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**濱江服務**

BINJIANG SERVICE

**Binjiang Service Group Co. Ltd.**

**濱江服務集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3316)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Binjiang Service Group Co. Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for 2021. The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 24 March 2023.

### **HIGHLIGHTS**

#### **Financial performance of the Group**

- Revenue was approximately RMB1,982.6 million in 2022, representing an increase of approximately 41.7% as compared with approximately RMB1,398.9 million in 2021.
- Revenue generated from three business lines are as follows:
  - 1) Revenue from property management services was approximately RMB1,193.4 million in 2022, accounting for approximately 60.2% of the total revenue, representing an increase of approximately 42.0% as compared with approximately RMB840.5 million in 2021;
  - 2) Revenue from value-added services to non-property owners was approximately RMB540.2 million in 2022, accounting for approximately 27.2% of the total revenue, representing an increase of approximately 28.8% as compared with approximately RMB419.5 million in 2021; and

3) Revenue from 5S value-added services was approximately RMB249.0 million in 2022, accounting for approximately 12.6% of the total revenue, representing an increase of approximately 79.3% as compared with approximately RMB138.9 million in 2021.

- Gross profit was approximately RMB592.2 million in 2022, representing an increase of approximately 31.7% as compared with approximately RMB449.7 million in 2021. Gross profit margin was approximately 29.9% in 2022, representing a decrease of 2.2 percentage points as compared with approximately 32.1% in 2021. The gross profit margin of 5S value-added services decreased by 23.0 percentage points as compared with that in the corresponding period of 2021.
- Profit for the year was approximately RMB419.0 million, representing an increase of approximately 28.9% as compared with approximately RMB325.0 million in 2021. Profit attributable to equity shareholders of the Company for the Reporting Period was approximately RMB412.0 million, representing an increase of approximately 28.0% as compared with approximately RMB321.8 million for the corresponding period of 2021. Net profit margin was approximately 21.1%, representing a decrease of 2.1 percentage points as compared with net profit margin of approximately 23.2% for the corresponding period of last year. The adjusted amount of profit attributable to the equity shareholders of the Company for the Reporting Period (excluding the impact of withholding tax provision<sup>1</sup> deducted in the current year) which is a non-IFRS measure is approximately RMB438.9 million, representing an increase of approximately 36.4% compared with the amount of approximately RMB321.8 million in the same period in 2021.
- As at 31 December 2022, cash and cash equivalents were approximately RMB1,949.9 million, representing an increase of approximately 115.3% as compared with approximately RMB905.7 million as at 31 December 2021.
- Basic and diluted earnings per share was RMB1.49 in 2022, representing an increase of approximately RMB0.33 or 28.4% as compared with RMB1.16 in 2021.
- The GFA under management reached 42.0 million sq.m., representing a year-on-year increase of 40.1%. GFA under management developed by independent third parties reached 23.1 million sq.m., accounting for 55.0% of total GFA under management and representing a year-on-year increase of 6.8 percentage points. GFA under management newly acquired in 2022 reached 12.0 million sq.m., 72.1% of which was developed by independent third parties.
- Having considered the needs of business development of the Group and returns of shareholders of the Company, the Board recommends the payment of a final dividend for 2022 of HK\$1.001 per share. The dividend ratio of the year is approximately 60%.

1. **Note:** According to the corporate income tax laws of the People's Republic of China ("PRC") 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.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	4	<b>1,982,633</b>	1,398,947
Cost of sales		<u>(1,390,386)</u>	<u>(949,270)</u>
<b>Gross profit</b>		<b>592,247</b>	449,677
Other revenue	5	<b>15,126</b>	9,946
Other net income	5	<b>484</b>	808
Selling and marketing expenses		<b>(8,215)</b>	(3,766)
Administrative expenses		<b>(62,133)</b>	(53,599)
Impairment loss on trade receivables and contract assets		<b>(20,491)</b>	(12,140)
Other expenses		<u>(1,232)</u>	<u>(1,141)</u>
<b>Profit from operations</b>		<b>515,786</b>	389,785
Finance income		<b>44,593</b>	32,861
Finance costs		<u>(2,744)</u>	<u>(689)</u>
<b>Net finance income</b>	6	<b>41,849</b>	32,172
Share of profits less losses of associates		<b>2,643</b>	1,357
Share of profits less losses of a joint venture		<u>786</u>	<u>(96)</u>
<b>Profit before taxation</b>	6	<b>561,064</b>	423,218
Income tax	7	<u>(142,096)</u>	<u>(98,197)</u>
<b>Profit for the year</b>		<b><u>418,968</u></b>	<b><u>325,021</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>411,995</b>	321,751
Non-controlling interests		<u>6,973</u>	<u>3,270</u>
		<b><u>418,968</u></b>	<b><u>325,021</u></b>

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Profit for the year</b>		<b>418,968</b>	325,021
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		<b>10,325</b>	(6,543)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(6,596)</u>	<u>2,665</u>
<b>Total comprehensive income for the year</b>		<b><u>422,697</u></b>	<b><u>321,143</u></b>
Attributable to:			
Equity shareholders of the Company		<b>415,724</b>	317,873
Non-controlling interests		<b><u>6,973</u></b>	<u>3,270</u>
<b>Total comprehensive income for the year</b>		<b><u>422,697</u></b>	<b><u>321,143</u></b>
<b>Earnings per share</b>	8		
Basic and diluted ( <i>RMB</i> )		<b><u>1.49</u></b>	<b><u>1.16</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Non-current assets</b>			
Investment properties		<b>425</b>	1,275
Property, plant and equipment		<b>26,486</b>	19,030
Investment in associates		<b>7,932</b>	5,289
Investment in a joint venture		<b>1,200</b>	414
Deferred tax assets		<b>25,677</b>	18,950
Time deposits		<b>283,777</b>	154,158
Prepayments		<b>8,425</b>	3,270
		<u><b>353,922</b></u>	<u>202,386</u>
<b>Current assets</b>			
Inventories		<b>147,499</b>	79,031
Contract assets		<b>9,064</b>	—
Trade and other receivables	<i>10</i>	<b>343,471</b>	173,390
Financial assets at fair value through profit or loss ("FVPL")		<b>—</b>	24,044
Time deposits		<b>132,133</b>	243,019
Restricted bank balances		<b>58,012</b>	57,020
Cash and cash equivalents		<b>1,949,891</b>	905,746
		<u><b>2,640,070</b></u>	<u>1,482,250</u>
<b>Current liabilities</b>			
Contract liabilities		<b>907,338</b>	143,630
Trade and other payables	<i>11</i>	<b>672,445</b>	495,865
Lease liabilities		<b>454</b>	1,586
Current taxation		<b>100,564</b>	69,876
		<u><b>1,680,801</b></u>	<u>710,957</u>
<b>Net current assets</b>		<u><b>959,269</b></u>	<u>771,293</u>
<b>Total assets less current liabilities</b>		<u><b>1,313,191</b></u>	<u>973,679</u>

	<i>Note</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current liability</b>			
Lease liabilities		—	119
Deferred tax liabilities		<u>26,883</u>	<u>—</u>
<b>NET ASSETS</b>		<b><u>1,286,308</u></b>	<b><u>973,560</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital		181	181
Reserves		<u>1,246,073</u>	<u>941,408</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,246,254</b>	<b>941,589</b>
<b>Non-controlling interests</b>		<b><u>40,054</u></b>	<b><u>31,971</u></b>
<b>TOTAL EQUITY</b>		<b><u>1,286,308</u></b>	<b><u>973,560</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## 1 Significant accounting policies

### (a) Statement of compliance

These 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 requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

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

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

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group’s interest in associates and a joint venture.

