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JUSTBON
嘉宝股份

# SICHUAN LANGUANG JUSTBON SERVICES GROUP CO., LTD.
# 四川藍光嘉寶服務集團股份有限公司

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 2606)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

## 2019 RESULTS HIGHLIGHTS

- Total revenue of the Group increased to RMB2,100.2 million for the year ended 31 December 2019, representing an increase of approximately 43.4% from RMB1,464.5 million for the year ended 31 December 2018. For the year ended 31 December 2019, revenue generated from property management services, consultancy services and community value-added services contributed approximately 54.2%, 24.4% and 21.4% to the total revenue, respectively.

- Revenue generated from property management services increased to RMB1,139.4 million for the year ended 31 December 2019, representing an increase of approximately 26.6% from RMB899.8 million for the year ended 31 December 2018. The GFA under management increased by approximately 18.3% to 71.7 million sq.m. as at 31 December 2019 from 60.6 million sq.m. as at 31 December 2018. Contracted GFA increased by approximately 58.8% to 116.9 million sq.m. as at 31 December 2019 from 73.6 million sq.m. as at 31 December 2018.

- Gross profit of the Group increased to RMB760.2 million for the year ended 31 December 2019, representing an increase of approximately 56.2% from RMB486.8 million for the year ended 31 December 2018. Gross profit margin increased by 3.0 percentage points to 36.2% for the year ended 31 December 2019 from 33.2% for the year ended 31 December 2018.

- Net profit of the Group increased to RMB444.1 million for the year ended 31 December 2019, representing an increase of approximately 49.6% from RMB296.9 million for the year ended 31 December 2018.

- Profit attributable to the owners of the Company increased to RMB429.5 million for the year ended 31 December 2019, representing an increase of approximately 48.5% from RMB289.3 million for the year ended 31 December 2018.

- The Board recommends the payment of a final dividend of RMB0.97 per share (before tax) for the year ended 31 December 2019.

## ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Sichuan Languang Justbon Services Group Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the"**Relevant Year**") with the comparative figures for the preceding financial year as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Revenue | *4* | **2,100,224** | 1,464,458 |
| Cost of sales | | **(1,339,996)** | (977,688) |
| **Gross profit** | | **760,228** | 486,770 |
| Selling and marketing expenses | | **(5,110)** | (3,760) |
| Administrative expenses | | **(202,119)** | (128,083) |
| Net impairment losses on financial assets | | **(25,822)** | (16,563) |
| Other income | *5* | **12,396** | 5,348 |
| Other (losses)/gains – net | | **(6,645)** | 10,494 |
| **Operating profit** | | **532,928** | 354,206 |
| Finance costs | | **(299)** | (339) |
| **Profit before income tax** | | **532,629** | 353,867 |
| Income tax expenses | *6* | **(88,502)** | (56,977) |
| **Profit and total comprehensive income for the year** | | **444,127** | 296,890 |
| **Profit and total comprehensive income attributable to:** | | | |
| – Owners of the Company | | **429,519** | 289,347 |
| – Non-controlling interests | | **14,608** | 7,543 |
| | | **444,127** | 296,890 |
| **Earnings per share (expressed in RMB per share)** | | | |
| – Basic and diluted earnings per share | *7* | **3.10** | 2.30 |

## CONSOLIDATED BALANCE SHEET

| | Notes | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **18,224** | 18,548 |
| Investment properties | | **32,900** | 32,687 |
| Goodwill | *8* | **267,447** | 183,968 |
| Other intangible assets | *8* | **162,722** | 114,845 |
| Deferred income tax assets | | **19,209** | 10,565 |
| | | **500,502** | 360,613 |
| **Current assets** | | | |
| Inventories | | **7,220** | 5,985 |
| Trade and other receivables | *9* | **1,003,772** | 596,480 |
| Financial assets at fair value through profit or loss | | **7,675** | – |
| Cash and cash equivalents | | **1,962,719** | 307,136 |
| | | **2,981,386** | 909,601 |
| **Total assets** | | **3,481,888** | 1,270,214 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *10* | **178,102** | 128,748 |
| Other reserves | *11* | **1,657,683** | 125,074 |
| Retained earnings | | | |
| – Proposed final dividend | *13* | **172,759** | – |
| – Distributable retained earnings | | **190,582** | 182,877 |
| | | **2,199,126** | 436,699 |
| **Non-controlling interests** | | **48,503** | 29,964 |
| **Total equity** | | **2,247,629** | 466,663 |

| | Notes | **31 December 2019** ***RMB'000*** | 31 December 2018 *RMB'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **32,343** | 22,462 |
| Lease liabilities | | **2,782** | 4,278 |
| | | **35,125** | 26,740 |
| **Current liabilities** | | | |
| Contract liabilities | | **299,325** | 230,527 |
| Trade and other payables | *12* | **800,291** | 481,055 |
| Current income tax liabilities | | **97,062** | 62,958 |
| Lease liabilities | | **2,456** | 2,271 |
| | | **1,199,134** | 776,811 |
| **Total liabilities** | | **1,234,259** | 803,551 |
| **Total equity and liabilities** | | **3,481,888** | 1,270,214 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **491,496** | 286,190 |
| Income tax paid | **(69,886)** | (38,565) |
| **Net cash generated from operating activities** | **421,610** | 247,625 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(5,285)** | (6,659) |
| Purchase of other intangible assets | **(14,974)** | (9,621) |
| Proceeds from disposal of property, plant and equipment | **162** | 161 |
| Acquisition of financial assets at fair value through profit or loss | **–** | (250,000) |
| Proceeds from disposal of financial assets at fair value through profit or loss and investment income | **–** | 492,646 |
| Acquisition of subsidiaries (net of cash and cash equivalents acquired) | **(57,937)** | (55,061) |
| Settlements of consideration payables for the acquisitions of subsidiaries completed in prior years | **(7,380)** | – |
| **Net cash (used in)/generated from investing activities** | **(85,414)** | 171,466 |
| **Cash flows from financing activities** | | |
| Proceeds from issue of ordinary shares | **1,644,383** | – |
| Capital contribution from owners | **–** | 34,893 |
| Capital contribution from non-controlling shareholders of subsidiaries | **1,205** | – |
| Repayments of borrowings | **–** | (9,000) |
| Interest paid | **–** | (24) |
| Listing expenses paid | **(96,707)** | (10,729) |
| Dividends paid to shareholders | **(214,966)** | (319,298) |
| Dividends paid to non-controlling interests | **(3,421)** | – |
| Transactions with non-controlling interests | **245** | 4,525 |
| Principal elements and interest elements of lease payments | **(2,856)** | (2,203) |
| **Net cash generated from/(used in) financing activities** | **1,327,883** | (301,836) |
| **Net increase in cash and cash equivalents** | **1,664,079** | 117,255 |
| Cash and cash equivalents at beginning of year | **307,136** | 189,881 |
| Exchange losses on cash and cash equivalents | **(8,496)** | – |
| **Cash and cash equivalents at end of year** | **1,962,719** | 307,136 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Sichuan Languang Justbon Services Group Co., Ltd. (formerly known as Sichuan Justbon Property Management Group Co., Ltd.) was established in the People's Republic of China (the "**PRC**" or "**China**") as a limited liability company on 7 December 2000. The address of the Company's registered office is No.22, South 3rd section, Yihuan Road, Wuhou District, Chengdu, Sichuan, PRC.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 October 2019 (the "**Listing**").

