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 2023

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 2023 (the "**Reporting Period**"), together with the comparative figures for 2022. 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 25 March 2024.

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

HIGHLIGHTS

Financial performance of the Group

— Revenue was approximately RMB2,809.2 million in 2023, representing an increase of approximately 41.7% as compared with approximately RMB1,982.6 million in 2022.

— Revenue generated from three business lines are as follows:

1) Revenue from property management services was approximately RMB1,549.9 million in 2023, accounting for approximately 55.2% of the total revenue, representing an increase of approximately 29.9% as compared with approximately RMB1,193.4 million in 2022;

2) Revenue from value-added services to non-property owners was approximately RMB580.8 million in 2023, accounting for approximately 20.7% of the total revenue, representing an increase of approximately 7.5% as compared with approximately RMB540.2 million in 2022; and

3) Revenue from 5S value-added services was approximately RMB678.5 million in 2023, accounting for approximately 24.1% of the total revenue, representing an increase of approximately 172.5% as compared with approximately RMB249.0 million in 2022.

— Gross profit was approximately RMB695.9 million in 2023, representing an increase of approximately 17.5% as compared with approximately RMB592.2 million in 2022. Gross profit margin was approximately 24.8% in 2023, representing a decrease of 5.1 percentage points as compared with approximately 29.9% in 2022.

— Net profit for the year was approximately RMB503.0 million, representing an increase of approximately 20.1% as compared with the profit of approximately RMB419.0 million in 2022. Net profit attributable to equity shareholders of the Company for the Reporting Period was approximately RMB492.5 million, representing an increase of approximately 19.6% as compared with approximately RMB412.0 million for the corresponding period of 2022. Net profit margin was approximately 17.9%, representing a decrease of 3.2 percentage points as compared with net profit margin of approximately 21.1% for the corresponding period of 2022.

— As at 31 December 2023, cash and cash equivalents were approximately RMB1,455.4 million, representing a decrease of approximately 25.4% as compared with approximately RMB1,949.9 million as at 31 December 2022. As at 31 December 2023, the total amount of time deposits in non-current assets and current assets was approximately RMB1,631.7 million, representing an increase of approximately 292.3% as compared with approximately RMB415.9 million as at 31 December 2022.

— Basic and diluted earnings per share was RMB1.78 in 2023, representing an increase of approximately RMB0.29 or 19.5% as compared with RMB1.49 in 2022.

— The gross floor area ("**GFA**") under management reached 54.8 million sq.m., representing a year-on-year increase of 30.7%. GFA under management developed by independent third parties reached 31.0 million sq.m., accounting for 56.5% of total GFA under management and representing a year-on-year increase of 1.5 percentage points. Net increase in GFA under management in 2023 reached 12.9 million sq.m., 61.3% 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 2023 of HK$1.178 per share, and a special dividend for the fifth anniversary of the Listing of HK$0.196 per share. The dividend ratio of the year is approximately 70%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Renminbi Yuan)

	Note	**2023** **RMB'000**	*2022* *RMB'000*
Revenue	*4*	**2,809,206**	1,982,633
Cost of sales		**(2,113,319)**	(1,390,386)
Gross profit		**695,887**	592,247
Other revenue	*5*	**10,779**	15,126
Other net (loss)/income	*5*	**(8,651)**	484
Selling and marketing expenses		**(18,037)**	(8,215)
Administrative expenses		**(76,357)**	(62,133)
Impairment loss on trade receivables and contract assets		**(24,279)**	(20,491)
Other expenses		**(2,037)**	(1,232)
Profit from operations		**577,305**	515,786
Finance income		**67,402**	44,593
Finance costs		**(647)**	(2,744)
Net finance income	*6*	**66,755**	41,849
Share of profits less losses of associates		**6,658**	2,643
Share of profits of joint ventures		**1,821**	786
Profit before taxation	*6*	**652,539**	561,064
Income tax	*7*	**(149,508)**	(142,096)
Profit for the year		**503,031**	418,968
Attributable to:			
Equity shareholders of the Company		**492,545**	411,995
Non-controlling interests		**10,486**	6,973
		503,031	**418,968**

	Note	2023 RMB'000	2022 RMB'000
Profit for the year		**503,031**	418,968
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**711**	10,325
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(163)**	(6,596)
Total comprehensive income for the year		**503,579**	422,697
Attributable to:			
Equity shareholders of the Company		**493,093**	415,724
Non-controlling interests		**10,486**	6,973
Total comprehensive income for the year		**503,579**	422,697
Earnings per share	*8*		
Basic and diluted *(RMB)*		**1.78**	1.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

(Expressed in Renminbi Yuan)

	Note	**2023** **RMB'000**	*2022* *RMB'000*
Non-current assets			
Investment properties		**—**	425
Property, plant and equipment		**43,423**	26,486
Intangible assets		**4,147**	—
Investment in associates		**10,590**	7,932
Investment in joint ventures		**3,421**	1,200
Deferred tax assets		**33,926**	25,677
Time deposits		**1,352,304**	283,777
Prepayments		**1,901**	8,425
		1,449,712	353,922
Current assets			
Inventories		**244,752**	147,499
Contract assets		**22,422**	9,064
Trade and other receivables	*10*	**545,346**	343,471
Time deposits		**279,347**	132,133
Restricted bank balances		**57,939**	58,012
Cash and cash equivalents		**1,455,384**	1,949,891
		2,605,190	2,640,070
Current liabilities			
Contract liabilities	*11*	**1,555,798**	907,338
Trade and other payables	*12*	**847,158**	672,445
Lease liabilities		**2,368**	454
Current taxation		**86,340**	100,564
		2,491,664	1,680,801
Net current assets		**113,526**	959,269
Total assets less current liabilities		**1,563,238**	1,313,191

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities		**1,655**	—
Deferred tax liabilities		**20,000**	26,883
		21,655	26,883
NET ASSETS		**1,541,583**	1,286,308
CAPITAL AND RESERVES			
Share capital		**181**	181
Reserves		**1,488,266**	1,246,073
Total equity attributable to equity shareholders of the Company		**1,488,447**	1,246,254
Non-controlling interests		**53,136**	40,054
TOTAL EQUITY		**1,541,583**	1,286,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Material 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.

