



四川藍光嘉寶服務集團股份有限公司

SICHUAN LANGUANG JUSTBON SERVICES GROUP CO., LTD.

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

Stock code : 2606

SERVE YOUR
LIFE WITH MY
HEART

Annual Report 2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yao Min (*Chairman*)
Mr. Wu Gang (Resigned on March 12 2020)
Mr. Chen Jingchao (Resigned on January 22 2020)
Mr. Sun Zhefeng (Appointed on March 12 2020)
Mr. Liu Xia (Appointed on March 12 2020)

Non-executive Directors

Mr. Zhang Qiaolong
Mr. Meng Hongwei
Mr. Wang Wanfeng

Independent Non-executive Directors

Mr. Li Shujian
Mr. Chan Shing Yee, Joseph
Mr. Zhang Shouwen

SUPERVISORY COMMITTEE

Ms. Wang Xiaoying (Resigned on January 17 2020)
Ms. Wang Lu (*Chairman*) (Appointed on January 17 2020)
Mr. Zhao Yang (Resigned on January 22 2020)
Mr. Liu Jiang
Ms. Li Ru (Appointed on January 22 2020)
Mr. Xu Qingshan
Mr. Liu Deming

AUDIT COMMITTEE

Mr. Chan Shing Yee, Joseph (*Chairman*)
Mr. Li Shujian
Mr. Zhang Shouwen
Mr. Zhang Qiaolong
Mr. Wang Wanfeng

REMUNERATION COMMITTEE

Mr. Li Shujian (*Chairman*)
Mr. Chan Shing Yee, Joseph
Mr. Zhang Shouwen
Mr. Yao Min
Mr. Meng Hongwei

NOMINATION COMMITTEE

Mr. Yao Min (*Chairman*)
Mr. Li Shujian
Mr. Chan Shing Yee, Joseph
Mr. Zhang Shouwen
Mr. Liu Xia

JOINT COMPANY SECRETARIES

Mr. Chen Zhenhua (Resigned on February 18 2020)
Mr. Zou Hao (Appointed on February 18 2020)
Ms. Tsui Sum Yi

AUTHORISED REPRESENTATIVES

Mr. Yao Min
Mr. Chen Zhenhua (Resigned on February 18 2020)
Mr. Zou Hao (Appointed on February 18 2020)

ALTERNATE TO AUTHORISED REPRESENTATIVE

Ms. Tsui Sum Yi

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

Ballas Capital Limited

LEGAL ADVISOR

Sidley Austin LLP (*as to Hong Kong laws*)
JunHe LLP (*as to PRC laws*)

REGISTERED OFFICE IN THE PRC

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PRC

CORPORATE INFORMATION

HEADQUARTER IN THE PRC

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
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Hong Kong

PRINCIPAL BANK

China Construction Bank Chengdu Jinxianqiao Branch
Industrial and Commercial Bank of China (Asia) Ltd.

INVESTOR RELATIONS

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STOCK CODE

2606

FINANCIAL HIGHLIGHTS

	For the year ended December 31		
	2019	2018	Change %
Results Summary			
Revenue (RMB'000)	2,100,224	1,464,458	43.4%
Gross profit (RMB'000)	760,228	486,770	56.2%
Profit for the year (RMB'000)	444,127	296,890	49.6%
Adjusted profit for the year (RMB'000)	452,870	297,587	52.2%
Gross profit margin (%)	36.2	33.2	+3.0 percentage points
Basic earnings per Share (basic) (RMB)	3.1	2.3	34.8%

	As at December 31		
	2019	2018	Change %
Balance Sheet Summary			
Total assets (RMB'000)	3,481,888	1,270,214	174.1%
Cash and cash equivalents (RMB'000)	1,962,719	307,136	539.0%
Total liabilities (RMB'000)	1,234,259	803,551	53.6%
Total equity (RMB'000)	2,247,629	466,663	381.6%
Equity attributable to owners of the Company (RMB'000)	2,199,126	436,699	403.6%
Current ratio (times)	2.49	1.17	
Liabilities to assets ratio (%)	35.4	63.3	

FINANCIAL HIGHLIGHTS

NON GAAP FINANCIAL MEASURE

In order to supplement the consolidated financial statements prepared in accordance with HKFRS, the Company also proposed “Adjusted profit for the year” as a non-GAAP measure used by the management of the Group to provide additional information on its operating performance. The “Adjusted profit for the year” takes out the impact of listing expenses, which are not indicative for evaluating the actual performance of the Group’s business. Under HKFRS, “Adjusted profit for the year” is not a standard measure. 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 “Profit for the year” and “Adjusted profit for the year”:

	For the year ended December 31	
	2019 RMB'000	2018 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 for the year” 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 for the year” of the Group may not be comparable to similarly titled measures used by other companies.