The Group is primarily engaged in the provision of property management services, consultancy services and community value-added services in the PRC.

The Company's parent company is Sichuan Languang Hejun Industrial Co., Ltd. ("**Languang Hejun**"), an investment company established in the PRC. The Company's intermediate holding company is Sichuan Languang Development Co., Ltd. ("**Languang Development**"), and its shares are listed on the Shanghai Stock Exchange. The ultimate holding company is Languang Investment Holdings Group Co., Ltd. ("**Languang Investment**"), a limited liability investment holding company established in the PRC.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to both years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties measured at fair value and financial assets at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2019, are retrospectively and consistently applied to the Group for both years presented.

## 2.2 Changes in accounting policy and disclosures

***New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKAS 1 and HKAS 8 (Amendment) | Definition of Material | 1 January 2020 |
| HKFRS 3 (Amendment) | Definition of a business | 1 January 2020 |
| | Revised conceptual Framework for Financial Reporting | 1 January 2020 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The Directors were of the view that the above new and revised standards and amendments and interpretations to existing standards have been issued and are not expected to have any significant impact on the Group.

## 3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the year ended 31 December 2019 and 2018, the Group is principally engaged in the provision of property management services and related value-added services, including pre-delivery services, household assistance service, sales services and other services, in the PRC.

The Group acquired two entities during 2019. The newly acquired subsidiaries were principally engaged in the provision of property management services and related value-added services. Since then, management reviews the operating results of the business of the new acquired subsidiaries together with the original business to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there are several operating segments, which are used to make strategic decisions.

During the year ended 31 December 2019 and 2018, all the segments are domiciled in the PRC and all the revenue are derived in the PRC, and the segments are principally engaged in the provision of similar services to similar customers. All operating segments of the Group were aggregated into a single operating segment.

These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets and liabilities.

As at 31 December 2019, proceeds of HK$53,729,000 (equivalent to RMB48,129,000) and USD155,000 (equivalent to RMB1,081,000) from the initial public offering were temporarily deposited in the Group's bank accounts in Hong Kong. Except for this, more than 95% of the Group's assets are situated in the PRC.

## 4 REVENUE

Revenue mainly comprises proceeds from property management services, consultancy services and community value-added services. An analysis of the Group's revenue by category for 31 December 2019 and 2018 is as follows:

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2019** | 2018 |
| | | ***RMB'000*** | *RMB'000* |
| Property management services | Revenue from customer and recognised over time | **1,139,394** | 899,818 |
| Consultancy services | over time | **511,438** | 231,447 |
| Community value-added services | | **449,392** | 333,193 |
| – Sales of goods | at a point in time | **56,389** | 27,980 |
| – Other value-added services | over time | **393,003** | 305,213 |
| | | **2,100,224** | 1,464,458 |

For the year ended 31 December 2019, Languang Investment and its subsidiaries (the "**Languang Fellow Subsidiaries**") contributed 23% (2018: 22%) of the Group's revenue. Other than the Languang Fellow Subsidiaries, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the year ended 31 December 2019 (2018: nil).

During the year ended 31 December 2019 and 2018, there was no significant incremental costs to obtain a contract.

## 5 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Government grants *(Note(a))* | **9,582** | 3,089 |
| Interest income from bank deposits | **1,302** | 1,004 |
| Others | **1,512** | 1,255 |
| | **12,396** | 5,348 |

(a) Government grants, mainly consisted of financial subsidies granted by the local governments.

## 6 INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – PRC corporate income tax | **98,150** | 64,157 |
| Deferred income tax | | |
| – PRC corporate income tax | **(9,648)** | (7,180) |
| | **88,502** | 56,977 |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **532,629** | 353,867 |
| Tax charge at effective rate applicable to profits in the respective group entities | **87,538** | 58,401 |
| Tax effects of: | | |
| – Expenses not deductible for tax purposes | **970** | 533 |
| – Tax losses and deductible temporary differences for which no deferred income tax asset was recognised | **42** | – |
| – Utilisation of previously unrecognised tax losses | **(48)** | (1,957) |
| PRC corporate income tax | **88,502** | 56,977 |

The effective income tax rate was 17% for the year ended 31 December 2019 (2018: 16%).

**PRC corporate income tax**

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in PRC is 25%. Certain subsidiaries of the Group in the PRC are located in western cities of the PRC, and they are subject to a preferential income tax rate of 15% in certain years.

## 7 EARNINGS PER SHARE

The number of ordinary shares outstanding during the year ended 31 December 2018 have been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the conversions from other reserve to share capital in the computation of both basic and diluted earnings per share.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the year ended 31 December 2019 and 2018.

The Company did not have any potential ordinary shares outstanding during the year ended 31 December 2019 and 2018. Diluted earnings per share is equal to basic earnings per share.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| Profit attributable to owners of the Company (RMB'000) | **429,519** | 289,347 |
| Weighted average number of ordinary shares (in thousands) | **138,419** | 126,055 |
| Basic and diluted earnings per share for profit attributable to the owners of the Company during the year (expressed in RMB per share) | **3.10** | 2.30 |

## 8 INTANGIBLE ASSETS

| | Software *RMB'000* | Trademarks *RMB'000* | Customer relationship *RMB'000* | Total other intangible assets *RMB'000* | Goodwill *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | | |
| Opening net book amount | 14,857 | 47 | 61,973 | 76,877 | 125,050 | 201,927 |
| Additions | 9,621 | – | – | 9,621 | – | 9,621 |
| Acquisition of subsidiaries | – | – | 40,852 | 40,852 | 58,918 | 99,770 |
| Amortisation | (1,942) | (1) | (10,562) | (12,505) | – | (12,505) |
| **Closing net book amount** | 22,536 | 46 | 92,263 | 114,845 | 183,968 | 298,813 |
| **As at 31 December 2018** | | | | | | |
| Cost | 27,636 | 54 | 108,570 | 136,260 | 183,968 | 320,228 |
| Accumulated amortisation | (5,100) | (8) | (16,307) | (21,415) | – | (21,415) |
| **Net book amount** | 22,536 | 46 | 92,263 | 114,845 | 183,968 | 298,813 |
| **Year ended 31 December 2019** | | | | | | |
| Opening net book amount | **22,536** | **46** | **92,263** | **114,845** | **183,968** | **298,813** |
| Additions | **14,974** | **–** | **–** | **14,974** | **–** | **14,974** |
| Acquisition of subsidiaries | **–** | **–** | **50,000** | **50,000** | **83,479** | **133,479** |
| Amortisation | **(3,898)** | **(1)** | **(13,198)** | **(17,097)** | **–** | **(17,097)** |
| **Closing net book amount** | **33,612** | **45** | **129,065** | **162,722** | **267,447** | **430,169** |
| **As at 31 December 2019** | | | | | | |
| Cost | **42,610** | **54** | **158,570** | **201,234** | **267,447** | **468,681** |
| Accumulated amortisation | **(8,998)** | **(9)** | **(29,505)** | **(38,512)** | **–** | **(38,512)** |
| **Net book amount** | **33,612** | **45** | **129,065** | **162,722** | **267,447** | **430,169** |

(a) No intangible asset is restricted or pledged as security for liabilities as at 31 December 2019 (2018: nil).