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 2023 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

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

(i) New and amended IFRSs

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

- IFRS 17, Insurance contracts
- Amendment to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

- Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

- Amendments to IAS 12, Income taxes: International tax reform — Pillar Two model rules

None of these new and amended accounting policies 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.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

This change in accounting policy did not have material impact on financial position and profit or loss of the Group for the current or prior periods.

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 Group manages its businesses by divisions, which are organised by a mixture of business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three operating and reportable segments:

— Property management services: this segment provides property management services to property owners, including security, cleaning, gardening, repair, maintenance, land management and ancillary services.

— Value-added services to non-property owners: this segment provides value-added services to non-property owners, including pre-delivery services, consulting services and community space services.

— 5S value-added services: this segment provides 5S value-added services to property owners, including housekeeping services, brokerages services, home decoration services, sales of furniture, car parking spaces and storage rooms and other community value-added services to property owners.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment. Segment results represent the profit earned by each segment without allocation of central corporate expenses. Revenue and expenses are allocated to each segment with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit.

No analysis of segment assets and segment liabilities is presented as these information is not regularly provided to the Group's most senior executive management for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Property management services *RMB'000*	Value-added services to non-property owners *RMB'000*	5S value-added services *RMB'000*	Total *RMB'000*
Year ended 31 December 2023:				
Segment Revenue	1,549,890	580,833	678,483	2,809,206
Segment gross profits	284,080	192,554	219,253	695,887
Unallocated corporate expenses				(43,348)
Profit before taxation				652,539
Year ended 31 December 2022:				
Segment Revenue	1,193,447	540,187	248,999	1,982,633
Segment gross profits	228,383	243,562	120,302	592,247
Unallocated corporate expenses				(31,183)
Profit before taxation				561,064

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:

	2023	*2022*
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Revenue recognised over time:		
Property management services	**1,549,890**	1,193,447
Value-added services to non-property owners	**580,833**	540,187
5S value-added services	**564,924**	142,142
	2,695,647	1,875,776
Revenue recognised at point in time:		
5S value-added services	**112,924**	105,726
	2,808,571	1,981,502
Revenue from other sources		
5S value-added services		
— Rental income from investment properties	**635**	1,131
	2,809,206	1,982,633

5 Other revenue and other net (loss)/income

	2023	*2022*
	RMB'000	*RMB'000*
Other revenue		
Government grants *(note (i))*	**4,911**	7,653
Value-added tax deductible *(note (ii))*	**5,337**	4,384
Others	**531**	3,089
	10,779	15,126

(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.

	2023	2022
	RMB'000	*RMB'000*
Other net (loss)/income		
Net loss on disposal of property, plant and equipment	**(308)**	(106)
Net realised and unrealised gains on financial assets at fair value through profit or loss ("**FVPL**")	**—**	160
Net realised loss on disposal of a subsidiary	**(15)**	—
Net foreign exchange (losses)/gains	**(8,328)**	430
	(8,651)	484

6 Profit before taxation

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

(a) Net finance income

	2023	2022
	RMB'000	*RMB'000*
Interest income on bank deposits	**(67,402)**	(44,593)
Interest expense on advance payments from customers	**538**	2,669
Interest on lease liabilities	**109**	75
Net finance income	**(66,755)**	(41,849)

(b) Staff costs

	2023	*2022*
	RMB'000	*RMB'000*
Salaries and other benefits	**942,901**	738,272
Contributions to defined contribution scheme	**70,779**	56,138
	1,013,680	794,410
Included in:		
Cost of sales	**960,572**	757,113
Administrative expenses	**48,897**	35,497
Selling and marketing expenses	**4,211**	1,800
	1,013,680	794,410

(c) Other items

	2023	*2022*
	RMB'000	*RMB'000*
Depreciation		
— owned property, plant and equipment	**11,577**	5,704
— right-of-use assets	**1,610**	1,387
— investment properties	**425**	850
	13,612	7,941
Expenses related to short-term leases	**13,856**	8,283
Auditors' remuneration		
— annual audit services	**2,100**	1,900
— review services	**500**	500
— other services	**493**	214
Cost of inventories	**32,521**	16,841

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

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

	2023	*2022*
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**149,392**	120,245
(Over)/under-provision in respect of prior years	**(15)**	1,695
	149,377	121,940
Deferred tax		
Origination and reversal of temporary differences	**(8,249)**	(6,727)
Withholding tax on the profits of the Group's PRC subsidiaries	**8,380**	26,883
	131	20,156
	149,508	142,096

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 RMB492,545,000 (2022: RMB411,995,000) and the weighted average number of 276,407,000 shares in issue during the year ended 31 December 2023 (2022: weighted average number of 276,407,000 shares).

There were no dilutive potential shares outstanding for the years ended 31 December 2023 and 2022 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:

	2023	*2022*
	RMB'000	*RMB'000*
Final dividend of HKD1.178 per share and special dividend of HKD0.196 per share proposed after the consolidated statement of financial position date (2022: final dividend of HKD1.001 per share proposed after the consolidated statement of financial position date)	**344,782**	247,197

The final dividend and special dividend for the fifth anniversary of the Listing 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:

	2023	*2022*
	RMB'000	*RMB'000*
Final dividend and special dividend for the fifth anniversary of the Listing in respect of the previous financial year, approved and paid during the year, of HKD1.001 per share (2022: final dividend of HKD0.473 per share)	**259,208**	111,059

10 Trade and other receivables

	2023	*2022*
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**377,771**	253,161
— related parties	**68,401**	62,326
	446,172	315,487
Less: Allowance for impairment of trade receivables		
— third parties	**(70,989)**	(49,246)
— related parties	**(4,394)**	(2,271)
	(75,383)	(51,517)
Trade receivables, net of loss allowance	**370,789**	263,970
Other receivables from related parties	**1,712**	1,524
Prepayments to related parties for the purchase of car parking spaces	**17,630**	—
Deposits and prepayments	**56,486**	41,196
Payments on behalf of property owners	**36,496**	14,410
Advances to employees	**3,508**	2,357
Other receivables	**58,725**	20,014
	545,346	343,471

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

(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:

	2023	*2022*
	RMB'000	*RMB'000*
Within 1 year	**338,811**	257,725
1 to 2 years	**31,978**	6,245
	370,789	263,970

11 Contract liabilities

	2023	*2022*
	RMB'000	*RMB'000*
Contract liabilities		
Property management services	**213,353**	163,153
Value-added services to non-property owners	**4,101**	1,115
5S value-added services	**1,338,344**	743,070
	1,555,798	907,338

Contract liabilities represents prepaid property management fees, consulting services fees, customised interior furnishing services fees and home decoration services fees.