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 measured as fair value through profit or loss which are stated at their fair value.

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

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

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

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

### **(c) Changes in accounting policies**

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendment to IFRS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IFRS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## **2 Accounting judgement and estimates**

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

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

**(i) Impairment for trade and other receivables and contract assets**

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

**(ii) Recognition of deferred tax assets**

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

### **3 Segment reporting**

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

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

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

## 4 Revenue

The principal activities of the Group are property management services, value-added services to non-property owners and 5S value-added services.

Revenue represents income from property management services, value-added services to non-property owners and 5S value-added services.

The amount of each significant category of revenue are as follows:

	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
<b>Revenue recognised over time:</b>		
Property management services	<b>1,193,447</b>	840,546
Value-added services to non-property owners	<b>540,187</b>	419,542
5S value-added services	<b>142,142</b>	40,921
	<b>1,875,776</b>	1,301,009
<b>Revenue recognised at point in time:</b>		
5S value-added services	<b>105,726</b>	97,016
	<b>1,981,502</b>	1,398,025
<b>Revenue from other sources</b>		
<b>5S value-added services</b>		
— Rental income from investment properties	<b>1,131</b>	922
	<b>1,982,633</b>	1,398,947

## 5 Other revenue and other net income

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Other revenue</b>		
Government grants ( <i>note (i)</i> )	7,653	6,676
Value-added tax deductible ( <i>note (ii)</i> )	4,384	2,754
Others	3,089	516
	<u>15,126</u>	<u>9,946</u>

- (i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities.
- (ii) Value-added tax deductible mainly included additional deduction of input value-added tax applicable to certain subsidiaries of the Group.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Other net income</b>		
Net loss on disposal of property, plant and equipment	(106)	(524)
Net realised and unrealised gains on FVPL	160	408
Net foreign exchange gains	430	924
	<u>484</u>	<u>808</u>

## 6 Profit before taxation

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

### (a) Net finance income

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on bank deposits	(44,593)	(32,861)
Interest expense on advance payments from customers	2,669	553
Interest on lease liabilities	75	136
	<u>          </u>	<u>          </u>
Net finance income	<u><u>(41,849)</u></u>	<u><u>(32,172)</u></u>

### (b) Staff costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries and other benefits	738,272	552,039
Contributions to defined contribution scheme	56,138	49,773
	<u>          </u>	<u>          </u>
	<u><u>794,410</u></u>	<u><u>601,812</u></u>
<b>Included in:</b>		
Cost of sales	757,113	569,129
Administrative expenses	35,497	30,968
Selling and marketing expenses	1,800	1,715
	<u>          </u>	<u>          </u>
	<u><u>794,410</u></u>	<u><u>601,812</u></u>

(c) **Other items**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation		
— owned property, plant and equipment	5,704	4,219
— right-of-use assets	1,387	1,035
— investment properties	850	849
	<u>7,941</u>	<u>6,103</u>
Expenses related to short-term leases	8,283	5,950
Auditors' remuneration		
— annual audit services	1,900	1,700
— review services	500	500
— other services	214	85
Cost of inventories	16,841	13,223

**7 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:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current tax</b>		
PRC Corporate Income Tax	120,245	104,541
Under-provision in respect of prior years	1,695	86
	<u>121,940</u>	<u>104,627</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(6,727)	(6,430)
Withholding tax on the profits of the Group's PRC subsidiaries	26,883	—
	<u>20,156</u>	<u>(6,430)</u>
	<u>142,096</u>	<u>98,197</u>

## 8 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB411,995,000 (2021: RMB321,751,000) and the weighted average number of 276,407,000 shares in issue during the year ended 31 December 2022 (2021: weighted average number of 276,407,000 shares).

There were no dilutive potential shares outstanding for the years ended 31 December 2022 and 2021 and therefore the diluted earnings per share are same as the basic earnings per share.

## 9 Dividends

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interim dividend of HKD nil per share after the consolidated statement of interim financial position date (2021: interim dividend of HKD0.379 per share after the consolidated statement of interim financial position date)	—	86,996
Final dividend of HKD 1.001 per share proposed after the consolidated statement of financial position date (2021: final dividend of HKD0.473 per share proposed after the consolidated statement of financial position date)	<u>247,197</u>	<u>106,055</u>
	<u><u>247,197</u></u>	<u><u>193,051</u></u>

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.473 per share (2021: final dividend of HKD0.564 per share)	<u><b>111,059</b></u>	<u>131,632</u>

**10 Trade and other receivables**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables		
— third parties	<b>253,161</b>	110,298
— related parties	<b>62,326</b>	64,170
	<u><b>315,487</b></u>	<u>174,468</u>
Less: Allowance for impairment of trade receivables		
— third parties	<b>(49,246)</b>	(31,306)
— related parties	<b>(2,271)</b>	—
	<u><b>(51,517)</b></u>	<u>(31,306)</u>
Trade receivables, net of loss allowance	<b>263,970</b>	143,162
Other receivables from related parties	<b>1,524</b>	1,061
Deposits and prepayments	<b>41,196</b>	20,545
Payments on behalf of property owners	<b>14,410</b>	5,070
Advances to employees	<b>2,357</b>	1,277
Other receivables	<b>20,014</b>	2,275
	<u><b>343,471</b></u>	<u>173,390</u>

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

(a) Ageing analysis

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<b>257,725</b>	141,436
1 to 2 years	<b>6,245</b>	1,726
	<b>263,970</b>	143,162

**11 Trade and other payables**

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<b>130,399</b>	59,165
— third parties	<b>128,232</b>	57,178
— related parties	<b>2,167</b>	1,987
Other payables due to related parties	<b>54,511</b>	23,959
Deposits	<b>43,479</b>	44,915
Other taxes and charges payable	<b>81,742</b>	14,852
Accrued payroll and other benefits	<b>174,467</b>	165,812
Cash collected on behalf of the property owners' associations	<b>39,476</b>	56,970
Temporary receipts from property owners	<b>116,929</b>	122,304
Other payables and accruals	<b>31,442</b>	7,888
	<b>672,445</b>	495,865

As at the end of the reporting period, the ageing analysis of trade payables due to related parties and third parties, based on invoice date is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 month or on demand	<b>128,466</b>	56,498
After 3 months but within 1 year	<b>308</b>	28
Over 1 year	<b>1,625</b>	2,639
	<b><u>130,399</u></b>	<u>59,165</u>

## **Chairman’s Statement**

To all Shareholders,

Thank you for your trust in and support to the Group. On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2022.