(b) Goodwill arose from the acquisition of subsidiaries:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Sichuan Guojia Property Services Co., Ltd. | **68,697** | 68,697 |
| Hangzhou Lvyu Property Management Co., Ltd. | **41,026** | 41,026 |
| Shanghai Zhenxian Property Management Co., Ltd. | **15,327** | 15,327 |
| Chengdu Dongjing Property Management Co., Ltd. | **33,797** | 33,797 |
| Luzhou Tianli Property Co., Ltd. | **23,346** | 23,346 |
| Chengdu Quancheng Property Services Co., Ltd. | **1,775** | 1,775 |
| Jiangsu Changfa Property Management Service Co., Ltd. ("**Jiangsu Changfa**") | **53,000** | – |
| Zhejiang Zhongneng Property Management Service Co., Ltd. ("**Zhejiang Zhongneng**") | **30,479** | – |
| | **267,447** | 183,968 |

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2019, the Directors determined that no impairment provision on goodwill and other intangible assets was required as at 31 December 2019 (2018: nil).

## 9 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables *(Note (a))* | | |
| – Related parties | **239,489** | 186,116 |
| – Third parties | **682,735** | 367,209 |
| | **922,224** | 553,325 |
| Less: allowance for impairment of trade receivables | **(55,190)** | (31,085) |
| | **867,034** | 522,240 |
| Other receivables | | |
| – Related parties | **6,361** | 1,629 |
| – Third parties | **99,343** | 49,668 |
| | **105,704** | 51,297 |
| Less: allowance for impairment of other receivables | **(11,047)** | (9,330) |
| | **94,657** | 41,967 |
| Prepayments to suppliers | | |
| – Related parties | **321** | 673 |
| – Third parties | **40,997** | 31,198 |
| | **41,318** | 31,871 |
| Prepaid tax | **763** | 402 |
| | **1,003,772** | 596,480 |

(a) Trade receivables mainly arise from property management services income under lump sum basis and consultancy services.

Property management services income under lump sum basis are received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the resident upon the issuance of demand note.

As at 31 December 2019 and 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| 0-180 days | **508,083** | 342,777 |
| 181-365 days | **221,669** | 110,090 |
| 1 to 2 years | **139,578** | 70,436 |
| 2 to 3 years | **34,553** | 18,196 |
| Over 3 years | **18,341** | 11,826 |
| | **922,224** | 553,325 |

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB55,190,000 (2018: RMB31,085,000) was made against the gross amounts of trade receivables.

## 10 SHARE CAPITAL

| | Number of ordinary shares | Share capital *RMB'000* |
|---|---|---|
| **Authorised** | | |
| As at 31 December 2019 | 178,102,160 | 178,102 |
| As at 31 December 2018 | 128,748,460 | 128,748 |
| **Issued and fully paid** | | |
| Balance at 1 January 2018 | 88,044,400 | 88,044 |
| Transfer from other reserves to share capital *(Note (a))* | 35,217,760 | 35,218 |
| Capital contribution from owners *(Note (b))* | 5,486,300 | 5,486 |
| Balance at 31 December 2018 | 128,748,460 | 128,748 |
| Balance at 1 January 2019 | 128,748,460 | 128,748 |
| Issue of shares in connection with the Listing *(Note (c))* | 49,353,700 | 49,354 |
| Balance at 31 December 2019 | 178,102,160 | 178,102 |

(a) On 8 May 2018, pursuant to a resolution of the Company's annual general meeting, the Company's other reserves of approximately RMB35,218,000 were converted into share capital of the Company. Upon completion of the conversion on 12 June 2018, the Company's share capital increased from RMB88,044,000 to RMB123,262,000.

(b) Due to the adoption of the share incentive plan, on 3 December 2018, the Company received capital contribution amounting to RMB34,893,000 in cash from Ningbo Jiaqian Corporate Management Partnership (Limited Partnership) (寧波嘉乾企業管理合夥企業(有限合夥)) (the "**Ningbo Jiaqian**"). RMB5,486,000 and RMB29,407,000 were recorded as share capital and share premium respectively. Upon completion of the capital injection, Languang Hejun, Ningbo Jiaqian and Chengdu Jiayu Enterprise Management Center LLP held 89.97%, 4.26% and 4.22% of equity interests of the Company, respectively.

(c) On 18 October 2019 and 6 November 2019, the Company issued H shares of 42,916,200 and 6,437,500, respectively, at a nominal value of RMB1.00 per share. Such shares were offered at HK$37 per share and listed on the Main Board of the Stock Exchange. Gross proceeds from the issue amounted to HK$1,826,089,000 (equivalent to RMB1,644,383,000). After deducting the underwriting fees and relevant expenses, net proceeds from the issue amounted to RMB1,531,287,000, among of which, RMB49,354,000 was recorded as share capital and RMB1,481,933,000 was recorded as share premium.

## 11 RESERVES

| | Share premium *RMB'000* | Employee share-based compensation reserve *RMB'000* | Statutory reserves *RMB'000* | Total other reserves *RMB'000* | Retained earnings *RMB'000* | Total reserves *RMB'000* |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 70,770 | 978 | 23,239 | 94,987 | 242,422 | 337,409 |
| Profit for the year | – | – | – | – | 289,347 | 289,347 |
| Transfer from other reserves to share capital | (35,218) | – | – | (35,218) | – | (35,218) |
| Capital injection in connection with share incentive plan | 29,407 | – | – | 29,407 | – | 29,407 |
| Changes in ownership interests in subsidiaries without change of control | 2,638 | – | – | 2,638 | – | 2,638 |
| Dividend declared to shareholders of the Company | – | – | – | – | (319,345) | (319,345) |
| Employee share-based payment scheme – value of employee service | – | 3,713 | – | 3,713 | – | 3,713 |
| Appropriation of statutory reserves *(Note (a))* | – | – | 29,547 | 29,547 | (29,547) | – |
| **Balance at 31 December 2018** | 67,597 | 4,691 | 52,786 | 125,074 | 182,877 | 307,951 |
| **Balance at 1 January 2019** | **67,597** | **4,691** | **52,786** | **125,074** | **182,877** | **307,951** |
| Profit for the year | **–** | **–** | **–** | **–** | **429,519** | **429,519** |
| Issue of shares in connection with the Listing | **1,481,933** | **–** | **–** | **1,481,933** | **–** | **1,481,933** |
| Changes in ownership interests in subsidiaries without change of control | **(439)** | **–** | **–** | **(439)** | **–** | **(439)** |
| Dividend declared to shareholders of the Company | **–** | **–** | **–** | **–** | **(215,010)** | **(215,010)** |
| Employee share-based payment scheme – value of employee service | **–** | **17,070** | **–** | **17,070** | **–** | **17,070** |
| Appropriation of statutory reserves *(Note (a))* | **–** | **–** | **34,045** | **34,045** | **(34,045)** | **–** |
| **Balance at 31 December 2019** | **1,549,091** | **21,761** | **86,831** | **1,657,683** | **363,341** | **2,021,024** |

(a) In accordance with relevant rules and regulations in the PRC, the PRC Group entities are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective Group entities.