ANNUAL REVIEW/HONORS AND AWARDS

EVENTS IN 2019

Time	Description
March 8 2019	Languang Justbon Services was honored "2016-2017 Sichuan Province AAA Integrity Unit" and 6 projects under management were selected into "Sichuan Province Property Service Brand Project".
April 12 2019	Languang Justbon Services held the second closed-door summit on real estate strategic cooperation, with the principals of more than 80 real estate developers from across the country participating. Languang Justbon Services signed strategic cooperation agreements with 16 real estate companies on site, and the rolling resource supply incremental pool continued to gain momentum.
April 19 2019	Languang Justbon Services Training Academy established, endogenous talent training of Languang Justbon Services enters fast track.
April 21 2019	Company in Sichuan region of Languang Justbon Services officially released the "2019 Happy Living Activity Plan", formulated the "Jiayuan Freezing Age Plan", "Jiayuan Peacefulness Plan", "Housekeeper 365 Plan", and "Civilized Jiayuan Plan", "Cultural Jiayuan Project", "Jiayuan Beauty Project", "Jiayuan Freshness Project" and "Party Construction Leading Activities" throughout the year, and planned to ensure the effective implementation and optimization of the activities with "three levels of supervision and feedback mechanism", maximize the macro value of happiness, and continuously improve the sense of gain and happiness of Justbon owners.
April 30 2019	Three employees of Languang Justbon Services, namely Yang Haichuan, Huang Kai and Zhang Qiliang have won the honorary title of "Chengdu Craftsman".
May 24 2019	Languang Justbon Services was honored as "Top 100 Property Management Companies in China" in 2019, ranking 11th in the comprehensive strength of the PRC property management industry.
May 26 2019	Languang Justbon Services was re-elected as the vice president unit of the fifth session of China Property Management Institute.
June 20 2019	China Property Management Institute and E-House released the "2019 Top 50 Property Service Enterprise Brand Value", and Languang Justbon Services was on the list.

ANNUAL REVIEW/HONORS AND AWARDS

Time	Description
July 4 2019	The “Power of Community” Consumption Poverty-alleviation Action – Chengdu station sponsored by China Property Management Institute and China Poverty-alleviation Promotion of Volunteer Service and hosted by Chengdu Property Management Association, China Community Poverty Alleviation Alliance and Eju-lenong was officially launched. Languang Justbon Services actively responded to industry calls, mobilized 196 projects nationwide to participate. Poverty alleviation products with a worth of RMB700,000 was purchased on-site. We practiced our social responsibility and made every effort to help fight poverty, and a support with special action activity of “Power of Community” was smoothly implemented in Chengdu.
September 10 2019	Languang Justbon Services was awarded “2019 Leading Brand Enterprise for Professional Operation of Property Services in the PRC” with a brand value of RMB4.008 billion.
September 16 2019	The results of the Third Sichuan Vocational Skills Competition for the Property Management Industry were announced. Yang Huan and Zhang Qi Liang, the employees of Languang Justbon Services, won the first prizes in the category of property manager and electrician. In addition, Zheng Wenxian, the employees of Languang Justbon Services, won the second prize in the electrician category, Han Yucheng and Bao Jianping won the third prize in the property administrator category and Luo Weidong won the third prize in the electrician category.
October 14 2019	Zhang Zhenhong, the director of the Sichuan Provincial Department of Housing and Urban-Rural Development, went deep into the research and development of Languang Justbon Services, and affirmed the property construction in an intelligent way and considered that the experience of Languang Justbon Services in serving smart properties is worth promoting.
October 18 2019	Languang Justbon Services (2606.HK) was successfully listed on the Hong Kong Stock Exchange, opening a new chapter in corporate development.
November 29 2019	Languang Justbon Services signed an equity transfer agreement with Jiangsu Changfa Property Management Service Co., Ltd. (“Jiangsu Changfa Property”) to acquire 100% equity of Jiangsu Changfa Property. Jiangsu Changfa Property became a wholly-owned subsidiary of Languang Justbon Services, bringing Languang Justbon Services GFA under management of nearly 2.7 million sq.m.

