(note 17(c))*	194	—
Net finance (income)/costs	(17,831)	787

Note:

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

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Profit before taxation (Continued)

(b) Staff costs

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	**304,125**	215,362
Contributions to defined contribution scheme *(note (i))*	**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

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Profit before taxation (Continued)

(c) Other items

	2019 RMB'000	2018 RMB'000
Depreciation *(note 10)*		
— owned property, plant and equipment*	2,852	2,669
— right-of-use assets*	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*	—	3,081
Impairment losses on trade receivables *(note 14(b))*	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

* 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).

(Expressed in Renminbi Yuan unless otherwise indicated)

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

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 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 *(note 21(b))*	(2,418)	(325)
	38,377	24,013

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 RMB'000	2018 RMB'000
Profit before taxation	153,298	94,436
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned *(note (i))*	37,297	23,654
Tax effect of non-taxable income	(1,288)	—
Tax effect of non-deductible expenses	1,069	286
Tax effect of share of results of an associate	1,016	63
Tax effect of unused tax losses not recognised	246	33
Utilisation of tax losses previously not recognised	—	(23)
Under-provision in respect of prior years	37	—
Actual tax expense	38,377	24,013

(i) Pursuant to the rules and regulations of the Cayman Island and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

6 Income tax in the consolidated statement of profit or loss and other comprehensive income (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

The income tax rate applicable to the Group's subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting period is 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the reporting period (2018: Nil).

The Group's PRC subsidiaries are subject to PRC income tax at 25%. For certain subsidiaries recognised as a small profit enterprise in 2019, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2019				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Zhu Lidong	—	661	360	27	1,048
Zhong Ruoqin	—	244	118	24	386
Non-executive directors					
Mo Jianhua	—	—	—	—	—
Cai Xin	—	—	—	—	—
Independent non-executive directors					
Cai Haijing (appointed on 21 February 2019)	83	—	—	—	83
Ding Jiangang (appointed on 21 February 2019)	83	—	—	—	83
Li Kunjun (appointed on 21 February 2019)	83	—	—	—	83
	249	905	478	51	1,683

(Expressed in Renminbi Yuan unless otherwise indicated)

7 Directors' emoluments (Continued)

	Year ended 31 December 2018				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Zhu Lidong (appointed on 19 September 2018)	—	219	360	9	588
Zhong Ruoqin (appointed on 19 September 2018)	—	116	86	12	214
Non-executive directors					
Qi Jinxing (resigned on 19 September 2018)	—	—	—	—	—
Zhu Huiming (resigned on 19 September 2018)	—	—	—	—	—
Mo Jianhua	—	—	—	—	—
Cai Xin (appointed on 19 September 2018)	—	—	—	—	—
	—	335	446	21	802

(i) The director's emolument for Mr. Zhu Lidong for eight months ended 31 August 2018 was borne by Binjiang Holding and its subsidiary, a related party of the Group, who has waived its right to seek reimbursement from the Company.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2018: one) is director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2018: four) individuals are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries, allowance, and benefits-in-kind	**2,323**	2,186
Discretionary bonuses	**1,184**	1,064
Retirement scheme contributions	**80**	77
	3,587	3,327

(Expressed in Renminbi Yuan unless otherwise indicated)

8 Individuals with highest emoluments (Continued)

The emoluments of the four (2018: four) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil – HKD1,000,000	1	1
HKD1,000,001 – HKD1,500,000	3	3

9 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 *(note 22(b)(ii))*	53,360,000	—
Effect of issuance of shares upon exercise of the over-allotment option *(note 22(b)(iii))*	7,074,000	—
Weighted average number of ordinary shares at 31 December	260,434,000	200,000,000

(i) The number of ordinary shares outstanding before the shares sub-division completed on 21 February 2019 (note 22(b)(i)) 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.

(Expressed in Renminbi Yuan unless otherwise indicated)

10 Property, plant and equipment

(a) Reconciliation of carrying amount

	Office equipment and furniture *RMB'000*	Motor vehicles *RMB'000*	Other properties leased for own use carried at cost *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2018	7,081	8,397	—	15,478
Additions	2,324	877	—	3,201
Disposals	(247)	(634)	—	(881)
At 31 December 2018	9,158	8,640	—	17,798
Impact on initial application of IFRS 16 *(Note)*	—	—	5,170	5,170
At 1 January 2019	9,158	8,640	5,170	22,968
Additions	1,622	2,913	—	4,535
Disposals	(296)	(344)	—	(640)
At 31 December 2019	**10,484**	**11,209**	**5,170**	**26,863**
Accumulated depreciation:				
At 1 January 2018	3,503	3,948	—	7,451
Charge for the year	1,161	1,508	—	2,669
Written back on disposals	(211)	(602)	—	(813)
At 31 December 2018	4,453	4,854	—	9,307
Charge for the year	1,369	1,483	2,224	5,076
Written back on disposals	(226)	(198)	—	(424)
At 31 December 2019	**5,596**	**6,139**	**2,224**	**13,959**
Net book value:				
At 31 December 2019	**4,888**	**5,070**	**2,946**	**12,904**
At 31 December 2018	4,705	3,786	—	8,491

Note:

The Group has initially applied IFRS 16 using the modified retrospective method 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. See note 1(c).