## 12 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables *(Note (a))* | | |
| – Related parties | **22,397** | 234 |
| – Third parties | **110,355** | 64,878 |
| | **132,752** | 65,112 |
| Other payables | | |
| – Related parties | **111,068** | 53,296 |
| – Third parties | **387,919** | 237,705 |
| | **498,987** | 291,001 |
| Accrued payroll | **143,079** | 107,963 |
| Other taxes payables | **18,115** | 14,802 |
| Dividend payable | **7,358** | 2,177 |
| | **800,291** | 481,055 |

As at 31 December 2019 and 2018, the carrying amounts of trade and other payables approximated its fair values.

(a) As at 31 December 2019 and 2018, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Up to 1 year | **125,680** | 61,262 |
| 1 to 2 years | **5,955** | 3,681 |
| 2 to 3 years | **1,032** | 169 |
| Over 3 years | **85** | – |
| | **132,752** | 65,112 |

## 13 DIVIDENDS

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Dividends declared | **215,010** | 319,345 |

During the year ended 31 December 2019, the Company declared dividends of RMB215,010,000 (2018: RMB319,345,000). As at 31 December 2019, dividends payable of RMB91,000 of the Company were yet to be paid (2018: RMB47,000).

A final dividend in respect of the year ended 31 December 2019 of RMB0.97 per share (before tax), amounting to RMB172,759,000 has been approved by the Board on 20 March 2020 and is subject to the approval of shareholders of the Company in the annual general meeting to be held on 11 June 2020. The final dividend will be distributed out from the Company's retained earnings. These consolidated financial statements have not reflected this dividend payable.

## 14 EVENT AFTER THE BALANCE SHEET DATE

After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group is a leading property management service provider in Southwest China and Sichuan Province in the PRC. The Company had its shares listed on the Main Board of the Stock Exchange on 18 October 2019 (the "**Listing Date**"), becoming the first property management enterprise from western China being listed in the Hong Kong stock market. The Group ranked fourth in Southwest China and first in Sichuan Province among the Top 100 Property Management Companies in China in 2019 in terms of GFA under management.

In 2019, in terms of overall strength, the Group ranked 11th among the Top 100 Property Management Companies in China with a brand value of approximately RMB4.0 billion and was recognised as the "2019 Specialized Operational Leading Brand of China Property Services Company (2019中國物業服務專業化運營領先品牌企業)" and the "Leading Property Management Companies in terms of Characteristic Service (中國特色物業服務領先企業)", among other awards, by China Index Academy.

During the Relevant Year, the Group generated revenue from three business lines, namely, property management services, consultancy services and community value-added services, forming an integrated service spectrum covering a comprehensive chain of services in property management.

The Group provides property developers, property owners and residents with a wide range of property management services, including security, cleaning, greening and gardening, and repairs and maintenance services. As at 31 December 2019, the Group had a total GFA under management of approximately 71.7 million sq.m.

The Group's property management business not only brings about significant revenue, but provides a solid customer base for its consultancy services and community value-added services. The Group's consultancy business helps establish and cultivate business relationships with property developers in the early stages of property development projects, thereby granting the Group a competitive advantage when competing for potential engagement in property management services subsequently. The Group's community value-added service business, through the offer of diversified products, enhances the satisfaction and loyalty of its customers and improves the market acceptance of the Group's brand and services. The synergies among the three business lines of the Group help diversify its revenue streams and capture new market opportunities.

### BUSINESS REVIEW

During the Relevant Year, the Group generated total revenue of RMB2,100.2 million, representing an increase of approximately 43.4% as compared with 2018. Gross profit of the Group was RMB760.2 million, representing a year-on-year increase of approximately 56.2%. Net profit for the year was RMB444.1 million, representing a year-on-year increase of approximately 49.6%. Profit attributable to the owners of the Company amounted to RMB429.5 million, representing an increase of approximately 48.5% as compared with 2018. The basic earnings per share for the Relevant Year was RMB3.1 per share.

**Persevering with high-quality, steady expansion of business with a focus on residential properties.**

In 2019, the value of property management companies became widely recognised by society and the capital markets, leading major industry leaders to rush to seek public listing opportunities and thereby access capital markets and enable large-scale development. Under the Group's "1 + 1 + N" strategy, the Group strengthened its leading position in southwest China, focused on development in eastern China, and expanded its geographical presence across China. During the Relevant Year, the Group has been expanding its business scale through various means, including managing properties developed and delivered by its parent company, mergers and acquisitions, strategic cooperation with third-party property developers, public tenders, and entering into service engagements with property owner associations. As at 31 December 2019, the GFA under management and contracted GFA of the Group were 71.7 million sq.m. and 116.9 million sq.m., respectively, representing an increase of approximately 18.3% and 58.8%, respectively, as compared with 2018. As at 31 December 2019, the Group had 477 projects under management situated in 69 cities across China.

**Persevering in the provision of high-quality property management services, to fulfill home owners' vision for a better life.**

In 2019, the Group organised more than 20,000 training sessions on improving property management service capabilities for over 200,000 participants, with a view to honing the expertise of its staff and thereby enhance the professionalism of their services. During the Relevant Year, the Group launched the "Justbon Happiness (嘉寶幸福居)" scheme nationwide, which included more than 2,000 initiatives for upgrading the quality of specialised property management services and 3,000 community cultural activities. Over a million home owners and residents took part in promoting the concept of preserving the value "physical elements" and caring for "people". "Justbon Happiness (嘉寶幸福居)" has since become the shared vision of the Group and millions of home owners and residents. In 2019, the Group achieved record highs in customer satisfaction rates.

**Innovating with the "Justbon Life Pro (嘉寶生活家)" value added service model, and constructing a full-cycled value chain for residential living that combines shopping, dressing and living elements by consolidating resources and enhancing the services that centered to the needs of home owners and residents.**

The Group's "Justbon Life Pro (嘉寶生活家)" mobile application strives to build a full-cycled and comprehensive service model that covers residential living products, housekeeping and cleaning, housing decoration and maintenance, and fixed asset management. As at 31 December 2019, the Group's "Justbon Life Pro (嘉寶生活家)" mobile application had accumulated and attracted more than 794,000 registered users. The Group provides services including residential living products, housekeeping, and repairs and maintenance. During the Relevant Year, the Group recorded a breakthrough in sales volume of its innovative turnkey and move-in furnishing and customised decoration services and was expanding its residential property agency, real estate brokerage, car park sales businesses at the same time. In 2019, the Group recorded revenue from its community value-added services in the amount of RMB449.4 million, representing a year-on-year increase of approximately 34.9%. Through diversifying the portfolio of community value-added services, the Group has built a richer profit model and a more stable profit structure.