12 Trade and other payables

	2023	*2022*
	RMB'000	*RMB'000*
Trade payables	**194,739**	130,399
— third parties	**191,872**	128,232
— related parties	**2,867**	2,167
Other payables due to related parties	**47,909**	54,511
Refundable deposits	**60,222**	43,479
Other taxes and charges payable	**145,466**	81,742
Accrued payroll and other benefits	**198,904**	174,467
Cash collected on behalf of the property owners' associations	**50,896**	39,476
Temporary receipts from property owners	**108,866**	116,929
Other payables and accruals	**40,156**	31,442
	847,158	672,445

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:

	2023	*2022*
	RMB'000	*RMB'000*
Within 1 month or on demand	**77,594**	128,466
After 3 months but within 1 year	**113,123**	308
Over 1 year	**4,022**	1,625
	194,739	130,399

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 2023.

2023 was instrumental in the change and development for the property industry. With the continuous decline in the real estate market, the profound changes in the supply and demand in the market, the shift from "seeking growth" to "seeking better growth" in the real estate industry, and a return to rationality in the property industry value, the competitive landscape in the market progressed amid opportunities and challenges. Staying true to the mission where it has started and the corporate vision of becoming "The brand leader in the property industry and the standard setter of high-end quality" and the service concept of "Serving with heart and filling home with love", the Group has brought our customers a sense of accessibility, security and happiness in community life through its professional, heartfelt and caring services. The Group is committed to continuously create value for our customers, shareholders, and society by quality services, standardized management, high-quality development, customer satisfaction and social recognition.

Insisting on building brand with quality

In 2023, following the guiding principles of the Board's instructions for the Group to maintain its brand advantages and to improve service quality and the Group solidly deepened the management standardization and service standardization under the leadership of the management. Specifically, the Group implemented the star-level service standards, market expansion standards, quality inspection standards, etc., as an effort to improve quality and efficiency from the development, service and quality inspection fronts, which has helped us to achieve the goal of becoming China's first-class property and Zhejiang benchmark in quality services. In order to ensure that standardization was a part of each project, the Group sought multi-dimensional and comprehensive quality inspections and safety inspections. Furthermore, the Group further consolidated and improved service quality by optimizing reward and punishment mechanisms and shared solutions and improving safety responsibility and security mechanisms, and satisfaction survey and feedback systems. According to the survey and evaluation of Hangzhou residents' satisfaction by China Index Academy (the "**CIA**"), the Group has led the industry for 12 consecutive years and become the benchmark of the Hangzhou property industry in satisfaction. So far, the living experience of the owners served by the Group has been on the rise, and the preservation and appreciation ability of second-hand houses has been improved, which has been repaid by the reputation from and loyalty of customers.

Steadfastly utilizing the Group's brand for market expansion

Thanks to its good brand image and quality services, the Group continued to focus on the Yangtze Delta region and expand its market through multiple channels such as strategic cooperation, the establishment of joint ventures and the direct expansion of inventory. As of 31 December 2023, the GFA currently managed by the Group (the "**GFA under management**") was approximately 54.8 million sq.m., representing a year-on-year increase of 30.7%. GFA under management developed by independent third parties reached approximately 31.0 million sq.m., accounting for 56.5% of the total GFA under management. The net increase of GFA under management newly acquired during 2023 reached approximately 12.9 million sq.m., 61.3% of which were developed by independent third parties. The GFA managed under signed property management contracts (the "**contracted GFA**") was approximately 82.2 million sq.m., representing an increase of 19.0% as compared with the corresponding period of last year.

The Group attaches great importance to market expansion, consolidating the strength of the headquarter expansion and adding the allocation of personnel regarding new key regional development to continue to cultivate the target markets. As at the end of 2023, the top five areas in the proportion of contracted GFA and GFA under management were Hangzhou, Jinhua, Jiaxing, Shaoxing and Ningbo, and will continue to increase their local market share. In 2023, the Group expanded the project cooperation with Hainan Jiayuan Real Estate, a strategic partner, and entered Sanya City, Hainan. As at the end of the year, the contracted projects were distributed in 19 cities and municipalities in Zhejiang, Shanghai, Jiangsu, Jiangxi, Guangdong and Hainan. In 2023, the Group embraced the two strategic partners of Zhejiang Zhicheng Real Estate Group Co., Ltd.* (浙江志城房地產集團有限公司) and Hainan Jixiang Real Estate Co., Ltd.* (海南吉祥置業有限公司), bringing the total number of strategic partners to 19, involving governments, state-owned enterprises, developers and more. Among the newly added third-party projects of the Group during the Reporting Period, the GFA from strategic cooperation and joint ventures accounted for approximately 43%, and the GFA from inventory expansion accounted for approximately 57%. Among them, thanks to the Group's diligent service management, many outward expansion development projects have been recognized by owners and owner committees, bringing more opportunities for outward expansion. The good service reputation also helped the Group command a higher bargaining power. Among the newly-contracted and renewed projects of the Group this year, the Group has raised the prices of 8 projects, working to open up a virtuous circle from service to expansion, and to ensure that each service segment can satisfy the owners, make the government less worried and make shareholders rest assured.