(Expressed in Renminbi Yuan unless otherwise indicated)

10 Property, plant and equipment (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**31 December 2019** *RMB'000*	1 January 2019 *RMB'000*
Other properties leased for own use, carried at depreciated cost	(i)	**2,946**	5,170

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 *RMB'000*	2018 *(Note)* *RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**2,224**	—
Interest on lease liabilities *(note 5(a))*	**194**	—
Expense relating 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	**—**	3,081

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).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 17(d) and 20, respectively.

(i) Other properties leased for own use, carried at depreciated cost

The Group has obtained the right to use other properties as its office and parking places through tenancy agreements. The leases typically run for an initial period of 3 years.

(Expressed in Renminbi Yuan unless otherwise indicated)

11 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place and date of establishment/ incorporation	Registered/issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities and legal status
Robust Class Limited	BVI 28 June 2017	Not applicable/ USD2	100%	100%	—	Investment holding, limited liability company
Binjiang Service Group (Hong Kong) Co., Limited	Hong Kong 28 August 2017	Not applicable/ HKD107,245,314	100%	—	100%	Investment holding, limited liability company
Hangzhou Binjiang Property Management Company Limited ("**Binjiang PM**") 杭州濱江物業管理有限公司*	the PRC 21 April 1997	RMB20,000,000/ RMB20,000,000	100%	—	100%	Property management services, limited liability company
Hangzhou Binjiang Real Estate Brokerage Management Company Limited 杭州濱江房地產經紀有限公司*	the PRC 18 March 2009	RMB1,000,000/ RMB1,000,000	100%	—	100%	Brokerage and other service, limited liability company
Hangzhou Binrui Decoration Company Limited 杭州濱瑞裝飾有限公司*	the PRC 12 September 2016	RMB1,000,000/ RMB1,000,000	51%	—	51%	Decoration service and sales of furniture, limited liability company
Hangzhou Binwan Home Decoration Company Limited 杭州濱萬家居裝飾有限公司*	the PRC 9 May 2017	RMB5,000,000/ RMB5,000,000	100%	—	100%	Decoration service and sales of furniture, limited liability company
Hangzhou Binjiang Home Decoration Company Limited 杭州濱江家居裝飾有限公司*	the PRC 11 May 2017	RMB5,000,000/ RMB5,000,000	100%	—	100%	Decoration service, limited liability company
Hangzhou Zhuo Cai Advertising Company Limited 杭州卓采廣告有限公司*	the PRC 28 February 2018	RMB1,000,000/ RMB1,000,000	100%	—	100%	Advertisement design, producing and releasing service, limited liability company
Hangzhou Binhe Property Management Company Limited 杭州濱合物業管理有限公司*	the PRC 31 January 2018	RMB5,000,000/ RMB5,000,000	51%	—	51%	Property management, limited liability company

(Expressed in Renminbi Yuan unless otherwise indicated)

11 Investments in subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Registered/issued and paid-in capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities and legal status
Hangzhou Binshang Fitness Company Limited 杭州濱尚健身有限公司*	the PRC 29 May 2018	RMB1,000,000/ RMB1,000,000	100%	—	100%	Fitness service, limited liability company
Zhejiang Binhe Property Management Company Limited 浙江濱禾物業管理有限公司*	the PRC 14 February 2019	RMB3,000,000/ RMB1,530,000	51%	—	51%	Property management services, limited liability company
Ningbo Binrun Property Management Company Limited 寧波濱潤物業服務有限公司*	the PRC 14 May 2019	RMB25,000,000/ RMB25,000,000	100%	—	100%	Property management services, sales of parking places and storage rooms, limited liability company
Jinhua Binyue Property Management Company Limited 金華濱悦物業管理有限公司*	the PRC 31 October 2019	RMB1,000,000/ RMB1,000,000	100%	—	100%	Property management services, limited liability company
Yiwu Binsheng Property Management Company Limited 義烏濱盛物業管理有限公司*	the PRC 1 November 2019	RMB1,000,000/ RMB1,000,000	100%	—	100%	Property management services, limited liability company
Yongkang Binsheng Property Management Company Limited 永康濱盛物業管理有限公司*	the PRC 1 November 2019	RMB1,000,000/ RMB1,000,000	100%	—	100%	Property management services, limited liability company
Hangzhou Xiaoshan Binyue Management Company Limited 杭州蕭山濱悦物業管理服務有限公司*	the PRC 28 October 2019	RMB1,000,000/ RMB1,000,000	100%	—	100%	Property management services, limited liability company
Hangzhou Binhong Property Management Company Limited 杭州濱宏物業管理服務有限公司*	the PRC 28 October 2019	RMB1,000,000/ RMB1,000,000	100%	—	100%	Property management services, limited liability company
Wenling Binrui Property Management Company Limited 溫嶺濱瑞物業管理有限公司*	the PRC 25 December 2019	RMB1,000,000/ RMB1,000,000	100%	—	100%	Property management services, limited liability company
Hangzhou Xiaoshan Binhui Property Management Company Limited 杭州蕭山濱惠物業管理有限公司*	the PRC 15 November 2019	RMB1,000,000/ RMB1,000,000	100%	—	100%	Property management services, limited liability company