**Accelerating digital transformation and upgrades, opening up a "community AI era".**

In 2019, the Group constructed and upgraded 12 major management systems, including a financial shared center and home security intelligent inspection system, by using advanced technologies such as cloud computing, big data, the Internet of Things, and artificial intelligence, enabling the Group to achieve significant improvement in management and decision efficiency. The Group has developed an interactive, voice-controlled intelligent hardware named "Justbon Elves（嘉寶精靈)" for providing property management services, registered six software and hardware invention patents and entered into strategic cooperation arrangements with 34 outstanding companies such

as China Telecom and SenseTime. The construction of the smart community was based on the multi-format solution embodied by the "hardware-platform-service" model, achieving significant breakthroughs in the four major formats of intelligent transformation in old communities, smart case+smart community building, intelligent weak electricity construction, and indoor security/villa customisation.

**Cultivating a learning environment, ensuring talent supply through external acquisition and internal training to sustain high-speed corporate development.**

The Group is devoted to creating a fair, transparent, healthy and standardised corporate culture with a view to building a "fair, open and just" career development platform. In 2019, the Group established the Languang Justbon School of Management (藍光嘉寶管理學院). A total of 1,020 people were selected to three specialised courses throughout the year, through which 215 people were trained and promoted and about 23,000 training sessions of various topics were conducted. Adhering to the principles of meritocracy, the Group had promoted 1,132 outstanding employees throughout the year, and six employees were honored with the titles of national, provincial, and municipal craftsman masters.

## OUTLOOK

In 2020, the Group will closely follow contemporary trends and continue developing its three core business lines of property management services, consulting services, and community value-added services, with strong emphasis on brand leadership and customers. Taking advantage of the rapid growth and transformation of the property management industry in China, the Group believes that it is well-positioned to achieve high-quality growth focusing on both profitability and scale with access to capital and technology.

Looking forward to 2020, the Group will (i) focus on residential property management, match the positioning of residential property products, optimise and improve four sets of standardised product services, effectively manage the provision of quality services and ensure cost-effectiveness through implementing a standardised system and selectively take advantage of opportunities to develop its non-residential property management services; (ii) confidently wield the Group's brand advantages, vigorously explore third-party markets, and actively promote mergers and acquisitions and strategic cooperation to achieve quality expansion of management scale and market share; (iii) fulfill, on an upgraded basis, the home owner's diverse service needs and demands as a consumer, continue to optimise the "Life Pro Cloud Platform (生活家雲平台)" and "Life Pro Service System (生活家服務體系)", integrate high-quality merchants across China to provide home owners with high-quality services including housing brokerage, housekeeping, cleaning, repairs and maintenance and selected residential living products; (iv) continue enhancing the comprehensive application of digital intelligent technology in the operation, service and management process, integrate industry-leading technologies, continue to develop the information system, improve the front, middle, and back-office systems, and achieve linkage of people, finances, and physical elements through information technology; and (v) improve and optimise the human resources training and incentive system, and continue building the Languang Justbon School of Management (藍光嘉寶管理學院), introduce core managers, build a pool of strategic talents, and promote equity incentives at suitable opportunities.

## FINANCIAL REVIEW

### Revenue

During the Relevant Year, the Group derived its revenue from three business lines, namely (i) property management services; (ii) consultancy services; and (iii) community value-added services. The following table sets forth the details of the Group's revenue recognised by business line for the years indicated:

| | Year ended 31 December | | Change in percentage |
|---|---|---|---|
| | **2019** | 2018 | |
| | ***RMB'000*** | *RMB'000* | *%* |
| Property management services | **1,139,394** | 899,818 | 26.6 |
| Consultancy services | **511,438** | 231,447 | 121.0 |
| Community value-added services | **449,392** | 333,193 | 34.9 |
| Total | **2,100,224** | 1,464,458 | 43.4 |

The Group's revenue increased by approximately 43.4% from RMB1,464.5 million for the year ended 31 December 2018 to RMB2,100.2 million for the year ended 31 December 2019. This increase was mainly attributable to:

(i) the increase in revenue from property management services by approximately 26.6% from RMB899.8 million for the year ended 31 December 2018 to RMB1,139.4 million for the year ended 31 December 2019, which was primarily driven by the Group's business expansion, of which the GFA under management increased by approximately 18.3% from 60.6 million sq.m. as at 31 December 2018 to 71.7 million sq.m. as at 31 December 2019;

(ii) the increase in revenue from consultancy services by approximately 121.0% from RMB231.4 million for the year ended 31 December 2018 to RMB511.4 million for the year ended 31 December 2019, which was primarily driven by the increase in number of projects; and

(iii) the increase in revenue from community value-added services by approximately 34.9% from RMB333.2 million for the year ended 31 December 2018 to RMB449.4 million for the year ended 31 December 2019, which was primarily driven by the increase in scale of the Group's property management business and the expansion of the Group's service offerings to property owners.

***Property management services***

The following table sets forth a breakdown of the GFA under management as at the dates indicated and total revenue from the provision of property management services by type of property developer for the years indicated:

| | As at/year ended 31 December | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **GFA under management** ***sq.m.*** | **Revenue** ***RMB*** | GFA under management *sq.m.* | Revenue *RMB* |
| | | *(in thousands)* | | |
| Languang Investment and its subsidiaries excluding the Group ("**Languang Group**")[(1)] | **29,106** | **586,397** | 26,816 | 493,748 |
| Third-party property developers[(2)]: | | | | |
| – Independent third parties | **42,611** | **552,997** | 33,730 | 403,332 |
| – Joint ventures and associates of Languang Development | **–** | **–** | 80 | 2,738 |
| Total | **71,717** | **1,139,394** | 60,626 | 899,818 |

*Notes:*

(1) Includes projects solely developed by Languang Group and properties that Languang Group jointly developed with other property developers for which Languang Group held a controlling interest.

(2) Includes projects developed by independent third party developers, and projects developed by joint ventures and associates of Languang Development.

During the Relevant Year, the GFA under management increased by approximately 18.3% from 60.6 million sq.m. as at 31 December 2018 to 71.7 million sq.m. as at 31 December 2019; and the contracted GFA increased by approximately 58.8% from 73.6 million sq.m. as at 31 December 2018 to 116.9 million sq.m. as at 31 December 2019.

During the Relevant Year, the average property management fee of the residential property projects developed by Languang Group was RMB2.4 per sq.m. per month (2018: RMB2.4 per sq.m. per month); and the average property management fee of the residential property projects developed by independent third parties was RMB1.6 per sq.m. per month (2018: RMB1.6 per sq.m. per month). For the year ended 31 December 2019, the Group's collection rate of property management fee was 88.0% (2018: 82.6%) which was benefit from the high service satisfaction rate and stringent assessment of collection rates.