In 2022, the National Development and Reform Commission (NDRC) issued the “Implementation Plan for the New Type of Urbanization in the 14th Five-Year Plan”, which mentioned the need to improve the level of governance of and service to subdistrict communities and promote the standardization of community services under the current development situation. It is clearly pointed out that the coverage of property services shall be increased, pilot projects for standardization of property services shall be launched, and the management of property services shall be improved. Property service is an important part of subdistrict community governance. The Group will continue to actively respond to the government’s call to combine its own services with assistance in governance and contribute to the orderly development of society.

### **Continuously utilizing the quality for brand building**

In 2022, in accordance with the direction of the Board for the continuous maintenance and effective enhancement of service quality, the Group, under the leadership of the management, has solidly and steadily pushed forward the implementation of various tasks, based on adhering to quality services and establishing brand development as its strategy, continuously reinforcing its competitiveness and continuously promoting sound corporate development.

The Group adheres to its mission of providing high-quality services and strives to become a top property management brand in China and a benchmark in Zhejiang, and has strictly implemented the service quality standards of the Company, and implemented the responsibility with grid management. Consisting of the three-level inspection system based on the headquarters, regions and projects, the Group continues to carry out regular and comprehensive quality inspection actions and issue summary reports to urge rectification. Meanwhile, supplemented by remote management, satisfaction survey and other methods, the Group firmly controls project service quality. On the basis of the previous inspections, the Group further clarified the inspection standards and rectification requirements, implemented rectifications on schedule, and helped to solve difficult and complicated problems. By improving the reward and punishment mechanism and sharing solutions, the Group is committed to consolidating and improving the quality of property management services. In addition, the Group attaches great importance to safety issues, strengthens safety awareness, establishes a safety responsibility linkage system and earnestly carries out safety inspections of projects.

## Continuously utilizing the Group's brand for market expansion

The Group continues to adhere to its quality expansion strategy, and strives to promote growth by utilizing its brand name and use projects under management as the main window for outward expansion. As at 31 December 2022, the gross floor area currently managed by the Group (“**GFA under management**”) under signed property management contracts was approximately 42.0 million sq.m., representing an increase of 40.1% as compared with the corresponding period of last year. GFA under management developed by independent third parties reached 23.1 million sq.m., accounting for 55.0% of total GFA under management and representing an increase of 6.8 percentage points as compared with the corresponding period of last year. GFA under management newly acquired during 2022 reached 12.0 million sq.m., 72.1% of which were developed by independent third parties.

As at 31 December 2022, the GFA managed under signed property management contracts (“**contracted GFA**”) was approximately 69.1 million sq.m., representing an increase of 38.7% as compared with the corresponding period of last year. Contracted GFA newly acquired during 2022 reached 19.3 million sq.m., 59.1% of which were developed by independent third parties.

In addition to its existing 13 strategic partners, the Group commenced its cooperation with Wancheng Group (萬城集團) in Haining, Jiaxing, Zhejiang province and Xianhua Investment (仙華投資) in Pujiang County, Jinhua City in 2022, and having made its debut in Haining for the first time, the Group successfully obtained 4 projects by virtue of its reputation and quality. The Group also expanded to Shenzhen in Guangdong province during the year, and had contracted projects in 18 cities in total. The contracted GFA of Ningbo in Zhejiang Province and Shanghai increased by 155.1% and 135.8% respectively from the end of 2021. At the same time, the Group is actively launching Landing Strategy through pursuing the development of benchmark projects in the regions it has entered. In 2022, the Group has moved into a number of projects in the Shanghai region through expansion. With project upgrading and service standard upgrading as the two main focuses, the Group aims to provide high-quality projects with quality services and strive for the benchmark of Shanghai first-class property service demonstration projects. In addition, after expanding its presence in Hainan Province in 2021, the Group has expanded its service territory again and won the tender for a new project in Haikou City, Hainan Province in 2022 through cooperation with its strategic partner Jiayuan Property. The Group attaches great importance to market expansion, consolidating the strength of the headquarter expansion team and adding new key regional development teams to continue to cultivate the target markets.

The Group is committed to bringing quality services to more owners. In terms of inventory projects, in 2022, the Group won the bid of a residential project in Wulin Waitan of Hangzhou, and the monthly property management fee was RMB6.8 per sq.m.; besides, the Group also won the bid of a residential project in Shanghai, Top of The City (大華錦繡華城) (Shanghai Feile Park (上海斐勒公園)) with an annual contract value of nearly RMB20 million. In terms of the reserve projects, the monthly property management fees of the newly signed Hangzhou Luna Mansion (海潮望月城) Project and Tianlan Coastal Apartment\*(天瀾海岸公寓) Project are RMB5.95 per sq.m. and RMB5.1 per sq.m., respectively, which shows the owners' recognition of the Group's service quality and brand reputation. In addition, the Group strives to broaden its service boundary by adding new elderly-related properties and urban services in 2022. The Group will continue to provide land reserve management services for the Hangzhou Municipal Bureau of Land, actively expanding its experience and enhancing its comprehensive service capability.

### **Continuously utilizing concentration to promote value-added services**

By virtue of its excellent brand reputation, the Group gave full play to its concentration advantage, and gradually promoted 5S value-added services based on exploring the needs of property owners and matching its own resources, that is, it continues to provide quality services for one-stop care and maintenance of housing assets.

During the year, the Group actively developed and promoted the 5S value-added services, among which, the Youjia (優家) services has become increasingly influential in the target market with its high standards and stringent requirements. The second-hand property sales have achieved initial results. The rental and sale business covers more than 70 communities in Hangzhou. In the future, the Group will continue to actively promote and expand the scope of its business.

In terms of Youju (優居) services, the Group focuses on the practical needs of the owners, and in terms of "Living Home" services, the Group has transformed the business direction from the original partial cabinet configuration to overall decoration. The interior design service will be promoted simultaneously through a combination of internal and external cooperation, and the furnishing business will be further implemented to explore the Group's expertise in the upgrading of equipment and facilities.