(Expressed in Renminbi Yuan unless otherwise indicated)

11 Investments in subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Registered/issued and paid-in capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities and legal status
Hangzhou Binhao Property Management Company Limited 杭州濱豪物業管理有限公司*	the PRC 15 November 2019	RMB1,000,000/ RMB1,000,000	100%	–	100%	Property management services, limited liability company
Hangzhou Binfeng Property Management Company Limited 杭州濱豐物業管理有限公司*	the PRC 15 November 2019	RMB1,000,000/ RMB1,000,000	100%	–	100%	Property management services, limited liability company
Hangzhou Bintai Property Management Company Limited 杭州濱泰物業管理有限公司*	the PRC 15 November 2019	RMB1,000,000/ RMB1,000,000	100%	–	100%	Property management services, limited liability company
Huzhou Binyao Property Management Company Limited 湖州濱耀物業管理有限公司*	the PRC 11 November 2019	RMB1,000,000/ RMB1,000,000	100%	–	100%	Property management services, limited liability company
Wenzhou Binyao Property Management Company Limited 溫州濱耀物業管理有限公司*	the PRC 8 November 2019	RMB1,000,000/ RMB1,000,000	100%	–	100%	Property management services, limited liability company
Taizhou Binyao Property Management Company Limited 台州濱耀物業管理有限公司*	the PRC 5 November 2019	RMB1,000,000/ RMB1,000,000	51%	–	51%	Property management services, limited liability company
Hangzhou Binyao Property Management Company Limited 杭州濱耀物業管理有限公司*	the PRC 4 November 2019	RMB1,000,000/ RMB1,000,000	100%	–	100%	Property management services, limited liability company
Hangzhou Binxin Property Management Company Limited 杭州濱芯物業管理有限公司* (i)	the PRC 20 August 2019	RMB2,000,000/ RMB2,000,000	45%	–	45%	Property management services, limited liability company

* All the PRC entities are limited liability companies. The English translation of the company name is for reference only. The official names of these companies are in Chinese.

(i) Pursuant to the agreement dated 6 September 2019, the Group could control 60% voting rights of the board of directors, and could control the financial and operating policies of the entity. Accordingly, the entity's financial information was consolidated into the Group's consolidated financial statements from 6 September 2019.

As at 31 December 2019, no subsidiaries of the Group had material non-controlling interests.

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Interest in an associate

	2019 **RMB'000**	2018 *(Note)* *RMB'000*
Costs of investment, unlisted	**6,000**	6,000
Share of post-acquisition results, net of dividends	**(5,078)**	(1,014)
	922	4,986

The following list contains an associate of the Group, which is an unlisted corporate entity, whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Registered/issued capital	Effective interest held by the Group at 31 December: 2019	2018	Principal activities
Hangzhou Zhibin Technology Service Company Limited ("**Zhibin Technology**") 杭州智濱科技服務有限公司*	Incorporated	the PRC	RMB30,000,000/ RMB30,000,000	**20%**	20%	Technology development and service, provision of leasing and property management services of industrial parks

* This PRC entity is a limited liability company. The English translation of the company name is for reference only. The official name of this company is in Chinese.

The above associate is accounted for using the equity method in the consolidated financial statements.

Zhibin Technology was established on 8 March 2017. During the year ended 31 December 2019, Zhibin Technology suffered continuous losses. As at 31 December 2019, management assessed that the recoverable amount of Zhibin Technology, determined with reference to its value in use, is higher than the carrying amount. Accordingly, no provision for impairment loss was made as at 31 December 2019.

Note: The associate 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 of RMB284,399,000 and lease liabilities of RMB281,909,000 relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

(Expressed in Renminbi Yuan unless otherwise indicated)

13 Inventories

	2019 RMB'000	2018 RMB'000
Properties held for re-sale *(note)*	**33,364**	—
Consumables	**15**	476
	33,379	476

Note: Properties held for re-sale represent right-of-use assets relating to car parking places and storage rooms purchased by the Group for re-sale.

14 Trade and other receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	**28,594**	19,794
Less: Allowance for impairment of trade receivables *(note 14(b))*	**(7,684)**	(3,218)
	20,910	16,576
Deposits and prepayments	**24,785**	14,211
Amounts due from related parties *(note 26(d))*	**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

Trade receivables are primarily related to revenue recognised from the provision of property management services and value-added services to non-property owners.

Amounts due from related parties are unsecured and interest-free. Details of the amounts due from related parties are set out in note 26(d).

(Expressed in Renminbi Yuan unless otherwise indicated)

14 Trade and other receivables (Continued)

(a) Aging analysis

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. Further details on the Group's credit policy are set out in note 23(a).