To facilitate the management of its property management network, the Group divided its geographic coverage into five major regions in China, namely Sichuan Province, East and South China, Southwest China, Central and North China and others. The following table sets forth a breakdown of the GFA under management as at the dates indicated and total revenue for the years indicated from the provision of property management services by geographic coverage:

| | As at/Year ended 31 December | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **GFA under management** | **Revenue** | GFA under management | Revenue |
| | ***sq.m.*** | ***RMB*** | *sq.m.* | *RMB* |
| | | *(in thousands)* | | |
| Sichuan Province | **37,153** | **665,340** | 33,368 | 535,826 |
| East and South China[(1)] | **22,037** | **240,700** | 15,720 | 198,625 |
| Southwest China (excluding Sichuan Province)[(2)] | **7,965** | **153,888** | 8,214 | 120,711 |
| Central and North China[(3)] | **3,881** | **76,022** | 2,723 | 44,631 |
| Others[(4)] | **681** | **3,444** | 601 | 25 |
| Total | **71,717** | **1,139,394** | 60,626 | 899,818 |

*Notes:*

(1) East and South China mainly includes Zhejiang Province, Jiangsu Province, Shanghai, Guangdong Province, Anhui Province and Shandong Province.

(2) Southwest China mainly includes Yunnan Province, Guizhou Province and Chongqing.

(3) Central and North China mainly includes Beijing, Tianjin, Hebei Province, Hubei Province, Jiangxi Province, Hunan Province and Shanxi Province.

(4) Others include Ningxia Hui Autonomous Region, Shaanxi Province and Fujian Province.

***Consultancy services***

The Group provides consultancy services primarily in the form of sales assistance, home inspection and consultancy services to property management companies. The following table sets forth the components of revenue from consultancy services for the years indicated:

| | Year ended 31 December | | Change in percentage |
|---|---|---|---|
| | **2019** | 2018 | |
| | ***RMB'000*** | *RMB'000* | *%* |
| Sales assistance | **328,640** | 154,202 | 113.1 |
| Home inspection | **182,719** | 77,182 | 136.7 |
| Consultancy services to property management companies | **79** | 63 | 25.4 |
| Total | **511,438** | 231,447 | 121.0 |

***Community value-added services***

The Group provides four categories of community value-added services, namely (i) resident services, such as property maintenance and repair, housekeeping and cleaning, decoration, turnkey and move-in furnishing, purchase assistance and public resources administration services; (ii) residential property agency; (iii) commercial property management and operation services; and (iv) advertisement. The community value-added services provided by the Group aim to provide property owners and residents with access to a wide range of products and services through a variety of channels, bringing more convenience to them and enhance their living experience. The following table sets forth the components of its revenue from value-added services for the years indicated:

| | Year ended 31 December | | Change in percentage |
|---|---|---|---|
| | **2019** | 2018 | |
| | ***RMB'000*** | *RMB'000* | *%* |
| Resident services | **314,558** | 230,551 | 36.4 |
| Residential property agency | **20,884** | 16,210 | 28.8 |
| Commercial property management and operation services | **15,406** | 12,357 | 24.7 |
| Advertisement | **98,544** | 74,075 | 33.0 |
| Total | **449,392** | 333,193 | 34.9 |

**Cost of sales**

The Group's cost of sales mainly consist of (i) employee benefit expenses; (ii) greening and cleaning expenses; (iii) maintenance costs; (iv) utilities; (v) operating lease payments; (vi) business taxes and other levies; and (vii) others. The Group's cost of sales increased by approximately 37.1% from RMB977.7 million for the year ended 31 December 2018 to RMB1,340.0 million for the year ended 31 December 2019. This increase was generally consistent with the growth of the Group's business.

**Gross profit and gross profit margin**

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **Gross profit** | **Gross profit margin** | Gross profit | Gross profit margin |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Property management services | **322,409** | **28.3** | 251,832 | 28.0 |
| Consultancy services | **275,524** | **53.9** | 120,205 | 51.9 |
| Community value-added services | **162,295** | **36.1** | 114,733 | 34.4 |
| Total | **760,228** | **36.2** | 486,770 | 33.2 |

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 56.2% from RMB486.8 million for the year ended 31 December 2018 to RMB760.2 million for the year ended 31 December 2019.

The Group's gross profit margin increased from 33.2% for the year ended 31 December 2018 to 36.2% for the year ended 31 December 2019, primarily due to the increase in proportion of revenue contributed by consultancy services and community value-added services.

**Selling and marketing expenses**

The Group's selling and marketing expenses mainly consist of (i) advertising expenses; and (ii) employee benefit expenses for its selling and marketing staff. The Group's expenses increased by approximately 34.2% from RMB3.8 million for the year ended 31 December 2018 to RMB5.1 million for the year ended 31 December 2019, primarily due to the increase in advertising expenses in relation to the Group's housing brokerage business and the expansion of Life Pro Experience Centers (生活家體驗中心).

**Administrative expenses**

The Group's administrative expenses mainly consist of (i) employee benefit expenses; (ii) travelling and entertainment expenses; (iii) office expenses; (iv) consultancy fees; (v) bank charges; (vi) depreciation and amortisation charges; (vii) business taxes and other levies; and (viii) others, which mainly include research and development expenses, recruitment expenses; rental expenses and listing expenses. The Group's administrative expenses increased by approximately 57.8% from RMB128.1 million for the year ended 31 December 2018 to RMB202.1 million for the year ended 31 December 2019, primarily due to the increase in employee benefit expenses, listing expenses and office expenses.

**Other income**

The Group's other income primarily include (i) government grants, which consist mainly of financial subsidies granted by the local governments; (ii) interest income from bank deposits; and (iii) others, which mainly include late fee income from overdue property management fees and deduction of value-added tax. The Group's other income increased by approximately 134.0% from RMB5.3 million for the year ended 31 December 2018 to RMB12.4 million for the year ended 31 December 2019, primarily due to the increase in government grants in relation to the Group's operations and deduction of value-added tax.

**Other (losses)/gains – net**

The Group's net other (losses)/gains mainly consist of (i) fair value gains on investment properties; (ii) gains/(losses) on disposal of property, plant and equipment; (iii) written-off of payables; and (iv) net foreign exchange differences. The Group recorded net other gains of RMB10.5 million for the year ended 31 December 2018, which was primarily attributable to the fair value gains on financial assets at fair value through profit or loss, gains from written-off of payables and fair value gains on investment properties. For the year ended 31 December 2019, the Group recorded net other losses of RMB6.6 million, mainly attributable to the net foreign exchange loss arising primarily from the revaluation of bank balances denominated in Hong Kong dollars ("**HK$**") as at the end of the year. As at the date of this announcement, over 95% of the Group's bank balances denominated in HK$ as at 31 December 2019 had been subsequently converted into RMB and the amount of exchange difference as a result of such conversion was immaterial.

**Finance costs**

The Group's finance costs remained at RMB0.3 million and RMB0.3 million for the years ended 31 December 2018 and 2019, respectively.

**Income tax expenses**

The Group's income tax expenses comprise PRC corporate income tax. The Group's income tax expense increased by approximately 55.3% from RMB57.0 million for the year ended 31 December 2018 to RMB88.5 million for the year ended 31 December 2019. Such increase was primarily due to the increase in the Group's profit before tax as a result of its business expansion.

The effective income tax rate of the Group remained relatively stable at 16.1% and 16.6% for the years ended 31 December 2018 and 2019, respectively. Such rate was lower than the PRC statutory corporate income tax rate of 25%, primarily because the Company and some of the Group's subsidiaries enjoyed a 15% preferential income tax treatment for western regions in China, while some of the Group's subsidiaries enjoyed the preferential income tax treatment for small and micro businesses.