Sticking to better value-added services based on word of mouth

Leveraging on its good brand reputation, the Group continued to promote the value-added service system for homeowners centered on 5S, which provides quality services centered on the demand for one-stop care and maintenance of housing assets, so as to become a sustainable business growth engine in the future. Binjiang Youjia (優家) first-hand housing team continues to plough into the market in Hangzhou, responding to the needs of the target customer groups in Hangzhou with high-standard and high-quality services, and becoming the entry point for the 5S value-added service system to attract traffic and supplement services. At the same time, the service center cooperated with Hangzhou Binjiang Investment Holdings Co., Ltd.* (杭州濱江投資控股有限公司) and its subsidiaries (collectively, the "**Binjiang Group**") to promote the sales of the remaining car parking spaces and storage rooms to increase revenue, accurately lock the demand of the target customer groups, and enhance the sense of customer experience and acquisition, making the sales of car parking spaces and storage rooms grow faster; the second-hand real estate brokerage business gave full play to the Group's local brand, resources and other advantages, and maintained its share in the high-end market of Nanxing (南星) and Aoti (奥體) with the total contracted amount exceeding RMB1.3 billion under the circumstance of market environment adjustments. Thanks to customers' trust and recognition of the Group's furnishing services and brand, as well as the Group's management and resource advantages in the Youju (優居) business, Binjiang Youju has improved its furnishing business system and has achieved a great revenue breakthrough. The interior design Living Home service is positioned as a one-stop turnkey service, constantly optimizes the business model, selected the partners in line with the brand temperament of Binjiang, and tried to connect the production end of the special line with the full delivery of the product. Youxiang living service (優享生活服務) provides owners with diversified and customized services such as indoor living service and community living service. The Group will further integrate resources and optimize allocation in an effort to meet more customer needs and create favorable value.

Solidly improving management with standardization

Following the instructions and requirements of the Board, the Group continued to deepen management and service standardization by fulfilling the social responsibility of energy conservation. Furthermore, the Group strengthened the control of expenses and cost control under the premise that the service process and quality were not reduced to shape the quality brand image. The Group has been working on management experience and market feedback and optimizing the allocation of enterprise resources to reduce costs for better efficiency and stronger core competitiveness.

In 2023, the Group continued to promote the construction of informatization and intelligence, empower financial management system, human resources management system and procurement system, and enhance the efficiency of enterprise intelligence sharing; at the same time, the Group optimized and implemented expense control standards, cost budget control standards, and energy consumption precise control standards to improve management efficiency. Through updating the intelligent equipment in the communities under the management of the Group, and conducting community service applications and online shopping malls on the user side, the Group comprehensively improved the efficiency of high-quality services and enhanced customer stickiness. By optimizing and connecting the centralized procurement platform and supplier database, the Group has formed a supply chain of competitive and excellent strategic partners, which is conducive to reducing costs and increasing efficiency, and improving the quality of products and services.

The Group attached great importance to the talent development strategy. To combine training and introduction, the Group expanded recruitment channels, introduced new campus strategic cooperation, recruited excellent and high-end management talents in the real estate sector, implemented the rating of star housekeepers, and improved the training system for management trainees and project managers; The Group has established a scientific assessment mechanism to deepen the integration of personnel in the region, and to improve per capita efficiency, facilitate talent development, optimize the talent promotion channel, and provide talent guarantee for the development of the Company.

Honors

During the Reporting Period, the Group ranked 14th among the Top 100 Property Management Service Brands selected by CIA, and was awarded by China Real Estate Information Corporation ("**CRIC**") (克而瑞) the "2023 China Top 20 High-end Property Service Capability (2023中國高端物業服務力TOP 20)", and "2023 China Top 10 High Quality Development of Leading Enterprises of Listed Property Management Companies (2023中國物業管理上市公司領先企業高質量發展TOP 10)". The projects under management of the Group received a total of 206 accolades and were recognized by the society and the government in terms of social governance, energy conservation and environmental protection, red leadership and urban services. Some of the awards are as follows: in terms of social governance, the Company was awarded the "Tranquil Community (寧靜社區)" (Project Hangzhou Wanjia Star City* (杭州萬家星城)) promoted by the Ministry of Ecology and Environment of the PRC, the "Green Shopping Mall* (綠色商場)" in Zhejiang Province (Project Heart of Yiwu* (義烏之心)), the "Beautiful Home (美好家園)" community at provincial level of Zhejiang (Shaoxing City Star* (紹興城市之星), Quzhou Chunjiangyue* (衢州春江月) and other projects), the "Excellent Residential Projects of Property Management" in Hangzhou (Haiyu Jinghua* (海域晶華), Feicui Haian* (翡翠海岸), Haiming Yayuan* (海名雅園), Baifeng Longyue Mansion* (柏峰瓏悅府), and other projects), the property demonstration management project at provincial level of Jiangsu (Rugao Golden Home* (如皋金色家園) and other projects), and

"Garden Residential Area" in Zhejiang Province (Yiwu Xiujin* (義烏繡津), Yongkang Yuehong Bay* (永康悅虹灣), Huzhou Chuncuili* (湖州春翠裡), Gucui Lanting* (古翠藍庭), and other projects); in terms of energy conservation and environmental protection, a number of the Company's communities have been awarded water-saving communities in Zhejiang Province (projects such as Hangzhou Golden Dawn Phase III* (杭州金色黎明三期) and Haiyu Jinghua Apartment* (海域晶華公寓)) and high-standard domestic waste classification demonstration communities in Zhejiang Province (projects such as Hangzhou Golden Dawn Phase III*, Zijin Mansion* (紫金府), Wocheng Impression* (臥城印象), Jade Jiangnan* (翡翠江南) and Oriental Mansion* (東方名府)); in terms of red leadership, the red properties in Zhejiang Province (Wenchao Yipin* (聞潮壹品), Shaoxing Golden Lanting* (紹興金色藍庭), Pinghu Wanjia Flower City Jiaheyuan* (平湖萬家花城家和苑), Hangzhou Xixi Star* (杭州西溪之星) and other projects); and in terms of urban services, the Group actively participated in the management of affordable housing, social public infrastructure and sites, provided social services, and actively fulfilled social responsibilities, which were recognized by the government and the society.