(b) Impairment of trade receivable

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(i)(i)).

The movement in the allowance for impairment of trade receivables during the year, including both specific and collective loss components, is as follows:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**3,218**	1,777
Impairment loss recognised	**4,466**	1,441
At 31 December	**7,684**	3,218

At 31 December 2019, none (2018: RMB Nil) of the trade receivables was individually determined to be impaired. The allowances for doubtful debts of RMB7,684,000 (2018: RMB3,218,000) recognised at 31 December 2019 were made based on a collective group basis assessment by aging of trade receivables.

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Time deposits

	2019 *RMB'000*	2018 *RMB'000*
Time deposits held at the bank with original maturity over three months	**528,514**	—
Less: Amount included under "current assets"	**(428,514)**	—
	100,000	—

As at 31 December 2019, the time deposits held at the bank with original maturity over three months have annual interest rates ranging from 2.09% to 4.13%.

16 Restricted bank balances

	2019 *RMB'000*	2018 *RMB'000*
Cash collected on behalf of the property owners' associations *(note 19)*	**39,536**	30,907
Restricted deposits	**50**	200
	39,586	31,107

The Group has cash collection on behalf of the property owners' associations in its property management service business. Since the property owners' associations often face difficulties opening bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.

17 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2019 *RMB'000*	2018 *RMB'000*
Cash on hand	**233**	165
Cash at bank	**556,060**	489,485
	556,293	489,650
Less:		
Restricted bank balances *(note 16)*	**(39,586)**	(31,107)
	516,707	458,543

17 Cash and cash equivalents (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	2019 RMB'000	2018 (Note) RMB'000
Profit before taxation	**153,298**	94,436
Adjustments for:		
Depreciation *(note 10)*	**5,076**	2,669
Share of profits less losses of an associate	**4,064**	253
Finance income *(note 5(a))*	**(19,527)**	(600)
Finance costs	**1,696**	1,387
Net realised gains on FVPL *(note 4)*	**(2,161)**	(4,269)
Net loss on disposal of property, plant and equipment *(note 4)*	**170**	59
Impairment losses on trade receivables *(note 5(c))*	**4,466**	1,441
Changes in working capital:		
Increase in inventories	**(32,903)**	(141)
Increase in trade and other receivables	**(13,157)**	(9,573)
Increase in trade and other payables	**103,970**	23,862
(Decrease)/increase in contract liabilities	**(12,926)**	61,549
(Increase)/decrease in restricted cash	**(8,479)**	1,697
Cash generated from operations	**183,587**	172,770

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 and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. In 2018, cash payments under operating leases made by the Group as a lessee of RMB3,081,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 17(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities RMB'000 (Note 20)	Dividend payable RMB'000	Total RMB'000
At 31 December 2018	—	—	—
Impact on initial application of IFRS 16 *(Note)*	5,170	—	5,170
At 1 January 2019	5,170	—	5,170
Changes from financing cash flows:			
Capital element of lease rentals paid	(2,182)	—	(2,182)
Interest element of lease rentals paid	(194)	—	(194)
Profit distribution	—	(24,235)	(24,235)
Total changes from financing cash flows	(2,376)	(24,235)	(26,611)
Other changes:			
Interest expenses *(note 5(a))*	194	—	194
Profit distribution *(note 22(c))*	—	24,235	24,235
Total other changes	194	24,235	24,429
At 31 December 2019	2,988	—	2,988

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. See notes 1(c) and 17(b).

(Expressed in Renminbi Yuan unless otherwise indicated)

17 Cash and cash equivalents (Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 (Note) RMB'000
Within operating cash flows	2,554	3,081
Within financing cash flows	2,376	—
	4,930	3,081

Note:

As explained in the note to note 17(b), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

18 Contract liabilities

	2019 RMB'000	2018 RMB'000
Contract liabilities		
Property management services	72,936	72,710
Value-added services to non-property owners	6,285	9,038
Value-added services to property owners	38,119	47,016
	117,340	128,764

Movements in contract liabilities were as follows:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	128,764	77,379
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(127,043)	(71,804)
Increase in contract liabilities as a result of receipts in advances of provision of services	114,117	121,802
Increase in contract liabilities as a result of accruing interest expense on advances	1,502	1,387
Balance at 31 December	117,340	128,764

(Expressed in Renminbi Yuan unless otherwise indicated)

18 Contract liabilities (Continued)

Contract liabilities represents prepaid property management fees, consulting services fees and customised interior furnishing services fees received from third parties.

The amount of receipts in advance of performance expected to be recognised as income after more than one year is RMB5,595,000 (2018: RMB1,486,000).

19 Trade and other payables

	Note	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Trade payables	*(a)*	**15,434**	6,688
Amounts due to related parties *(note 26(d))*	*(b)*	**23,515**	15,116
Deposits	*(c)*	**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 *(note 16)*		**39,536**	30,907
Temporary receipts from property owners	*(d)*	**115,575**	69,340
Other payables and accruals		**11,525**	8,722
		318,329	214,960

(a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers.