**Profit and adjusted profit for the year**

As a result of the aforementioned changes of the Group's financials, the Group's profit for the year increased by approximately 49.6% from RMB296.9 million for the year ended 31 December 2018 to RMB444.1 million for the year ended 31 December 2019. After deducting the listing expenses (after tax), the Group's adjusted profit for the year increased by approximately 52.2% from RMB297.6 million for the year ended 31 December 2018 to RMB452.9 million for the year ended 31 December 2019.

***Non-generally accepted accounting principles ("GAAP") financial measure***

Adjusted profit is a non-GAAP measures used by the management of the Group to provide additional information on its operating performance and is not a standard measure under HKFRS. Adjusted profit takes out the impact of listing expenses, which are non-recurring and not indicative for evaluating the actual performance of the Group's business. The management of the Group believes that such a non-GAAP measure provides additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as the management of the Group. The following table sets forth a reconciliation between the profit for the year and adjusted profit for the year:

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Profit for the year | **444,127** | 296,890 |
| Adjustment for: | | |
| Listing expenses after tax | **8,743** | 697 |
| Adjusted profit for the year | **452,870** | 297,587 |

The definition of adjusted profit should not be considered in isolation or be construed as an alternative to profit for the year or any other standard measure under HKFRS or as an indicator of operating performance. Adjusted profit of the Group may not be comparable to similarly titled measures used by other companies.

**Property, plant and equipment**

The Group's property, plant and equipment comprise vehicles, office equipment, machinery and leasehold improvements and right-of-use assets. As at 31 December 2018 and 2019, the Group's property, plant and equipment remained relatively stable at RMB18.5 million and RMB18.2 million, respectively.

**Goodwill**

As at 31 December 2019, the Group's goodwill amounted to RMB267.4 million, representing an increase of approximately 45.3% from RMB184.0 million as at 31 December 2018, mainly reflecting the acquisition of Jiangsu Changfa and Zhejiang Zhongneng in 2019, which generated goodwill in the amount of RMB53.0 million and RMB30.5 million, respectively.

**Other intangible assets**

The Group's other intangible assets mainly include trademarks, customer relationships and computer software. As at 31 December 2019, the Group's other intangible assets amounted to RMB162.7 million, representing an increase of approximately 41.7% from RMB114.8 million as at 31 December 2018, mainly due to the intangible assets from the acquisition of subsidiaries and upgrade of the Group's information technology system.

**Trade and other receivables**

The Group's trade and other receivables comprise trade receivables, other receivables, prepayments to suppliers and prepaid tax. As at 31 December 2019, the Group's trade and other receivables amounted to RMB1,003.8 million, representing an increase of approximately 68.3% from RMB596.5 million as at 31 December 2018.

The Group's trade receivables mainly arise from property management services under a lump sum basis and consultancy services. As at 31 December 2019, the Group's trade receivables amounted to RMB867.0 million, representing an increase of approximately 66.0% from RMB522.2 million as at 31 December 2018, mainly due to the increase in revenue of the Group upon business expansion.

The Group's other receivables primarily consist of other receivables from third parties, which mainly include deposit guarantee, tender deposits, advances to employees and receivables from the former shareholders of the newly acquired subsidiaries. As at 31 December 2019, other receivables amounted to RMB94.7 million, representing an increase of approximately 125.5% from RMB42.0 million as at 31 December 2018, mainly due to the increase in other receivables from the former shareholders of the newly acquired subsidiaries and the increase in payment on behalf of residents.

As at 31 December 2019, the Group's prepayments to suppliers amounted to RMB41.3 million, representing an increase of approximately 29.5% from RMB31.9 million as at 31 December 2018, mainly due to the increase in costs of procurement driven by the business expansion.

### Trade and other payables

The Group's trade and other payables comprise trade payables, other payables, accrued payroll, other taxes payables and dividend payable. As at 31 December 2019, the Group's trade and other payables amounted to RMB800.3 million, representing an increase of approximately 66.3% from RMB481.1 million as at 31 December 2018.

The Group's trade payables mainly represent its obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including subcontracting expenses and cost of materials. As at 31 December 2019, the Group's trade payables amounted to RMB132.8 million, representing an increase of approximately 104.0% from RMB65.1 million as at 31 December 2018, mainly due to the increase in costs of the Group's procurement driven by the business expansion.

The Group's other payables mainly represent advances due to its related parties, cash collected on behalf of property developers and owners, retention and deposits from property owners. As at 31 December 2019, the Group's other payables amounted to RMB499.0 million, representing an increase of approximately 71.5% from RMB291.0 million as at 31 December 2018, mainly due to the increase in consideration payables for the acquisitions of Jiangsu Changfa and Zhejiang Zhongneng and the increase in receipts on behalf of property developers and owners as a result of the business expansion.

As at 31 December 2019, accrued payroll amounted to RMB143.1 million, representing an increase of approximately 32.5% from RMB108.0 million as at 31 December 2018, mainly due to the increase in number of employee and salary increment.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations and proceeds from the Listing.

### Net current assets

As at 31 December 2019, the Group's net current assets amounted to RMB1,782.3 million (31 December 2018: RMB132.8 million). The Group's total current assets increased by approximately 227.8% from RMB909.6 million as at 31 December 2018 to RMB2,981.4 million as at 31 December 2019. The Group's total current liabilities increased by approximately 54.4% from RMB776.8 million as at 31 December 2018 to RMB1,199.1 million as at 31 December 2019. The increase in the Group's total current assets was primarily attributable to the increase in cash and cash equivalents from the proceeds of the Listing.

### Cash position

As at 31 December 2019, the Group had cash and cash equivalents of RMB1,962.7 million (31 December 2018: RMB307.1 million), of which RMB424.4 million (31 December 2018: RMB307.1 million) was denominated in RMB, RMB1,537.2 million (31 December 2018: nil) was denominated in HK$ and RMB1.1 million (31 December 2018: nil) was denominated in United States dollars ("**US$**").

**Indebtedness**

As at 31 December 2019, the Group had lease liabilities of RMB5.2 million (31 December 2018: RMB6.5 million). The Group had no bank loans or convertible loans during the Relevant year and as at 31 December 2019 (31 December 2018: nil). As a result, the Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 31 December 2019 was nil (31 December 2018: nil).

**Pledge of assets**

As at 31 December 2019, the Group did not have any pledged assets (31 December 2018: nil).

**Financial risks**

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

***Foreign exchange risk***

The Group's businesses are principally conducted in RMB, which is the functional currency of the group companies. Foreign currency transaction included mainly receipts of proceeds from the Listing and payment of professional fees which are dominated in HK$ and US$. As at 31 December 2019, major non-RMB assets are cash and cash equivalents denominated in HK$ in the amount of RMB1,537.2 million. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations. The Group currently does not have a foreign currency hedging policy, and manage its foreign currency risk by closely monitoring the movement of foreign currency rate.