Distinguished shareholders, the year 2024 is a new start for us. With the enthusiasm of being aware of the loudly-ticking clock, and the resolution to overcome the difficulties, we will seek development earlier, grab opportunities faster, and ensure implementation stricter by fully utilizing various strengths, abilities and levels of our team. We will always stay true to our original aspiration and press ahead with certainty.

Yu Zhongxiang
Chairman

Hangzhou, the PRC, 25 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back to 2023, the Group maintained steady growth and continued to develop and take root in the Yangtze River Delta, further expanding its operations within the Yangtze River Delta. The Group has a total of 170 subsidiaries and branches across the Zhejiang Province, Shanghai, Jiangsu Province, Jiangxi Province, Hainan Province and Guangdong Province in China. Moreover, the Group has recorded a sizeable increase in both GFA under management and the contracted GFA. As of 31 December 2023, the GFA under management was approximately 54.8 million sq.m., representing a year-on-year increase of 30.7%. The contracted GFA was approximately 82.2 million sq.m., representing a year-on-year increase of 19.0%, which will strongly sustain the business growth of the Group.

For the year ended 31 December 2023, the Group's revenue increased by 41.7% to RMB2,809.2 million. The Group's gross profit increased by 17.5% from the corresponding period of 2022 to RMB695.9 million. The Group's gross profit margin was 24.8%. Revenue generated from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB1,549.9 million, RMB580.8 million and RMB678.5 million, respectively. In 2023, the average monthly property management fee of the Group was approximately RMB4.21 per sq.m. (2022: RMB4.26 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 fees for its quality property management services. From 2015 to 2023, the Group increased management fee 53 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 "2023 Top 20 High-end Property Service Capacity in China" (2023中國高端物業服務力TOP 20) and 2023 Top 10 China Leading Property Management Listed Companies in High-quality Development (2023中國物業管理上市公司領先企業高質量發展TOP 10) awarded by CRIC. As the Group's quality services are highly recognised within the region, 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 2023, the total annual sales of Binjiang Group amounted to RMB153.47 billion, ranking 11th in the list of national real estate enterprises of CRIC. In addition, Binjiang Group acquired 33 pieces of quality land in total and 2 agent construction projects, 27 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 2023, the 31.0 million sq.m.of GFA under management derived from independent third parties, representing a year-on-year increase of 34.1%. Revenue generated from property management services provided to projects developed by independent third parties amounted to RMB776.2 million, representing a year-on-year increase of 44.6%.

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 service 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

The management of the Group 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 fees 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 checks 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 regard 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 spaces and storage rooms 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 a steady increase in contracted GFA and GFA under management through various channels. The table below sets out the change of GFA under management of the Group for 2023 and 2022:

	As at 31 December 2023	As at 31 December 2022
	GFA under management ('000 sq.m.)	
At the beginning of the year	**41,970**	29,948
Addition	**14,760**	12,600
Termination	**(1,883)**	(578)
At the end of the year	**54,847**	41,970

Note: As at 31 December 2023, the Group had a GFA under management of 54.8 million square meters and a contracted GFA of 82.2 million square meters, with a ratio of contracted GFA to the GFA under management of approximately 1.5:1. 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 2023 and 2022:

	As at 31 December 2023			As at 31 December 2022		
	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	**1,131,608**	**45,040**	**252**	837,858	32,782	189
Non-residential	**404,298**	**9,807**	**106**	339,468	9,188	97
Land management	**13,984**	**—**	**—**	16,121	—	—
Total	**1,549,890**	**54,847**	**358**	1,193,447	41,970	286

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 2023 and 2022:

	2023			2022		
	Revenue	**GFA under management**	**Number of projects**	Revenue	GFA under management	Number of projects
	(RMB'000)	***('000 sq.m.)***		*(RMB'000)*	*('000 sq.m.)*	
Properties developed by Binjiang Group	**759,666**	**23,851**	**144**	640,497	18,863	114
— early stage	**366,009**	**13,408**	**87**	365,561	12,580	75
— property owners' association stage	**393,657**	**10,443**	**57**	274,936	6,283	39
Properties developed by independent property developers	**776,240**	**30,996**	**214**	536,829	23,107	172
— early stage	**468,004**	**19,316**	**156**	341,984	17,168	136
— property owners' association stage	**308,236**	**11,680**	**58**	194,845	5,939	36
Land management	**13,984**	**—**	**—**	16,121	—	—
Total	**1,549,890**	**54,847**	**358**	1,193,447	41,970	286

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 2023 and 2022:

	As at 31 December 2023			As at 31 December 2022		
	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	**1,102,000**	**34,879**	**250**	901,346	27,072	202
Zhejiang province (excluding Hangzhou)	**394,796**	**18,362**	**98**	259,453	13,253	73
Outside Zhejiang Province	**53,094**	**1,606**	**10**	32,648	1,645	11
Total	**1,549,890**	**54,847**	**358**	1,193,447	41,970	286

The table below sets forth the distribution of contracted GFA of the Group in five major cities as at 31 December 2023:

	Contracted GFA *('000 sq.m.)*	**Percentage of the total contracted GFA**	**Growth rate of contracted GFA**	**Developed by the independent third parties**
Hangzhou	49,006	59.6%	19.6%	45.9%
Jinhua	10,232	12.5%	9.6%	71.1%
Jiaxing	5,253	6.4%	10.0%	61.2%
Shaoxing	3,360	4.1%	27.3%	80.6%
Ningbo	2,749	3.3%	16.1%	71.8%

The below table sets forth the distribution of GFA under management of the Group in five major cities as at 31 December 2023:

		2023		
	GFA under management *('000 sq.m.)*	**Percentage of the total GFA under management**	**Growth rate of GFA under management**	**Developed by the independent third parties**
Hangzhou	34,879	63.6%	28.8%	54.3%
Jinhua	7,219	13.2%	22.8%	78.8%
Jiaxing	2,872	5.2%	37.2%	36.1%
Shaoxing	2,772	5.1%	55.5%	76.5%
Ningbo	1,443	2.6%	200.7%	79.6%

FUTURE PROSPECTS

Further promotion of quality brand building

The Group will continue to deepen standardization of management and services for further promotion of quality brand building.