(b) The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in note 26(d). Among which, RMB21,323,000 (2018: RMB12,839,000) are prepaid consulting services fees received from related parties and expected to be recognised as income within one year.

(c) Deposits represent miscellaneous decoration deposits received from property owners during the decoration period.

(d) Temporary receipts mainly represent utility charges received from property owners on behalf of utility companies and other charges received from property owners for the payment of deed tax on behalf.

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

	2019 RMB'000	2018 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

(Expressed in Renminbi Yuan unless otherwise indicated)

20 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 *(Note)*	
	Present value of the minimum lease payments ***RMB'000***	**Total minimum lease payments** ***RMB'000***	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**2,226**	**2,373**	2,182	2,376
After 1 year but within 2 years	**762**	**832**	2,226	2,373
After 2 years but within 5 years	**—**	**—**	762	832
	762	**832**	2,988	3,205
	2,988	**3,205**	5,170	5,581
Less: total future interest expenses		**(217)**		(411)
Present value of lease liabilities		**2,988**		5,170

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

(Expressed in Renminbi Yuan unless otherwise indicated)

21 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
PRC Corporate Income Tax		
At 1 January	22,639	20,917
Charged to profit or loss	40,795	24,338
Payments during the year	(25,013)	(22,616)
At 31 December	38,421	22,639

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Impairment loss on trade receivables RMB'000	Provision RMB'000	Tax losses RMB'000	Accrued expenses RMB'000	Depreciation charge of right-of-use assets RMB'000	Total RMB'000
At 1 January 2018	444	322	331	1,476	—	2,573
Credited/(charged) to profit or loss	360	(322)	(189)	476	—	325
At 31 December 2018	804	—	142	1,952	—	2,898
Credited/(charged) to profit or loss	1,117	—	(142)	1,432	11	2,418
At 31 December 2019	1,921	—	—	3,384	11	5,316

(c) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	2019 RMB'000	2018 RMB'000
Unused tax losses-PRC	997	352

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets of RMB249,000 (2018: RMB88,000) in respect of unused tax losses of certain subsidiaries as at 31 December 2019. The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

(Expressed in Renminbi Yuan unless otherwise indicated)

21 Income tax in the consolidated statement of financial position (Continued)

(c) Deferred tax assets not recognised (Continued)

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2019 *RMB'000*	2018 *RMB'000*
2022	—	220
2023	13	132
2024	984	—
	997	352

(d) Deferred tax liabilities not recognised

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

Deferred tax liabilities of RMB26,252,000 (2018: RMB15,080,000) were not recognised in respect of 10% PRC dividend withholding tax that would be payable on the distribution of retained profits of RMB262,519,000 as at 31 December 2019 (2018: RMB150,800,000) in respect of the Group's subsidiaries in the PRC as the Group controls the dividend policy of these subsidiaries and it was determined that it was probable that these profits would not be distributed in the foreseeable future.

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company	Note	Share capital RMB'000 Note 22(b)	Share premium RMB'000 Note 22(d)(i)	Exchange reserve RMB'000 Note 22(d)(iv)	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000
Balance at 1 January 2018		66	—	—	(4)	62
Changes in equity for 2018:						
Total comprehensive income for the year		—	—	7	(1)	6
Issuance of shares		63	87,043	—	—	87,106
Balance at 31 December 2018 and 1 January 2019		129	87,043	7	(5)	87,174
Changes in equity for 2019:						
Total comprehensive income for the year		—	—	20,128	2,963	23,091
Issue of ordinary shares upon initial public offering, net of issuing costs	22(b)(ii)	45	373,738	—	—	373,783
Issue of ordinary shares upon exercise of the over-allotment option in connection with initial public offering, net of issuing costs	22(b)(iii)	7	56,101	—	—	56,108
Dividends declared in respect of the previous year	22(c)(ii)	—	(24,235)	—	—	(24,235)
Balance at 31 December 2019		181	492,647	20,135	2,958	515,921

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Capital, reserves and dividends (Continued)

(b) Share Capital

Authorised share capital

The Company was incorporated in the Cayman Islands on 6 July 2017 with an initial authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each. In accordance with the shareholders' resolution of the Company dated 21 February 2019, the authorised share capital of the Company increased from US$50,000 divided into 50,000 shares with par value of US$1.00 each to US$100,000 divided into 1,000,000,000 shares with par value of US$0.0001 each by the creation of an additional 500,000,000 shares with par value of US$0.0001 each.

Issued share capital

	2019		2018	
	No. of shares ('000)	***RMB'000***	*No. of shares ('000)*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**20**	**129**	10	66
Issuance of shares	**—**	**—**	10	63
Shares sub-division *(note (i))*	**199,980**	**—**	—	—
Issuance of ordinary shares upon initial public offering *(note (ii))*	**66,700**	**45**	—	—
Partial exercise of over-allotment option *(note (iii))*	**9,707**	**7**	—	—
At 31 December	**276,407**	**181**	20	129

(i) Shares sub-division

In accordance with the shareholders' resolution of the Company dated 21 February 2019, the Company's share with par value of US$1.00 each was subdivided into 10,000 shares with par value of US$0.0001 each. Accordingly, the issued 20,000 shares of the Company with par value of US$1.00 each were sub-divided into 200,000,000 shares with par value of US$0.0001 each thereafter.