ANNUAL REVIEW/HONORS AND AWARDS

Time	Description
December 2 2019	At the 24th China Golden Key Annual Conference, Languang Justbon Services successfully took the “2019 China Service Demonstration Model” award with the innovation of living service model, the creation of differentiated gold medal services, the cultural framework of a happy residential community, and the practice of technology and intelligent properties.
December 6 2019	Languang Justbon Services and Zhejiang Zhongneng Property Services Co., Ltd. (“Zhejiang Zhongneng Property”) reached a strategic cooperation. Languang Justbon Services acquired 60% equity interests of Zhejiang Zhongneng Property, further extending the depth of management in high-value areas in East China.
December 17 2019	Languang Justbon Services has been recognized as a participating unit in the “Smart Community Construction Specification” by the National Smart Building and Residential Area Digitalization and Standardization Technical Committee, to promote the development of community governance and information security.
December 18 2019	Languang Justbon Services has been ranked among the top 50 real estate service companies in Western China in 2019, ranking No. 2, with its outstanding performance in terms of business scale, business performance, development potential, brand influence, service quality, social responsibility, etc. and ranked first among top 10 property service companies in Chengdu in 2019.

ANNUAL REVIEW/HONORS AND AWARDS

MAJOR HONORS AND AWARDS IN 2019

- 1 2019 Certificate of China Property Management Brand Value, with a brand value of RMB4,008,000,000
- 2 2019 China Leading Property Management Companies in terms of Characteristic Service
- 3 2019 Real Estate Services Company Worth Focusing by Capital Marker
- 4 TOP 20 Chinese Community Service Providers in 2019
- 5 TOP 50 Property Service Enterprises in Western China in 2019 (2019中國西部物業服務50強企業)
- 6 Top 10 Property Service Enterprises in Chengdu in 2019 (2019成都市物業服務10強企業)
- 7 2019 Potential Unicorn of Property Management Service
- 8 2019 TOP 100 Property Management Companies in China
- 9 TOP 100 China Property Manager in 2019 – Zhang Ye (2019中國物業經理人100強—張擘)
- 10 Contribution Award for Consumer Poverty Alleviation Enterprises (消費扶貧企業貢獻獎)



CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report the audited consolidated results of the Group for the year ended December 31 2019.

BUSINESS OVERVIEW

The year 2019 is the first year that Languang Justbon Services was listed on the main board of the Stock Exchange. It is honored to become the first property service company listed in Hong Kong in western China. The year 2019 is also a year of rapid development of Languang Justbon Services. We are also firmly promoting market-oriented business, reaching long-term cooperation intentions with more than 30 third-party real estate developers to achieve rapid growth in management scale. Looking back on 2019, we have achieved a series of landmark achievements in breakthroughs in operating performance, steady growth in scale, community operating innovation, scale structure optimization, service quality, management efficiency improvement and so on, which have promoted the jump in brand value and industry ranking of the Company.

Operating performance during the year set record high

In 2019, the Group's total revenue jumped significantly by approximately 43.4% from RMB1,464.5 million for the year ended December 31 2018 to RMB2,100.2 million for the year ended December 31 2019.

Meanwhile, thanks to our leading advantages in community operations, digital smart properties, and organizational management models, both gross profit and net profit in 2019 have achieved substantial improvements. The Group's gross profit increased by approximately 56.2% from RMB486.8 million for the year ended December 31 2018 to RMB760.2 million for the year ended December 31 2019. Net profit increased by approximately 49.6% from RMB296.9 million for the year ended December 31 2018 to RMB444.1 million for the year ended December 31 2019.

Upgrade talent structure by introducing high-level elites to build excellent teams and match future strategies

In order to match the high-speed growth of the Group in future and the strategic needs of the nationwide layout, the Group proactively sought for changes to introduce high-quality elites with rich property management experience, or years of professional management experience, such as Mr. Sun Zhefeng and Ms. Wang Lu, as well as Mr. Zou Hao, who has extend operating experience in the capital market, to jointly build an excellent management team for future development.

Strengthen the 1+1+N strategy, focus on regional layout, and achieve new breakthroughs in scale

In 2019, the Group firmly promoted the "1+1+N" scale expansion strategy, continued to consolidate the strategic advantages of Sichuan and southwest first, focused on East China, and laid out high-value regions and provincial capitals nationwide. The contracted area increased by 58.8% from 73.6 million sq.m. as at December 31 2018 to 116.9 million sq.m. as at December 31 2019. The GFA under management increased by approximately 18.3% from 60.6 million square meters as at December 31 2018 to 71.7 million sq.m. as at December 31 2019.