***Credit risk***

The Group is exposed to credit risk in relation to its trade and other receivables, cash deposits at banks and financial assets at fair value through profit or loss. The carrying amounts of trade and other receivables, cash and cash equivalents and financial assets at fair value through profit or loss represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with financial assets at fair value through profit or loss since the Group furnishes investment mandates to commercial banks and trust companies, which require them to invest in wealth management products with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group considers the probability of default upon initial recognition of asset and any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available forwarding-looking information, including internal credit rating, external credit rating, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations, actual or expected significant changes in the operating results of individual property owner or the borrower and significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers and changes in the operating results of the borrower.

***Liquidity risk***

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

## CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

## COMMITMENTS

As at 31 December 2019, the Group had capital commitment of RMB3.9 million (31 December 2018: RMB0.1 million).

## KEY FINANCIAL RATIOS

As at 31 December 2019, the current ratio was 2.49 (31 December 2018: 1.17) and its liabilities to assets ratio was 35.4% (31 December 2018: 63.3%).

Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective dates and multiplied by 100%. Liabilities to assets ratio is calculated based on the total liabilities, which represent the sum of current liabilities and non-current liabilities, divided by total assets, which represent the sum of current assets and non-current assets, as at the respective dates and multiplied by 100%.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2019, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

## USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Net proceeds from the Listing (including the full exercise of the over-allotment option on 1 November 2019), after deducting the underwriting commission and other estimated expenses in connection with the Listing which the Company received amounted to approximately RMB1,531.3 million. As at 31 December 2019, such net proceeds received have been used, and will continue to be used, in a manner consistent with the proposed allocations in the prospectus of the Company dated 8 October 2019 (the "**Prospectus**").

An analysis of the utilisation of the net proceeds from the Listing Date up to 31 December 2019 is set out below:

| | **Planned use of net proceeds as stated in the Prospectus and after considering the additional net proceeds received from the full exercise of the over-allotment option on 1 November 2019** | | **Actual use of net proceeds up to December 2019** | **Unutilised net proceeds as at 31 December 2019** |
|---|---|---|---|---|
| | ***% to total amount*** | ***RMB' 000*** | ***RMB' 000*** | ***RMB' 000*** |
| Expansion of property management services | 77% | 1,179,090 | 24,000 | 1,155,090 |
| Community value-added services enhancement | 5% | 76,564 | – | 76,564 |
| Maintenance and update of information technology system | 8% | 122,503 | – | 122,503 |
| General working capital | 10% | 153,129 | 29,588 | 123,541 |
| **Total** | 100% | 1,531,286 | 53,588 | 1,477,698 |

## EMPLOYEE AND REMUNERATION POLICY

Human resource has always been the most valuable resource of the Group. As at 31 December 2019, the Group employed a total of 11,494 full-time employees. For the year ended 31 December 2019, the staff cost recognised as expenses of the Group amounted to RMB820.1 million (2018: RMB704.7 million).

The Group offers its employees competitive wages and benefits, systematic training opportunities and internal upward mobility, so as to attract and retain quality staff. As required by the relevant PRC laws and regulations, the Group makes contributions to social insurance fund (including pension fund, medical insurance, un-employment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of its PRC employees.

The Group provides systematic and extensive training programs to its employees and knowledge of industry quality standards and work place safety standards to enhance their technical and service skills. In addition, the Group provides orientation trainings to new hires, introducing them to its corporate culture, procuring them to adapt to teamwork and showing them videos to visually demonstrate its service standards and procedures. Each of the fresh graduate employees is also assigned an experienced manager to serve as their mentors, who provide tailored coaching and guidance. The Group provides online training courses and regular seminars on various aspects of its business operations, such as quality control and customer relationship management, to its employees.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The COVID-19 outbreak in the PRC in early 2020 has affected many businesses to a different extent. A series of precautionary and control measures have been and continued to be implemented across the country. In this regard, the Group is paying close attention to the development of the COVID-19 outbreak and will evaluate its impact on the financial position and operating results of the Group. Based on the information up to the date of this announcement, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Save as disclosed above, there were no material events undertaken by the Group subsequent to 31 December 2019 up to the date of this announcement.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the holders (the "**Shareholders**") of the shares (the "**Shares**") of the Company as a whole.

The Company has adopted and applied the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance and, to the best knowledge of the Directors, the Company had complied with all applicable code provisions under the Corporate Governance Code since the Listing Date up to 31 December 2019. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2019.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**") as the guidelines for the Directors' dealings in the securities of the Company since the Listing. Following specific enquiries to each of the Directors, all the Directors have confirmed their compliance with the required standards set out in the Model Code since the Listing Date up to 31 December 2019.

## AUDIT COMMITTEE

The Board established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, risk management and internal audit, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee consists of five members, namely Mr. CHAN Shing Yee, Joseph, Mr. LI Shujian, Mr. ZHANG Shouwen, Mr. ZHANG Qiaolong and Mr. WANG Wanfeng. The chairman of the Audit Committee is Mr. CHAN Shing Yee, Joseph.

## REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management and the external auditor of the Company and has reviewed the annual results of the Group for the year ended 31 December 2019 together with the accounting standards and practices adopted by the Group. The Audit Committee has agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2019.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Relevant Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an 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 PricewaterhouseCoopers on this announcement.

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

Save for the Company's initial public offering as described in the Prospectus and the additional 6,437,500 H Shares allotted and issued through full exercise of the over-allotment option on 1 November 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to 31 December 2019.

## ANNUAL GENERAL MEETING

The annual general meeting (the "**Annual General Meeting**") of the Company for the year 2019 is proposed to be held on Thursday, 11 June 2020. A notice convening the Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.97 per Share (before tax) in the form of cash for the year ended 31 December 2019. The proposed final dividend is subject to the approval of the Shareholders at the Annual General Meeting. The proposed final dividend to the holders of domestic Shares will be declared and payable in Renminbi, and that to the holders of H shares will be declared in Renminbi and payable in Hong Kong dollars. Subject to the approval of the Shareholders at the Annual General Meeting, the proposed final dividend is expected to be paid on or around Monday, 31 August 2020.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "**Register of Members**") will be closed as appropriate as set out below:

### For determining the entitlement to attend, speak and vote at the Annual General Meeting

The Register of Members will be closed from Tuesday, 12 May 2020 to Thursday, 11 June 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting, the shareholders of H Shares whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Monday, 11 May 2020.

### For determining the entitlement to the 2019 proposed final dividend

The Register of Members will be closed from Thursday, 18 June 2020 to Tuesday, 23 June 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the 2019 proposed final dividend, the shareholders of H Shares whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, no later than 4:30 p.m. on Wednesday, 17 June 2020.

**PUBLICATION OF THE 2019 ANNUAL RESULTS AND THE 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.justbon.com.cn.

The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
**Sichuan Languang Justbon Services Group Co., Ltd**
**YAO Min**
*Chairman and executive Director*

Hong Kong, 20 March 2020

*As at the date of this announcement, the executive Directors are Mr. YAO Min, Mr. SUN Zhefeng and Mr. LIU Xia; the non-executive Directors are Mr. ZHANG Qiaolong Mr. MENG Hongwei and Mr. WANG Wanfeng; and the independent non-executive Directors are Mr. LI Shujian Mr. CHAN Shing Yee, Joseph and Mr. ZHANG Shouwen.*

*Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*