(ii) Issuance of ordinary shares upon initial public offering

On 15 March 2019, the Company issued 66,700,000 shares with par value of US$0.0001, at a price of HK$6.96 per share by initial public offering. Net proceeds from such issue amounted to HKD436,815,000 (equivalent to RMB373,783,000) out of which HKD53,000 (equivalent to RMB45,000) and HKD436,762,000 (equivalent to RMB373,738,000) were recorded in share capital and share premium respectively.

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Capital, reserves and dividends (Continued)

(b) Share Capital (Continued)

Issued share capital (Continued)

(iii) Partial exercise of the over-allotment option

On 10 April 2019, the over-allotment option was partially exercised by the sole global coordinator in respect of an aggregate of 9,707,000 shares with par value of US$0.0001, at a price of HK$6.96 per share. Net proceeds from such issue amounted to HKD65,531,000 (equivalent to RMB56,108,000) out of which HKD8,000 (equivalent to RMB7,000) and HKD65,523,000 (equivalent to RMB56,101,000) were recorded in share capital and share premium respectively.

(c) Dividends

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

	2019 *RMB'000*	2018 *RMB'000*
Final dividend of HKD0.228 per ordinary share and special dividend of HKD0.091 per ordinary share proposed after the consolidated statement of financial position date (2018: final dividend of HKD0.1 per ordinary share assuming the over-allotment option is not exercised)	80,113	22,878

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

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the equity shareholders. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

22 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) Capital reserve

For the purposes of the consolidated financial statements, the aggregate amount of the paid-in capital of all entities comprising the Group at 1 January 2018 were recorded as capital reserve, after the elimination of investments in subsidiaries.

During the years ended 31 December 2017 and 2018, the Group acquired 1% and 99% equity interests in Binjiang PM from the then equity holder of Binjiang PM, which is also controlled by Mr. Qi Jinxing, as part of the reorganisation. The total considerations of RMB86,484,000 were fully settled during the year ended 31 December 2018. The considerations of RMB86,484,000 paid in connection with the acquisition are recorded within equity as deemed distribution arising from the reorganisation.

(iii) PRC statutory reserves

Statutory reserves is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, statutory reserves can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China. The reserve is dealt with in accordance with the accounting policies set out in note 1(s).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the years ended 31 December 2018 and 2019.

The capital structure of the Group consists of bank loans and lease liabilities less cash and cash equivalents, and equity of the Group, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

(Expressed in Renminbi Yuan unless otherwise indicated)

22 Capital, reserves and dividends (Continued)

(e) Capital management (Continued)

The Group is not subject to externally imposed capital requirements throughout the reporting period.

23 Financial risk management

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business.

Financial assets of the Group include cash and cash equivalents, time deposits, financial assets measured at fair value through profit or loss and trade and other receivables. Financial liabilities of the Group include trade and other payables.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank, time deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The cash at bank and time deposits of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The Group's wealth management products classified as financial assets at fair value through profit or loss are issued by well-known financial institutions. The Group considers that there is no significant credit risk and these wealth management products did not generate any losses during the reporting period.

In respect of amounts due from related parties, the Group has assessed that the expected credit loss rate for these receivables is immaterial. Thus no loss allowance provision for these receivables was recognised during the reporting period.

In respect of other receivables including deposits and prepayment, payments on behalf of property owners, advances to employees and others, the Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and looking-forward information (including the economic environment). Thus no loss allowance provision for these receivables was recognised during the reporting period.

23 Financial risk management (Continued)

(a) Credit risk (Continued)

In respect of trade receivables from third parties, the Group measures loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group considers that a default event occurs when significant decrease in property management and other service fee collection rate and estimates the expected credit loss rate for each reporting period. For trade receivables relating to non-property management services, such as consulting services, these receivables are normally settled within 6 months. The Group has assessed that the expected credit loss rate for these receivables is immaterial under lifetime ECLs based on historical settlement records and looking-forward information (including the economic environment). As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on aging information, which is analysed base on the date of revenue recognition, is further distinguished between the Group's different customer bases.

The Group has no concentrations of credit risk from third parties in view of its large number of customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from third parties as at 31 December 2019 and 2018.

At 31 December 2019	Expected loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Non-property management services			
Within 3 months	—	6,726	—
After 3 months but within 6 months	—	1,221	—
After 6 months but within 1 year	—	331	—
		8,278	—
Property management services			
Within 1 year	20%	13,536	2,709
1 to 2 years	65%	5,156	3,351
Over 2 years	100%	1,624	1,624
Total		28,594	7,684

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Financial risk management (Continued)

(a) Credit risk (Continued)

At 31 December 2018	Expected loss rate	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Non-property management services			
Within 3 months	—	6,149	—
After 3 months but within 6 months	—	222	—
After 6 months but within 1 year	—	410	—
		6,781	—
Property management services			
Within 1 year	15%	10,990	1,649
1 to 2 years	50%	909	455
Over 2 years	100%	1,114	1,114
Total		19,794	3,218

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Further quantitative disclosures in respect of Group's exposure to credit risk arising from trade and other receivables are set out in note 14.