The Group radiated 69 cities across the country with the southwestern region as its core and has 477 projects under management. The GFA under management in the southwest region (including Sichuan Province) and eastern and southern China amounted to 45.12 million sq.m. and 22.04 million sq.m., respectively, forming a regional leading advantage.

CHAIRMAN'S STATEMENT

The ability to acquire market-oriented projects has been greatly improved, and the scale structure has become more reasonable

In 2019, the Group's market outreach capabilities increased significantly. The GFA under management from M&A and third parties increased from 5.36 million sq.m. in 2016 to 42.61 million sq.m. in 2019. The commercialized GFA under management took up nearly 60% of the area under management, with the CAGR of 99.6% between 2016 and 2019, and the property management fee income from Marketisation business accounted for 49%.

Significant improvement in M&A and integration capabilities, with prominent investment value

Since 2016, Languang Justbon Services has completed the M&A of a number of property companies including Sichuan Guojia Property Services Co., Ltd. and Hangzhou Lvyu Property Management Co., Ltd., and acquired two more property companies including Jiangsu Changfa Property and Zhejiang Zhongneng Property in 2019. As at the end of 2019, it has acquired 8 companies.

Through years of M&A and integrated management, the Group has accumulated rich management experience and formed a unique "16 operating strategies and seven core operating advantages." By implanting 16 magic tools for the operation including life service system, cloud video quality monitoring, intelligent unattended transformation, project group management, engineering energy-saving transformation, grid stewardship, centralized procurement and distribution, it has formed seven advantages including "brand advantages, service advantages, training advantages, intensive management advantages, per capita efficiency advantages, community operation advantages and technology digitalization advantages, and received high attention from the industry and fully recognized by the owners.

Focus on quality services to promote customer satisfaction and collection rates improve significantly

Based on the needs of customers, the Group has continued to optimize and upgrade the four differentiated service models centered on "golden steward" through years of intensive cultivation of the business, continuously improving service quality, and providing customers with quality services that match the quality and price, while taking into account individual needs of customers and customized services for owners.

On the other hand, the "Happy Home" initiative was launched in 2019, including a special quality upgrade operation including more than 2,000 property management services and more than 3,000 community cultural activities to share a vision of a better life with millions of owners.

In 2019, the Group's customer satisfaction surveyed by third-party Gallup Company reached a record high of 95 points. The high satisfaction has brought an effective increase in the collection rate of property fees. For the year ended December 31 2019, the collection rate of the Group's property management fee was 88.0% (2018: 82.6%).

High-speed growth of community value-added services business

In 2019, the Group continued to maintain the core advantages of the rapid growth of community value-added business, and by diversifying the community value-added service portfolio, it built a richer profit model and a more stable profit structure. Revenue from community value-added services increased by approximately 34.9% from RMB333.2 million for the year ended December 31 2018 to RMB449.4 million for the year ended December 31 2019.

CHAIRMAN'S STATEMENT

The "Justbon Life Pro Service System (嘉寶生活家服務體系)" created by the Group in 2015 constructed an operating model that combines online "Life Pro app (生活家app)" and offline experience center focusing on a full-cycled value chain for residential living that combines shopping, dressing and living elements, and gradually formed such core business as community space management, living platform operation, innovative turnkey and move-in furnishing and housing brokerage to meet the owner's diversified service needs. As at December 31 2019, the "Justbon Life Pro" mobile app of the Group has attracted more than 794,000 registered users.

Improvement in organizational change and efficiency, innovation in management model, and leading in management efficiency

The Group has long been committed to promoting the transformation and upgrading of property services. It has continued to promote flat organization, group management, and project centralization in terms of organizational change. It has also promoted financial sharing centers, employment mode optimization, centralized procurement, and engineering and energy-saving transformation in terms of management model innovation. While ensuring service quality, it greatly improved organizational management efficiency, effectively controlled costs, and achieved maximum utilization of resources.

Digital smart property helps reduce cost and increase efficiency, and obtains data asset value

The Group regards the upgrade of digital smart properties as one of the core strategies of the Company's development. In 2019, it introduced well-known consulting and service agencies, and draw on advanced service management experience at home and abroad, as well as AI and digital technologies, to build three major digital and efficient operation systems, i.e. service digitalization, operating digitalization and management digitalization, covering a customer service system with satisfied service as core and "Life Pro" service system 2.0 with customer needs as the touch point, as well as a management system with efficient decision-making as the core. Around "Intelligent Community + Whole House Wisdom", it implemented and applied digital systems such as AI face recognition, ECM equipment remote monitoring, smart parking lot management and financial sharing center in all aspects to further reduce operating costs and improve management efficiency, laying a solid foundation for the acquisition and application of data assets in future.