In addition, the Group will continue to develop home living services such as Youxiang living services (優享生活), and will rely on its existing resources and brand image to provide its customers with thoughtful and quality services.

## **Continuously improving management through standardization**

The Group has put great efforts in promoting the standardization of products and management. The Group has promoted the establishment of standardized leadership teams for property quality management, cost control management, pre-property services and site services management, and implemented the mechanism of comparison, learning and inspections from the aspects of hard facilities and soft services of projects. On the basis of its original system, the Group deepened the standardization system, actively responded to the work requirements of energy conservation, environmental protection and consumption reduction, and strengthened expense and cost control while the service process is not shortened, the standard and quality of service is not reduced, and the quality brand image is established. The Group will summarize management experience and market feedback to make standardization become the basis of quality service and efficient management.

The Group continued to strengthen the construction of informatization and intellectualization to fully utilize the support of information technology for business management. The Group has optimized and upgraded the functions of its internal financial and human resources management systems, and fully promoted the application programs in the projects. The Group will combine its online system and offline facilities to provide better service experience to our owners while enhancing its management efficiency.

The Group attached great importance to staff reserve and training. In 2022, the Group further strengthened the construction of talent echelons and actively built up its internal talent pool. The Group has increased university-enterprise cooperation, and established four new strategic cooperative universities; meanwhile, it has intensified efforts to introduce, train and reserve key personnel, and improved the personnel training mechanism with the help of various professional courses in the online training platform “Binjiang Academy”.

## **Honors**

During the Reporting Period, the Group ranked 14th among the Top 100 Property Management Service Brands selected by CIA, and won the titles of “2022 Outstanding Residential Property Service Provider in China” (2022中國住宅物業服務力優秀企業) and “TOP 10 Outstanding Property Service Providers in Hangzhou” (杭州物業服務優秀企業TOP 10) granted by CIA, and the “Quality Service Provider for the City” (城市美好服務商) awarded by Tianmu News, and ranked 28th among the 2022 Top 100 Blue Chip Property Companies granted by the Economic Observer. During the Reporting Period, the projects under the Group’s management received 148 awards in total. Some of the awards are as follows:

Pinghu Wanjia Flower City Xingheyuan\*, Jiande Guanlan Mansion\*, Wulin No. 1 Apartment\* and Golden Landing were awarded as “Residential Area with Chinese Garden in Zhejiang\* (浙江省園林式居住區)” by the Zhejiang Branch of the Ministry of Housing and Urban-Rural Development of the PRC (浙江省住房和城鄉建設廳). Xijiangyue Garden\* and Xiujin community\* were awarded as “Residential Area with Chinese Garden in Jinhua\* (金華園林式居住區)” by Jinhua Bureau of Housing and Urban Rural Construction (金華市住建局). Xixi Mingzhu Apartment\*, Qiandaohu Dongfang Hai'an\*, Baifeng Longyue Mansion\*, Haiming Yayuan\*, Lansong Aofu\*, Yupinwan\* and Xingyi Jiayuan\* were awarded as “Model Community for Residential Area in Hangzhou (杭州市美好家園住宅示範小區)” by the Hangzhou Housing Security and Management Bureau (杭州市住房保障和房產管理局). Wulin No. 1 Apartment\* was awarded as “Benchmark Unit of Water Saving in Zhejiang Province (浙江省節水標桿單位)” by Zhejiang Provincial Water Resources Department (浙江省水利廳). Yupinwan\* was awarded as “2022 Provincial Water-efficient Communities (2022年省級節水型小區)” issued by Zhejiang Branch of the Ministry of Housing and Urban-Rural Development of the PRC (浙江省住房和城鄉建設廳). Shangrao Zhuxili\* was awarded as “First Place for Civilized Community (文明小區第一名)” by Guangxin Housing and Urban-Rural Development Bureau of Shangrao City (上饒市廣信區住房和城鄉建設局), the “Garden Style Residential Community of Shangrao City (上饒市文明小區園林式住宅小區)” by Shangrao City Urban Management Committee (上饒市城市管理委員會) and the “Garden Style Residential Community of Jiangxi Province (江西省園林式居住區)” by Jiangxi Urban Construction Management Association (江西省城市建設管理協會). Shuangwan International City\* was awarded as “Demonstration Community of Household Waste Classification in Zhejiang Province (浙江省生活垃圾分類示範小區)”. Quzhou Yujiangnan\* was awarded as “Quzhou Property Service Demonstration Project (衢州市物業服務示範項目)”. Yiwu Park No. 1\* was awarded as “Yiwu Property Management Demonstration Project (義烏市物業管理示範項目)” by Yiwu Housing and Urban-Rural Development Bureau (義烏市住房和城鄉建設局). Shanghai Binjiang Park No. 1\* was awarded as “Shanghai Excellent Community (上海市優秀小區)”. Zijinfu\* and Quzhou Chunjiangyue\* were awarded as “Five Stars Property Service Project in China (中國五星級物業服務項目)” issued by Beijing China Index Academy.

The Group has actively organized various community activities. In May 2022, the Group and Tianmu Media Co., Ltd. (天目新聞, a subsidiary of Zhejiang Daily Group) co-organized a short video filming activity for the owners of Binjiang service properties, “Find Your Light” (尋找你的光). At the end of the activity, Tianmu Media’s “Chaoke” (潮客) channel received over 200 short videos under the #findyourlight# (# 尋找你的光#) hashtag. The videos covered a wide variety of community activities and the number of likes was over 700,000 times, which gained wide attention and praise. In 2022, the Group proposed to carry out an elderly accompanying plan, the “Ginkgo Service” (銀杏服務) plan, advocating that the property management staff shall visit the elderly regularly and pair with the elderly living alone, so that they can experience the warm and intimate service and care.

There is no limit to serve with quality. The Group will continue to assume its social responsibilities in alignment with its corporate reputation.

*Chairman*  
**Zhu Lidong**

Hong Kong, PRC, 24 March 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Looking back to 2022, the Group maintained steady growth and continued to develop and take root in the Yangtze River Delta, further expanding its operations within Yangtze River Delta. The Group has a total of 155 subsidiaries and branches across the Zhejiang Province, Shanghai, Jiangsu Province, Jiangxi Province, Hainan Province and Guangdong Province in China. Moreover, the Group has recorded sizeable increase in both GFA under management and the contracted GFA. As of 31 December 2022, the GFA under management was approximately 42.0 million sq.m., representing a year-on-year increase of 40.1%. The contracted GFA was approximately 69.1 million sq.m., representing a year-on-year increase of 38.7%, which will strongly support the business growth of the Group.