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet its liquidity requirements in the short and longer term.

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Financial risk management (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	318,329	—	—	—	318,329	318,329
Lease liabilities *(note)*	2,373	832	—	—	3,205	2,988

	As at 31 December 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	214,960	—	—	—	214,960	214,960

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See note 1(c).

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted cash and time deposits.

The Group is not exposed to significant interest rate risk for cash and cash equivalents, restricted cash or time deposits because the interest rates of cash at bank are not expected to change significantly.

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Financial risk management (Continued)

(d) Currency risk

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 Group entities. The Company, the BVI subsidiary and the Hong Kong subsidiary's functional currency is Hong Kong Dollar (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 Group's PRC subsidiaries' functional currency is RMB and their businesses are principally conducted in RMB. So the Group considers the currency risk to be insignificant.

(e) Fair value measurement

As at 31 December 2019 and 2018, the Group did not have the financial instruments carried at fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

24 Commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2018 *RMB'000*
Within 1 year	2,882
After 1 year but within 5 years	65
	2,947

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated.

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(h), and the details regarding the Group's future lease payments are disclosed in note 20.

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25 Contingent liabilities

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

26 Material related party transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions.

(a) Name of and relationship with related parties

During the reporting period, transactions with the following parties are considered as related party transactions:

Name of related party	**Relationship with the Group**
Mr. Qi Jinxing 戚金興先生	Controlling shareholder of the Company
Hangzhou Binjiang Investment Holding Limited ("**Binjiang Holding**") and its subsidiaries 杭州濱江投資控股有限公司及其子公司, including: (i) Hangzhou Binjiang Real Estate Group Co., Ltd. ("**Binjiang Real Estate**") and its subsidiaries (杭州濱江房產集團股份有限公司及其子公司); and (ii) Hangzhou Binjiang Catering Management Limited ("**Binjiang Catering**") (杭州濱江餐飲管理有限公司)	Mr. Qi Jinxing is a controlling shareholder
Hangzhou Binbao Real Estate Development Co., Ltd. 杭州濱保房地產開發有限公司	Associate of Binjiang Holding
Hangzhou Jingbin Real Estate Co., Ltd. 杭州京濱置業有限公司	Associate of Binjiang Holding before January 2019 and subsidiary of Binjiang Holding after January 2019
Hangzhou Wanjia Star Real Estate Development Co., Ltd. 杭州萬家之星房地產開發有限公司	Associate of Binjiang Holding
Shanghai Binan Real Estate Development Co., Ltd. 上海濱安房地產開發有限公司	Associate of Binjiang Holding before July 2019 and subsidiary of Binjiang Holding after July 2019
Yiwu Binxin Estate Development Co., Ltd. 義烏濱信房地產開發有限公司	Associate of Binjiang Holding before January 2019 and subsidiary of Binjiang Holding after January 2019
Hangzhou Xinda Real Estate Co., Ltd. 杭州信達地產有限公司	Associate of Binjiang Holding
Hangzhou Xinda Aoti Real Estate Co., Ltd. 杭州信達奧體置業有限公司	Associate of Binjiang Holding
Hangzhou Tongda Real Estate Co., Ltd. 杭州同達置業有限公司	Associate of Binjiang Holding
Ningbo Binjiang Weibao Real Estate Co., Ltd. 寧波濱江維堡置業有限公司	Associate of Binjiang Holding
Hangzhou Xingyue Real Estate Co., Ltd. 杭州星悦房地產開發有限公司	Associate of Binjiang Holding
Zhejiang Yaohua Construction Technology Co., Ltd. 浙江耀華建設構建科技有限公司	Associate of Binjiang Holding

(Expressed in Renminbi Yuan unless otherwise indicated)

26 Material related party transactions (Continued)

(a) Name of and relationship with related parties (Continued)

Name of related party	Relationship with the Group
Yueqing Liangrong Real Estate Co., Ltd. 樂清市梁榮置業有限公司	Associate of Binjiang Holding
Hangzhou Baohong Estate Development Co., Ltd. 杭州保泓房地產開發有限公司	Associate of Binjiang Holding
Deqing Jingsheng Estate Development Co., Ltd. 德清京盛房地產開發有限公司	Associate of Binjiang Holding
Wenzhou Zhetong Real Estate Co., Ltd. 溫州浙同置業有限公司	Associate of Binjiang Holding
Ningbo Jinghai Investment Management Co., Ltd. 寧波京海投資管理有限公司	Associate of Binjiang Holding
Hangzhou Binqin Real Estate Development Co., Ltd. 杭州濱沁房地產開發有限公司	Associate of Binjiang Holding
Jinhua Binlan Real Estate Development Co., Ltd. 金華濱藍房地產開發有限公司	Associate of Binjiang Holding
Hangzhou Jingjiang Real Estate Development Co., Ltd. 杭州京江房地產開發有限公司	Associate of Binjiang Holding
Hangzhou Tianyue Real Estate Development Co., Ltd. 杭州天悦房地產開發有限公司	Associate of Binjiang Holding
Hangzhou Xijiang Real Estate Co., Ltd. 杭州西江置業有限公司	Associate of Binjiang Holding

The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries, allowances and benefits in kind	**3,817**	2,649
Discretionary bonuses	**1,892**	1,610
Retirement scheme contributions	**158**	108
	5,867	4,367

Total remuneration is included in "staff costs" (see note 5(b)).