The Group will continue to optimize the star service standard system, pre-property services and site services management standard system, and quality inspection system for the standardized service and management dedicated to property service quality, project cost control management, pre-property services and site services management for the further standardization of 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 strengthen and deepen the intensity and dimension of quality control supervision from group headquarters inspection and engineering safety inspection. 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 on 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 the 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 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 the 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 a wide range of urban services and other industries to strengthen its comprehensive service capabilities.

Introduction of various services

The Group is committed to becoming the owner's trusted property asset management and maintenance provider to have in place a value-added service system with 5S as the center and fully tap into and stretch its own edges to diversify value-added services for owners and customers, with a focus on owners' needs.

Stretching the edges of the Company in brand, customers and concentration, the Group takes a holistic approach to the real estate brokerage resources of Youjia (優家) and works on the sales of car parking spaces and storage rooms. The Group grows its market business by promoting and duplicating the successful cases of Youju (優居) hard decoration. The Group improves the "Living Home" soft decoration service system, expands the sales scope, and pilots the local decoration and renovation business, such as the refurbishment and renovation of bathrooms, kitchens and balconies, and the updating service of facilities and equipment. The Group optimizes and expands the home entry service business of Youxiang living. The Group has launched the "Binxiang Life" application and an online shop to offer cost-effective quality products to owners and customers.

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 cost budget management and 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.

Strengthening the corporate governance and culture construction

The Group will continue the work on its corporate management and internal control and risk management. The Group will strengthen the construction of corporate culture, make employees more belonging and cohesive and the enterprise more standardized, transparent, stable, efficient, sound and sustainable development, so as to enhance the value of the enterprise and protect the rights and interests of equity holder.

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 55.2% of total revenue; (ii) value-added services to property owners was the second largest source of revenue for the Group, accounting for 24.1% of total revenue.

	2023		2022		Changes
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*	*%*
Property management services	**1,549,890**	**55.2**	1,193,447	60.2	29.9
Property management services for residential properties	**1,131,608**	**40.3**	837,858	42.3	35.1
Property management services for non-residential properties	**404,298**	**14.4**	339,468	17.1	19.1
Land management	**13,984**	**0.5**	16,121	0.8	(13.3)
Value-added services to non-property owners	**580,833**	**20.7**	540,187	27.2	7.5
Pre-delivery services	**546,090**	**19.4**	509,680	25.7	7.1
Consulting services	**21,623**	**0.8**	21,609	1.1	0.1
Community space services	**13,120**	**0.5**	8,898	0.4	47.4
5S value-added services	**678,483**	**24.1**	248,999	12.6	172.5
Youjia services	**97,692**	**3.5**	91,209	4.6	7.1
Youju services	**531,526**	**18.9**	116,872	5.9	354.8
Youxiang living services	**49,265**	**1.7**	40,918	2.1	20.4
Total	**2,809,206**	**100**	1,982,633	100	41.7

Property management services consist of security, cleaning, gardening, repair, maintenance, land management and ancillary services. Revenue generated from property management services amounted to RMB1,549.9 million, representing an increase of 29.9% as compared with RMB1,193.4 million in 2022. It was the Group's main source of revenue and accounted for 55.2% of total revenue in 2023. The increase in revenue was mainly because of the increase in the number of projects as a result of business expansion. 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 RMB759.7 million, and accounted for 49.0% of revenue from property management services in 2023. 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 2023, the revenue from property management services for properties developed by the independent third parties amounted to RMB776.2 million, representing an increase of 44.6% as compared with 2022; and the revenue from property management services for properties outside Hangzhou amounted to RMB447.9 million, representing an increase of 53.3% as compared with 2022. In relation to the reserve land management service of the Group, for the year ended 31 December 2023, the revenue from land management services amounted to RMB14.0 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 RMB580.8 million, representing an increase of 7.5% as compared with RMB540.2 million in 2022, and accounted for approximately 20.7% of the Group's total revenue in 2023. The increase in revenue was mainly due to the increase in the business of value-added services to non-property owners.

5S Value-added services mainly composed of Youjia services, Youju services and Youxiang living services. Revenue generated from 5S value-added services amounted to RMB678.5 million, representing an increase of 172.5% as compared with RMB249.0 million in 2022, and accounted for approximately 24.1% of the Group's total revenue in 2023. The increase was mainly due to the rapid development scale of Youju services, resulting in an increase in the income during the year.

Among Youju services, revenue generated from provision of home decoration service in relation to certain commercial apartments sold by Binjiang Group and an associate of Binjiang Group is RMB503.0 million, representing an increase of 490.4% as compared with RMB85.2 million in 2022, and accounted for approximately17.9% of the Group's total revenue in 2023. The Group entered into home decoration service agreements with the individual property purchasers and entered into a decoration project contracting agreement with a third party to provide home decoration services in relation to those commercial apartments.

Gross profit and gross profit margin

Based on the above factors, the Group's gross profit for the year increased by 17.5% from RMB592.2 million in 2022 to RMB695.9 million in 2023. The Group's gross profit margin decreased by 5.1 percentage points from 29.9% in 2022 to 24.8% in 2023.

	2023		2022	
	Gross profit RMB'000	***Gross profit margin %***	*Gross profit RMB'000*	*Gross profit margin %*
Property management services	**284,080**	**18.3**	228,383	19.1
Value-added services to non-property owners	**192,554**	**33.2**	243,562	45.1
5S value-added services	**219,253**	**32.3**	120,302	48.3
Total	**695,887**	**24.8**	592,247	29.9

Gross profit of property management services increased by 24.4% from RMB228.4 million in 2022 to RMB284.1 million in 2023, and gross profit margin was 18.3% in 2023, representing a decrease of 0.8 percentage points from 2022, mainly due to the increased management investment as the Group continued to improve its service quality.