For the year ended 31 December 2022, the Group's revenue increased by 41.7% to RMB1,982.6 million. The Group's gross profit increased by 31.7% from the corresponding period of 2021 to RMB592.2 million. The Group's gross profit margin decreased by 2.2 percentage points from the corresponding period of 2021 to 29.9%. Revenue generated from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB1,193.4 million, RMB540.2 million and RMB249.0 million, respectively. In 2022, the average monthly property management fee of the Group was approximately RMB4.26 per sq.m. (2021: RMB4.30 per sq.m.), calculated by dividing the property management fee income for the Reporting Period by the average chargeable GFA at the beginning and the end of the Reporting Period. Leveraging its brand recognition and industry influence, the Group was able to charge relatively higher property management fee for its quality property management services. From 2015 to 2022, the Group increased management fee 45 times (次).

The Group provided high-quality services that are tailored to its customers' needs and maintained its brand recognition and awareness. Its ranking increased to 14th among the top 100 property management service brands selected by CIA, and won the titles of "2022 Outstanding Residential Property Service Provider in China" (2022中國住宅物業服務力優秀企業) and "TOP 10 Outstanding Property Service Providers in Hangzhou" (杭州物業服務優秀企業TOP 10) granted by CIA, and the "Quality Service Provider for the City" (城市美好服務商) awarded by Tianmu News, and ranked 28th among the 2022 Top 100 Blue Chip Property Companies granted by the Economic Observer. As the Group's quality services are highly recognised within the region, Hangzhou Binjiang Investment Holdings Co., Ltd.\* (杭州濱江投資控股有限公司), (the "**Binjiang Holdings**") and its subsidiaries (collectively, the "**Binjiang Group**"), a leading property developer in China, have established close business relationship with the Group and continuously provided a large number of premium properties to the Group. In 2022, the total annual sales of Binjiang Group amounted to RMB153.9 billion, ranking 13th in the list of national real estate enterprises of China Real Estate Information Corporation ("**CRIC**") (克而瑞), which was 9 places higher than that of the same period last year. In addition, the Group acquired 41 pieces of quality land in total, 38 of which were in Hangzhou.

Leveraging its high-quality services, the Group was able to expand its business through various channels and undertake a wide range of projects, including but not limited to undertaking government projects, maintaining good relationships with strategic partners and expanding its direct sales. During the year, the Group actively promoted the third-party project expansion strategy. As of 31 December 2022, the Group's newly-added contracted GFA from independent third party reached 11.4 million square meters, accounting for 59.1% of the total new contracted GFA. The 23.1 million square meters of GFA under management derived from independent third parties, representing a year-on-year increase of 60.0%. Revenue generated from property management services provided to projects developed by independent third parties amounted to RMB536.8 million, representing a year-on-year increase of 93.3%. In respect of diversifying the type of management business, the Group increased management projects including hospitals, elderly care services and high-tech research institutes. In respect of regional expansion, the Group increased projects in Shenzhen, Guangdong Province.

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

## **BUSINESS MODELS OF THE GROUP**

Due to the expansion of services, the Group committed itself to becoming the owner's trusted property management and maintenance provider and positioned its 5S value-added services as a driver of future profit growth in strict accordance with the strategic deployment of the Board. The management classified business segments into property management services, value-added services to non-property owners and 5S value-added services, forming an entire value chain of comprehensive services within property management.

**Property management services.** The Group provides property owners with a series of high-quality property management services, including security, cleaning, gardening, repair, maintenance and ancillary services, and charges service fee from residents and property owners or real estate developers of such properties under our management for property management services. In addition, the Group provides land reserve management services, primarily including land management and maintenance, green planting and maintenance, wall and fence painting works, muck removal and transportation, installation and management of monitoring devices, and others.

**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 and display units and providing property sales venue management services to property developers during the pre-delivery stage of property sales. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.

**5S value-added services.** The Group also provides 5S value-added services to property owners, including three major businesses, namely Youjia services, Youju services and Youxiang living services.

Youjia services include the primary and secondary property sales and leasing agency services, car parking space and storage room services. The Group is committed to providing seamless services for customers with its own resources.

Youju services include the furnishing services. It adheres to its “Living Home” interior services concept to provide customers with elegant, stylish, modern and customized furnishing services and interior design services, home decoration services and facility upgrade services and maintenance.

Youxiang living services include home living services. In view of the different functions in residential and non-residential properties, the Group provides additional services that are tailored to its customers’ needs.

It has been the strategic objective of the Group to expand its managed area. The Group seeks 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 2022 and 2021:

	As at 31 December 2022		As at 31 December 2021	
	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	49,783	29,948	35,488	19,955
Addition	19,853	12,600	14,330	10,028
Termination	(578)	(578)	(35)	(35)
At the end of the year	<u>69,058</u>	<u>41,970</u>	<u>49,783</u>	<u>29,948</u>

**Note:** As of 31 December 2022, the Group had 451 contracted projects and the contracted GFA was 69.1 million sq.m. (as of December 31, 2021: 315 projects of 49.8 million sq.m.). Contracted GFA refers to the GFA managed or to be managed by the Group under signed management contracts.

The table below sets forth the breakdown of the Group’s total property management services revenue, GFA under management and number of projects by type of properties during 2022 and 2021:

	As at 31 December 2022			As at 31 December 2021		
	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	837,858	32,782	189	667,003	23,635	132
Non-residential	339,468	9,188	97	160,099	6,313	64
Land management	16,121	—	—	13,444	—	—
Total	<u>1,193,447</u>	<u>41,970</u>	<u>286</u>	<u>840,546</u>	<u>29,948</u>	<u>196</u>

The table below sets forth the breakdown of the Group's total revenue from property management services, GFA under management and number of projects by type of developers of 2022 and 2021:

	As at 31 December 2022			As at 31 December 2021		
	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	<b>640,497</b>	<b>18,863</b>	<b>114</b>	549,434	15,510	89
— early stage	<b>365,561</b>	<b>12,580</b>	<b>75</b>	295,448	8,756	53
— property owners' association stage	<b>274,936</b>	<b>6,283</b>	<b>39</b>	253,986	6,754	36
Properties developed by independent property developers	<b>536,829</b>	<b>23,107</b>	<b>172</b>	277,668	14,438	107
— early stage	<b>341,984</b>	<b>17,168</b>	<b>136</b>	179,046	10,584	80
— property owners' association stage	<b>194,845</b>	<b>5,939</b>	<b>36</b>	98,622	3,854	27
Land management	<b>16,121</b>	—	—	13,444	—	—
Total	<b><u>1,193,447</u></b>	<b><u>41,970</u></b>	<b><u>286</u></b>	<b><u>840,546</u></b>	<b><u>29,948</u></b>	<b><u>196</u></b>