(Expressed in Renminbi Yuan unless otherwise indicated)

26 Material related party transactions (Continued)

(c) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the reporting period are as follows:

Recurring transactions

	2019 **RMB'000**	2018 *(Note)* *RMB'000*
Property management services and consulting services income from:		
— Binjiang Holding and its subsidiaries		
— Binjiang Real Estate and its subsidiaries	**126,656**	79,374
— Binjiang Holding and its other subsidiaries	**—**	1,713
— Associates of Binjiang Holding	**56,690**	44,457
Receiving services of short-term leases and other leases with remaining lease term ended on or before 31 December 2019		
— Binjiang Real Estate and its subsidiaries	**61**	—
Interest expense on lease liabilities:		
— Binjiang Real Estate and its subsidiaries *(note (i))*	**192**	—
Receiving rental services previously classified as operating leases under IAS 17		
— Binjiang Real Estate and its subsidiaries	**—**	2,265
Receiving catering services from:		
— Binjiang Catering	**307**	239
Purchasing goods from:		
— Binjiang Real Estate and its subsidiaries	**42,753**	—

(i) The Group has initially applied IFRS 16 using the modified retrospective approach and recognised right-of-use assets of RMB5,104,000 acquired from Binjiang Real Estate and its subsidiaries and corresponding lease liabilities of RMB5,104,000 due to Binjiang Real Estate and its subsidiaries as at 1 January 2019. The amount of rent paid/payable by the Group under such leases per year is RMB2,373,000 for the year ended 31 December 2019.

(ii) For the year ended 31 December 2019 and 2018, the Group used the trademarks of Binjiang Real Estate in the PRC on a royalty-free basis.

Note:

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

(Expressed in Renminbi Yuan unless otherwise indicated)

26 Material related party transactions (Continued)

(d) Balances with related parties

	2019 RMB'000	2018 (Note) RMB'000
Amounts due from:		
Binjiang Real Estate and its subsidiaries		
— Trade nature	681	4,774
Associates of Binjiang Holding		
— Trade nature	1,351	1,315

	2019 RMB'000	2018 RMB'000
Amounts due to:		
Binjiang Real Estate and its subsidiaries		
— Trade nature	15,711	14,826
— Non-trade nature	106	290
	15,817	15,116
Associates of Binjiang Holding		
— Trade nature	7,598	—
— Non-trade nature	100	—
	7,698	—
Lease liabilities due to:		
— Binjiang Real Estate and its subsidiaries	2,965	—

Amounts due from/to related parties are unsecured and interest-free.

Note:

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

(Expressed in Renminbi Yuan unless otherwise indicated)

26 Material related party transactions (Continued)

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of provision of property management services and consulting services to Binjiang Real Estate and its subsidiaries above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "CONTINUING CONNECTED TRANSACTIONS" of the Directors' Report.

The related party transactions in respect of using trademarks of Binjiang Real Estate, receiving rental and catering services from Binjiang Real Estate and Binjiang Catering, purchasing goods from Binjiang Real Estate above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

27 Company-level statement of financial position

	2019 *RMB'000*	2018 *RMB'000*
Non-current assets		
Investment in a subsidiary	87,111	87,111
Property, plant and equipment	698	—
	87,809	87,111
Current assets		
Trade and other receivables	6,198	69
Time deposits	328,514	—
Cash and cash equivalents	104,353	3
	439,065	72
Current liability		
Trade and other payables	10,953	9
	10,953	9
Net current assets	428,112	63
Total assets less current liabilities	515,921	87,174
NET ASSETS	515,921	87,174
CAPITAL AND RESERVES *(note 22(a))*		
Share capital	181	129
Reserves	515,740	87,045
TOTAL EQUITY	515,921	87,174

(Expressed in Renminbi Yuan unless otherwise indicated)

28 Non-adjusting events after the reporting period

Subsequent to the end of the reporting period, the directors proposed a final dividend and a special dividend. Further details are disclosed in note 22(c)(i).

29 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

30 Immediate and ultimate controlling party

At 31 December 2019, the directors consider the ultimate controlling party of the Group to be Mr. Qi Jinxing, an individual person.

At 31 December 2019, the directors consider the immediate parent of the Group to be Great Dragon Ventures Limited. This entity does not produce financial statements available for public use.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to *References to Conceptual Framework in IFRS Standards*	1 January 2020
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an Investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.