Gross profit of value-added services to non-property owners decreased by 20.9% from RMB243.6 million in 2022 to RMB192.6 million in 2023, and gross profit margin was 33.2% in 2023, representing a decrease of 11.9 percentage points from 2022. This was mainly due to the overall impact of the upstream real estate development industry and revenue from the Group's value-added services to non-property owners were adjusted from 2023 onwards, which resulted in a lower gross profit margin of value-added services to non-property owners.

Gross profit of 5S value-added services increased by 82.3% from RMB120.3 million in 2022 to RMB219.3 million in 2023, and gross profit margin decreased from 48.3% in 2022 to 32.3% in 2023. The decrease in gross profit was mainly attributable to the rapid development and an increase in share of home decoration services of Youju services with relatively low gross profit margin.

Cost of sales

During the Reporting Period, the Group's cost of sales increased by 52.0% from RMB1,390.4 million in 2022 to RMB2,113.3 million in 2023, mainly due to the increase in cost of sales year-on-year as a result of the growth in business scale.

Selling and marketing expenses

During the Reporting Period, the Group's selling and marketing expenses increased from RMB8.2 million in 2022 to RMB18.0 million in 2023, mainly due to the increase in sales commissions corresponding to the growth of the sales business of car parking spaces and storerooms in 2023, as well as the increase in expansion expenses.

Administrative expenses

During the Reporting Period, the Group's administrative expenses increased by 22.9% from RMB62.1 million in 2022 to RMB76.4 million in 2023, and the management expense ratio of the Group decreased from 3.1% in 2022 to 2.7% in 2023. This was mainly due to the fact that in 2023, the Group strengthened its expense control efforts as business scaled up and continuously optimized the allocation of corporate resources.

Impairment loss on trade receivables and contract assets

During the Reporting Period, the Group's impairment loss on trade receivables and contract assets increased from RMB20.5 million in 2022 to RMB24.3 million in 2023.

Finance income

During the Reporting Period, the finance income of the Group was interest income on bank deposits. Finance income increased from RMB44.6 million in 2022 to RMB67.4 million in 2023, mainly due to the increase in interest income arising from the higher-yield deposit products as a result of the Group's centralized management of its own funds.

Share of profits less losses of associates and joint ventures

During the Reporting Period, the Group's share of profits of two associates and two joint ventures less losses increased from a profit of RMB3.4 million in 2022 to a profit of RMB8.5 million in 2023, mainly due to profit growth as a result of the increase in the number of projects of associates and joint ventures.

Profit before taxation

During the Reporting Period, the Group's profit before taxation was RMB652.5 million, representing an increase of 16.3% as compared with RMB561.1 million in 2022, mainly due to the increase in the operation gross profit during the Reporting Period.

Income tax

During the Reporting Period, income tax expenses of the Group increased by 5.2% from RMB142.1 million in 2022 to RMB149.5 million in 2023, mainly due to the growth in business, which partly offset by the decrease of withholding tax rate on the dividend received from the Group's PRC subsidiaries from 10% in 2022 to 5% in 2023.

In 2023, the Company's Hong Kong subsidiary received the certificate of Hong Kong resident status. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("**Tax Treaties**") and the Announcement of the State Taxation Administration in relation to "Beneficial Owner" in Tax Treaties ("**Announcement No.9**"), the Hong Kong subsidiary meets the requirement for enjoying the preferential rate and is subject to withholding tax at a rate of 5% for dividends received from PRC subsidiaries since 2023.

Profit for the year

The Group's profit for the year was RMB503.0 million, representing an increase of 20.1% as compared with RMB419.0 million in 2022, mainly due to the growth in business. Profit for the year attributable to equity shareholders of the Company was RMB492.5 million, representing an increase of 19.6% as compared with RMB412.0 million in 2022. Net profit margin was 17.9%, representing a decrease of 3.2 percentage points as compared with net profit margin of 21.1% for the corresponding period of last year.

Current assets, financial resources and gearing ratio

The Group maintained a well financial performance in 2023. As at 31 December 2023, current assets were RMB2,605.2 million, representing a decrease of 1.3% as compared with RMB2,640.1 million as at 31 December 2022.

As at 31 December 2023, the Group's cash and cash equivalents were RMB1,455.4 million, representing a decrease of 25.4% as compared with RMB1,949.9 million as at 31 December 2022. This was mainly due to the payment of dividend. The Group's cash and equivalents of approximately RMB1,449.1 million were held in RMB, approximately RMB6.1 million in HKD and approximately RMB0.2 million in USD. As at 31 December 2023, current ratio was 1.0, representing a decrease as compared with 1.6 as at 31 December 2022.

As at 31 December 2023, the Group did not have any loans or borrowings (31 December 2022: Nil).

As at 31 December 2023, the total equity of the Group was RMB1,541.6 million, representing an increase of 19.8% as compared with RMB1,286.3 million as at 31 December 2022. This was mainly due to the growth of business scale and an increase in operating profit.

Treasury Policies

For the year ended 31 December 2023, 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 2023, the investment properties, property, plant and equipment of the Group amounted to RMB43.4 million, representing an increase of 61.4% as compared with RMB26.9 million as at 31 December 2022, mainly due to the increase in corresponding assets as a result of the growth of business.

Inventories

As at 31 December 2023, the Group's inventories amounted to RMB244.8 million, representing an increase of 65.9% from RMB147.5 million as at 31 December 2022, mainly due to the acquisition of car parking spaces to increase inventories during the Reporting Period.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2023 and 2022.

Contract liabilities

As at 31 December 2023, contract liabilities of the Group recorded a year-on-year increase of 71.5%. The increase was mainly due to the increase in number of projects and the prepayment for home decoration services by owners.

Pledged assets

The Group did not have any pledged assets as at 31 December 2023 and 2022.