The table below sets forth the breakdown of the Group's total revenue from property management services, GFA under management and number of projects by geographic regions of 2022 and 2021:

	As at 31 December 2022			As at 31 December 2021		
	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	901,346	27,072	202	617,793	19,184	133
Zhejiang province (excluding Hangzhou)	259,453	13,253	73	206,098	9,980	58
Outside Zhejiang province	32,648	1,645	11	16,655	784	5
Total	<u>1,193,447</u>	<u>41,970</u>	<u>286</u>	<u>840,546</u>	<u>29,948</u>	<u>196</u>

The table below sets forth the distribution of contracted GFA of the Group in five major cities:

	Contracted GFA ( '000 sq.m.)	Percentage of the total contracted GFA	Developed by the independent third parties	Number of projects
Hangzhou	40,987	59.4%	44.5%	294
Jinhua	9,336	13.5%	70.2%	49
Jiaxing	4,777	6.9%	57.3%	34
Shaoxing	2,639	3.8%	75.3%	13
Ningbo	2,367	3.4%	67.2%	11

## **FUTURE PROSPECTS**

### ***Further promotion of quality brand building***

The Group will continue to strengthen its brand responsibility, and strive to become a brand leader in the property industry, and a high-end quality standard setter.

The Group will set up standardization leading groups for property quality, project cost control and management, preliminary service and site service management to further develop its service standardization model and create customized services. The Group strives to become a top property management brand in China and a benchmark in Zhejiang. Through providing effective and consistent services, the Group will gain higher brand value and sustainable market competitiveness. The Group will improve its regular quality inspections and enhance and expand the monitoring of its daily quality control through unannounced inspections, project safety inspections and daily inspections by regional property departments. In addition, the Group will focus on improving the quality of security service and safety management, customer service staff's service quality and information feedback, timely and accurate engineering maintenance and other aspects of soft services, so as to ensure the long-lasting quality of projects under management with up-to-date service standards.

### ***Further expansion of business scale and market share***

The property management service industry in China is increasingly concentrated. In the future, the Group will continue to expand its brand influence, expand the region mainly in the Yangtze River Delta, and strive to be in the middle and upper reaches of the industry with its quality and reputation being the first-class in China. The Group intends to leverage its success in the luxury market in the Yangtze River Delta and its existing service management systems and standards to expand its current market share and to further penetrate new markets. The Group utilizes a benchmark model where it takes root within the region once a benchmark property has been established within. Focusing in Hangzhou and taking root in the Yangtze River Delta, the Group will focus on the operation in the existing markets and strategically expand its business coverage in eastern China. The Group will also explore opportunities in Greater Bay Area and the mid-west China. The trend for the quality expansion and high-quality development of the Group has been basically formed. In the future, the Group will strive to initiate a project in one year, develop the project in three years and optimize it in five years. The expansion of Jinhua region has already achieved initial results, and the Group will develop Shanghai and Ningbo and other key regions.

In addition, the Group also actively expands its business into healthcare, schools, urban services and other industries to strengthen its comprehensive service capabilities.

### ***Introduction of various services***

Based on the demand of property owners, the Group strives to become a trustworthy property manager and caretaker for property owners by leveraging on its professional property products and services. The Group will develop value-added service systems focusing on 5S, which includes Youjia services, Youju services and Youxiang living services. All business lines of 5S value-added services will provide business opportunities to other business segments and complement services provided by such segments, becoming a new driver for profit growth within the Company. The intermediary business of Youjia services has achieved initial results. In the future, the Group can continue to actively promote the expansion of its business scope and jointly promote Youju services. In terms of Youju services, the Group has transformed the business direction from the original partial cabinet configuration of Living Home to overall decoration. The Group will adopt the cooperation mode of internal and external combination to promote the interior design services, and further implement furnishing business, to promote the expansion of 5S value-added service area. In addition, the Group will capitalize its advantages of the existing platform to establish strategic partnerships through various channels and expand its service coverage. The Group will continue to maintain and seek for additional partnership opportunities with well-known enterprises in the industry, promoting and replicating its successful partnership model.

### ***Further improvement of management and operation systems***

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

The Group continues to implement standardization, actively benchmarks outstanding peers to improve its own management level, and is committed to making the brand of the Group better with stronger capability and better reputation. All departments of the Group will try their best to cooperate and support the commitments of the Group.

## Financial Review

The Group's revenue was generated from three main business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) 5S value-added services. During the Reporting Period, (i) the property management services is the largest source of revenue and profit for the Group, accounting for 60.2% of total revenue; (ii) value-added services to non-property owners was the second largest source of revenue for the Group, accounting for 27.2% of total revenue.

	2022		2021		Changes
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>%</i>
<b>Property management services</b>	<b>1,193,447</b>	<b>60.2</b>	840,546	60.1	42.0
Property management services for residential properties	<b>837,858</b>	<b>42.3</b>	667,003	47.7	25.6
Property management services for non-residential properties	<b>339,468</b>	<b>17.1</b>	160,099	11.4	112.0
Land management	<b>16,121</b>	<b>0.8</b>	13,444	1.0	19.9
<b>Value-added services to non-property owners</b>	<b>540,187</b>	<b>27.2</b>	419,542	30.0	28.8
Pre-delivery services	<b>509,680</b>	<b>25.7</b>	394,618	28.2	29.2
Consulting services	<b>21,609</b>	<b>1.1</b>	18,248	1.3	18.4
Community space services	<b>8,898</b>	<b>0.4</b>	6,676	0.5	33.3
<b>5S value-added services</b>	<b>248,999</b>	<b>12.6</b>	138,859	9.9	79.3
Youjia services	<b>91,209</b>	<b>4.6</b>	91,825	6.6	-0.7
Youju services	<b>116,872</b>	<b>5.9</b>	6,113	0.4	1,811.9
Youxiang living services	<b>40,918</b>	<b>2.1</b>	40,921	2.9	0.0
<b>Total</b>	<b><u>1,982,633</u></b>	<b><u>100</u></b>	<b><u>1,398,947</u></b>	<b><u>100.0</u></b>	<b><u>41.7</u></b>

**Property management services** consist of security, cleaning, gardening, repair, maintenance, land management and ancillary services. Revenue generated from property management services amounted to RMB1,193.4 million, representing an increase of 42.0% as compared with RMB840.5 million in 2021. It was the Group's main source of revenue and accounted for 60.2% of total revenue in 2022. The increase in revenue was mainly because of the increase in the number of projects. Revenue generated from the provision of property management services to properties solely developed by Binjiang Group or its associates or jointly developed with other parties was RMB640.5 million, and accounted for 53.7% of revenue from property management services in 2022. Leveraging on its leading position in traditional property business, the Group aggressively expanded business to cover properties developed by the independent third parties and properties outside Hangzhou. For the year ended 31 December 2022, the revenue from property management services for properties developed by the independent third parties amounted to RMB536.8 million, representing an increase of 93.3% as compared with 2021; and the revenue from property management services for properties outside Hangzhou amounted to RMB292.1 million, representing an increase of 31.2% as compared with 2021. In relation to the reserve land management service of the Group, for the year ended 31 December 2022, the revenue from land management services amounted to RMB16.1 million.

**Value-added services to non-property owners** mainly include pre-delivery services, consulting services and community space services. Revenue generated from value-added services to non-property owners amounted to RMB540.2 million, representing an increase of 28.8% as compared with RMB419.5 million in 2021, and accounted for approximately 27.2% of the Group's total revenue in 2022. The increase in revenue was mainly due to the increase in the number of new site projects.

**5S Value-added services** mainly composed of Youjia services, Youju services and Youxiang living services. Revenue generated from 5S value-added services amounted to RMB249.0 million, representing an increase of 79.3% as compared with RMB138.9 million in 2021, and accounted for approximately 12.6% of the Group's total revenue in 2022. The increase was mainly due to the rapid development of home decoration services of Youju services, resulting in an increase in the income during the year.

## Gross profit and gross profit margin

Based on the above factors, the Group's gross profit for the year increased by 31.7% from RMB449.7 million in 2021 to RMB592.2 million in 2022. The Group's gross profit margin decreased by 2.2 percentage points from 32.1% in 2021 to 29.9% in 2022, mainly due to an increase in income resulting from the rapid development of home decoration services of Youju services business among 5S value-added services.

	2022		2021	
	<i>Gross Profit</i> <i>RMB'000</i>	<i>Gross profit</i> <i>margin %</i>	<i>Gross Profit</i> <i>RMB'000</i>	<i>Gross profit</i> <i>margin %</i>
Property management services	<b>228,383</b>	<b>19.1</b>	161,341	19.2
Value-added services to non-property owners	<b>243,562</b>	<b>45.1</b>	189,314	45.1
5S value-added services	<b>120,302</b>	<b>48.3</b>	99,022	71.3
Total	<b><u>592,247</u></b>	<b><u>29.9</u></b>	<b><u>449,677</u></b>	<b><u>32.1</u></b>

Gross profit of property management services increased by 41.6% from RMB161.3 million in 2021 to RMB228.4 million in 2022, and gross margin of 19.1% in 2022 was almost unchanged from 2021. In 2022, leveraging on its strong brand name, the Group was able to maintain the continuous increase in revenue by providing services for high value properties. In addition, through the upgrade of operation system, operation efficiency was improved to effectively control cost while the quality of services was maintained.

Gross profit of value-added services to non-property owners increased by 28.7% from RMB189.3 million in 2021 to RMB243.6 million in 2022, and gross profit margin of 45.1% was unchanged from 2021.

Gross profit of 5S value-added services increased by 21.5% from RMB99.0 million in 2021 to RMB120.3 million in 2022, and gross profit margin decreased from 71.3% in 2021 to 48.3% in 2022. The increase in gross profit was mainly due to an increase in income resulting from the rapid development of home decoration services of Youju services.

## Cost of sales

During the year, the Group's cost of sales increased by 46.5% from RMB949.3 million in 2021 to RMB1,390.4 million in 2022. The increase in cost of sales was in line with the growth of business scale.

## **Selling and marketing expenses**

During the year, the Group's selling and marketing expenses increased from RMB3.8 million in 2021 to RMB8.2 million in 2022, mainly due to the increase in advertising expenses as a result of the growth in brokerage business and Youju services business during the Reporting Period.

## **Administrative expenses**

During the year, the Group's administrative expenses increased by 15.9% from RMB53.6 million in 2021 to RMB62.1 million in 2022, mainly due to the increase in administrative expenses as a result of the increase in the headcount of administrative and management personnel during the Reporting Period, and the continuous investment in informatization.

## **Impairment loss on trade receivables and contract assets**

During the year, the Group's impairment loss on trade receivables and contract assets increased from RMB12.1 million in 2021 to RMB20.5 million in 2022, which is mainly due to the growth of business scale and simultaneous growth of accounts receivable as a result of expansion of independent third party projects during the Reporting Period.

## **Net finance income/(costs)**

During the year, the finance income of the Group was interest income on bank deposits. Finance income increased from RMB32.9 million in 2021 to RMB44.6 million in 2022, mainly due to an increase in interest income from high-yield deposit products as a result of the centralized capital management of the Group. Finance costs represent lease liabilities and interest expenses on prepaid customized home furnishing services fees received from property owners categorized as contract liabilities. Finance costs increased from RMB0.7 million in 2021 to RMB2.7 million in 2022. The increase was mainly attributable to the allowance on interest expenses of the advance collection of the amounts of Youju services.

## **Share of profits less losses of associates and a joint venture**

During the year, the Group's share of profits less losses of two associates and a joint venture increased from a profit of RMB1.3 million in 2021 to a profit of RMB3.4 million in 2022, mainly due to the increase in the number of projects managed by associates and profit growth.

## **Profit before taxation**

During the year, the Group's profit before taxation was RMB561.1 million, representing an increase of 32.6% as compared with RMB423.2 million in 2021, mainly due to the increase in gross profit during the Reporting Period.

## **Income tax**

During the year, income tax expenses of the Group increased 44.7% from RMB98.2 million in 2021 to RMB142.1 million in 2022, mainly due to business growth and provision of withholding tax.

## **Profit for the year**

The Group's profit for the year was RMB419.0 million, representing an increase of 28.9% as compared with RMB325.0 million in 2021, mainly due to the business growth of the Group. Profit for the year attributable to equity shareholders of the Company was RMB412.0 million, representing an increase of 28.0% as compared with RMB321.8 million in 2021. Net profit margin was 21.1%, representing a decrease of 2.1 percentage point as compared with 23.2% in the corresponding period of last year. The adjusted amount of profit attributable to the equity shareholders of the Company (excluding the impact of withholding tax provision deducted in the year) which is a non-IFRS measure amounted to RMB438.9 million, representing an increase of 36.4% compared with the amount of RMB321.8 million in the same period in 2021.

## **Current assets, financial resources and gearing ratio**

The Group maintained a well financial performance in 2022. As at 31 December 2022, current assets were RMB2,640.1 million, representing an increase of 78.1% as compared with RMB1,482.3 million as at 31 December 2021.

As at 31 December 2022, the Group's cash and cash equivalents were RMB1,949.9 million, representing an increase of 115.3% as compared with RMB905.7 million as at 31 December 2021. This was mainly due to the growth of the Group's business scale and the increase in the contract liabilities of Youju services of the 5S value-added services. As at 31 December 2022, current ratio was 1.6, representing a decrease as compared with 2.08 as at 31 December 2021.