Trade and other receivables

As at 31 December 2023, trade and other receivables amounted to RMB545.3 million, representing an increase of RMB201.9 million or 58.8% as compared with RMB343.5 million in 2022, mainly due to the increase in receivables from independent third-party business as a result of macroeconomic pressures.

Trade and other payables

As at 31 December 2023, trade and other payables amounted to RMB847.2 million, representing an increase of RMB174.7 million or 26.0% as compared with RMB672.4 million in 2022, mainly due to the expansion of business scale.

Human resources

As at 31 December 2023, the Group employed a total of 11,647 employees (31 December 2022: 10,336 employees). During the Reporting Period, the staff costs of the Group were RMB1,013.7 million (2022: RMB794.4 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 AND SPECIAL DIVIDEND FOR THE FIFTH ANNIVERSARY OF THE LISTING

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 2023 of HK$1.178 per share, and a special dividend for the fifth anniversary of the Listing of HK$0.196 per share. The dividend ratio of the year is approximately 70%. The proposed final dividend and special dividend for the fifth anniversary of the Listing amounted to approximately HK$379.8 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 and special dividend for the fifth anniversary of the Listing are expected to be paid to shareholders of the Company on Friday, 28 June 2024.

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, 4 June 2024 to Friday, 7 June 2024 (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, 3 June 2024.

For the purpose of determining the shareholders of the Company who are entitled to the right of the final dividend and special dividend for the fifth anniversary of the Listing, the register of members of the Company will be closed from Friday, 14 June 2024 to Tuesday, 18 June 2024 (both days inclusive). Only those shareholders whose names appear on the register of members of the Company on Tuesday, 18 June 2024 will be entitled to the right of the final dividend and special dividend for the fifth anniversary of the Listing. To be eligible to receive the final dividend and special dividend for the fifth anniversary of the Listing, 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 Thursday, 13 June 2024.

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 C1 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. Yu Zhongxiang. 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.

Save as disclosed above, the Company 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 2023.

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 C3 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 2023.

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 2023.

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 second amended and restated articles of association 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 and a special dividend for the fifth anniversary of the Listing. Further details are disclosed in note 9 of this announcement.

USE OF PROCEEDS FROM GLOBAL OFFERING

The total proceeds from the global offering of the Company (the "**Global Offering**") and the exercise of the over-allotment option amounted to HK$455.3 million. As at 1 January 2023, the unutilized net proceeds amounted to approximately HK$250.5 million. As at 31 December 2023, the Group had utilized approximately HK$88.6 million of the net proceeds, and the unutilized net proceeds amounted to approximately HK$161.9 million.

As disclosed in the section headed "Reasons for and Benefits of the Change in Use of Proceeds" in the announcement of "Change in Use of Proceeds from the Global Offering" published by the Company on 29 May 2023 (the "**Announcement**") and the section headed "Further Details for the Reallocation" in the supplemental announcement published on 28 June 2023, since the listing, the Group had actively sought in the market for potential opportunities in acquiring and investing in property management companies. However, the Group was not able to identify acquisition targets that offer property management services meeting the Group's service quality management needs and could create synergies. In the case of investment in asset management platforms to engage in the operation of industrial parks, after several rounds of assessment making reference to market valuation and the Company's financial management objectives, the Group had not reached any agreement with the relevant enterprises in respect of investment-related matters. As the Group had successfully grown and expanded its business organically via third-party projects and establishment of joint ventures, and considering the cost effectiveness and efficiency and the source of quality projects secured by such expansion channels, the Company was of the view that adjustment to the original acquisition and investment plans was required to respond responsibly and flexibly to change in circumstances. As such, the Group considered that, the reallocation of the unutilized net proceeds to the updating of the Group's management service system and talent recruitment, the establishment of joint venture companies in cooperation with the government and property developers, and as the Group's working capital and other general corporate purposes could enable the Group to deploy its financial resources in a more effective and efficient manner to meet its sustainable development needs of the Group. The Group will continue to focus on its long-term strategic development needs, strengthen the investment and upgrading of the information technology system, continue to recruit talents, establish and improve the talent training system, so as to further improve the Group's capability of offering comprehensive services and improve the user experience of the owners. At the same time, the Group will also strengthen its cooperation with the government, property developers and other parties, and actively expand the business scale of the enterprise.

Please refer to the supplemental announcement of the Company dated 28 June 2023 for the factors in determining the allocation of the net proceeds at the time of the Listing and the implementation of the acquisition and investment plans after the listing.

As at 31 December 2023, the unutilized net proceeds after reallocation had been utilized as follows:

Use of proceeds	**Proposed use of proceeds according to the prospectus** *(HK$ million)*	**Unutilized amount as at 1 January 2023** *(HK$ million)*	**Utilized net proceeds as of the date of the Announcement** *(HK$ million)*	**New reallocation of the unutilized net proceeds** *(HK$ million)*	**Utilized net proceeds during the Period after reallocation** *(HK$ million)*	**Unutilized net proceeds as at 31 December 2023** *(HK$ million)*
Acquisition of property management companies located in major cities in the Yangtze River Delta to further increase the Group's market share in the existing market, and also in new cities such as Shenzhen to expand the Group's geographical coverage	159.4	159.4	—	—	—	—
Updating the Group's management service systems and recruiting and nurturing talents	113.8	—	113.8	125.3	28.1	97.2
Investment in the asset management platform to engage in the operation of industrial parks	91.1	91.1	—	—	—	—
Establishing joint venture companies or platforms through the cooperation with local governments and property developers[1]	45.5	—	45.5	75.2	43.8	31.4
As working capital and for other general corporate purposes	45.5	—	45.5	50	16.7	33.3
	455.3	250.5	204.8	250.5	88.6	161.9

1. As at 31 December 2023, 27 cooperation platforms had been established.

The Group plans to fully utilize the remaining proceeds by 31 December 2025.

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 2023 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***) 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 Friday, 7 June 2024, 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.
Yu Zhongxiang
Chairman and executive Director

Hangzhou, the PRC
25 March 2024

As at the date of this announcement, the Board comprises Mr. Yu Zhongxiang 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.