As at 31 December 2022, the Group did not have any loans or borrowings (31 December 2021: Nil).

As at 31 December 2022, the total equity of the Group was RMB1,286.3 million, representing an increase of 32.2% as compared with RMB973.6 million as at 31 December 2021. This was mainly due to the growth of business and an increase in operating profit during the Reporting Period.

## **Treasury Policies**

For the year ended 31 December 2022, 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 were 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, for example, 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.

## **Investment properties, property, plant and equipment**

As at 31 December 2022, the investment properties, property, plant and equipment of the Group amounted to RMB26.9 million, representing an increase of 32.5% as compared with RMB20.3 million as at 31 December 2021, mainly due to the increase in property, plant and equipment as a result of the growth of business.

## **Inventories**

As at 31 December 2022, the Group's inventories amounted to RMB147.5 million, representing an increase of 86.7% from RMB79.0 million as at 31 December 2021, mainly due to the acquisition of assets such as car parking spaces and storage rooms during the Reporting Period.

## **Contingent liabilities**

The Group did not have any contingent liabilities as at 31 December 2022 and 2021.

## **Contract liabilities**

As at 31 December 2022, contract liabilities of the Group recorded a year-on-year increase of 531.7%. The increase was mainly due to the increase of projects and the prepayment for home decoration services of 5S value-added services.

## **Pledged assets**

The Group did not have any pledged assets as at 31 December 2022 and 2021.

## **Trade and other receivables**

As at 31 December 2022, trade and other receivables amounted to RMB343.5 million, representing an increase of RMB170.1 million or 98.1% as compared with RMB173.4 million in 2021, mainly due to the Group's active expansion of new business projects during the year, which had a longer settlement cycle than the original business projects.

## **Trade and other payables**

As at 31 December 2022, trade and other payables amounted to RMB672.4 million, representing an increase of RMB176.5 million or 35.6% as compared with RMB495.9 million in 2021, mainly due to the expansion of business scale.

## **Financial assets at fair value through profit or loss**

As at 31 December 2021, financial assets at FVPL represented treasury products (demand wealth management of Banks) issued by financial institutions that were purchased by the Group and were all redeemed at the end of the Reporting Period.

## **Human resources**

As at 31 December 2022, the Group employed a total of 10,336 employees (31 December 2021: 7,225 employees). During the Reporting Period, the staff costs of the Group were RMB794.4 million (2021: RMB601.8 million).

## **Significant investments, significant acquisitions and disposals**

The Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the Reporting Period.

During the Reporting Period, the Group did not have any significant acquisitions and disposals of subsidiaries, associates and joint ventures.

## **Exposure to foreign exchange risks**

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

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

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

## **FINAL DIVIDEND**

Having considered the needs of business development of the Group and returns of shareholders of the Company, the Board recommends the payment of a final dividend for 2022 of HK\$1.001 per share. The dividend ratio of the year is approximately 60%. The proposed final dividend amounted to approximately HK\$276.7 million in total, and shall be subject to approval by shareholders of the Company at the forthcoming annual general meeting of the Company (the “AGM”). The final dividend are expected to be paid to shareholders of the Company on Thursday, 28 September 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the shareholders of the Company who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 30 May 2023 to Tuesday, 6 June 2023 (both days inclusive). To be eligible to attend and vote at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 29 May 2023.

For the purpose of determining the shareholders of the Company who are entitled to the right of the final dividend, the register of members of the Company will be closed from Thursday, 22 June 2023 to Tuesday, 27 June 2023 (both days inclusive). Only those shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2023 will be entitled to the right of the final dividend. To be eligible to receive the final dividend, which must be approved by shareholders of the Company in the AGM, all completed transfer documents together with the relevant share certificates must be returned to the Company’s Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 21 June 2023.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. During the Reporting Period, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code (the “**Corporate Governance Code**”) in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”), except for the following deviations:

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

Saving as disclosed above, the Company has complied with the Corporate Governance Code during the Reporting Period. The Company will continue to strictly abide by the corporate governance requirements under the Corporate Governance Code and the Listing Rules.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

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

The Audit Committee has reviewed with the management of the Company this annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2022.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors and relevant employees (the “**Securities Transactions Code**”). The Company had made specific enquiry with all Directors whether they have complied with the required standard set out in the Model Code and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the year ended 31 December 2022.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company’s relevant employees was noted by the Company during the year ended 31 December 2022.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **PUBLIC FLOAT**

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

## **EVENTS AFTER THE END OF REPORTING PERIOD**

- (1) The Company intends to amend the amended and revised Articles of Association (the “**Articles**”) of the Company. Please refer to the announcement and circular to be issued by the Company for further details.
- (2) Subsequent to the end of the Reporting Period, the Directors proposed a final dividend. Further details are disclosed in note 9 of this announcement.

## **USE OF PROCEEDS FROM LISTING**

The total proceeds from the Listing and the exercise of the over-allotment option 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 Company's prospectus dated 28 February 2019. The net proceeds from the exercise of the over-allotment option 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.

As at 31 December 2022, the Group had utilized approximately HK\$204.8 million of the net proceeds, and the unutilized net proceeds amounted to approximately HK\$250.5 million. As at 31 December 2022, the net proceeds had been utilized as follows:

Use of proceeds	<b>Proposed use of net proceeds according to the prospectus (HK\$ million)</b>	<b>Unutilized amount as at 1 January 2022 (HK\$ million)</b>	<b>Utilized amount during the year (HK\$ million)</b>	<b>Unutilized amount as at 31 December 2022 (HK\$ million)</b>
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 <sup>1</sup>	159.4	159.4	—	159.4
Updating the Group's management service systems and recruiting and nurturing talents	113.8	—	—	—
Investment in the asset management platform to engage in the operation of industrial parks <sup>2</sup>	91.1	91.1	—	91.1
Establishing joint venture companies or platform through the cooperation with local governments and property developers <sup>3</sup>	45.5	—	—	—
As working capital and for other general corporate purposes	45.5	—	—	—
	<u>455.3</u>	<u>250.5</u>	<u>0</u>	<u>250.5</u>

1. The Group planned to fully utilize this portion of proceeds by 31 December 2023.
2. The Group planned to fully utilize this portion of proceeds by 31 December 2023.
3. As at 31 December 2022, 24 cooperation platforms had been established.

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

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

## **ANNUAL GENERAL MEETING**

The AGM will be held on Tuesday, 6 June 2023, while the notice and circular convening the AGM will be published and despatched to the Company's shareholders in due course.

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

Hong Kong, PRC  
24 March 2023

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

\* *For identification purposes only*