The industry ranking has been steadily improved, and the brand value has reached a new high

Based on the Group's high-quality services and operations, in 2019, the Group ranked 11th in the comprehensive strength of China's top 100 property companies and ranked No. 1 in top 100 Property Services Company of Sichuan Province. Its brand value jumped to RMB4.008 billion.

Strategic talent incubation and multi-level incentive system to promote the Company's large-scale development

In line with its strategic development, the Company has established a precise talent training system, established the Languang Justbon School of Management (藍光嘉寶管理學院), and established a layered training system for "leadership", "escorts" and "departures" for employees at different positions and at different levels to build systematic talents training plan and a complete talent pool for the large-scale development of the Company. Meanwhile, the Company continued to deepen the multi-level incentive system with equity incentives, incentive compensation, and partner mechanisms as its core, which effectively stimulated the enthusiasm and creativity of key talents and supports the Company's development.

CHAIRMAN'S STATEMENT

OUTLOOK

In 2020, Languang Justbon Services will closely follow contemporary trends and continue developing its three core business lines of property management services, consultancy services, and community value-added services, with strong emphasis on brand leadership and customers, and coordinated development supplemented by capitalization and digital technology.

We will firmly promote organizational change, streamline the headquarters and strengthen and streamline the organizational hierarchy, advance the market-oriented mechanism, to create a flat organizational control system and a targeted and multi-level incentive system. We will also improve management efficiency and strengthen talent training, to achieve employee value and build a standard talent pool with Justbon characteristics.

The market-oriented expansion will take residential properties as the core, to firmly implement the "1+1+N" strategy. Focusing on strategic high-value areas, we will strategically cooperate with more outstanding property management enterprises in the industry to achieve large-scale and high-quality growth.

Guided by customers and the market, we will upgrade the residential property-focused gold medal property service system, continue to consolidate the quality foundation, promote the upgrade of service standards, and create three-dimensional star service products. The happy living culture led the upgrade of service to build a gold medal with differentiated business formats and commercial operation service product system.

We will continue to promote the construction of a smart living service system to support business development, upgrade digital technology platforms, and build three digital platforms of "smart services, smart operations, and smart management" to tap the value of digital assets.

Looking into the future, Languang Justbon Services will take advantage of the rapid development of property management industry of PRC and the opportunity of transformation and upgrading. Under the dual-wheel drive of capital and technology, it will become stronger and larger and achieve high-quality growth by emphasizing both on profit and scale, and will continue to struggle to be an excellent modern service enterprise characterized by digital technology platform with high growth, to create higher value for Shareholders and customers.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to express my sincere gratitude to all staff and management teams who have worked hard for the Company's development in the past year, and to all Shareholders and partners for their support and trust.

YAO Min
Chairman

March 20 2020

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 October 18 2019, 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 December 31 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, M&A, strategic cooperation with third-party property developers, public tenders, and entering into service engagements with property owner associations. As at December 31 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 December 31 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 December 31 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, consultancy 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 M&A 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31		Change in
	2019 RMB'000	2018 RMB'000	percentage %
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 December 31 2018 to RMB2,100.2 million for the year ended December 31 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 December 31 2018 to RMB1,139.4 million for the year ended December 31 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 December 31 2018 to 71.7 million sq.m. as at December 31 2019;
- (ii) the increase in revenue from consultancy services by approximately 121.0% from RMB231.4 million for the year ended December 31 2018 to RMB511.4 million for the year ended December 31 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 December 31 2018 to RMB449.4 million for the year ended December 31 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31			
	2019		2018	
	GFA under management sq.m.	Revenue RMB (in thousands)	GFA under management sq.m.	Revenue RMB
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 December 31 2018 to 71.7 million sq.m. as at December 31 2019; and the contracted GFA increased by approximately 58.8% from 73.6 million sq.m. as at December 31 2018 to 116.9 million sq.m. as at December 31 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 December 31 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31			
	2019		2018	
	GFA under management sq.m.	Revenue RMB (in thousands)	GFA under management sq.m.	Revenue RMB
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31		Change in
	2019	2018	percentage
	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 December 31		Change in
	2019	2018	percentage
	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

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31 2018 to RMB1,340.0 million for the year ended December 31 2019. This increase was generally consistent with the growth of the Group's business.

Gross profit and gross profit margin

	Year ended December 31			
	2019		2018	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
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 December 31 2018 to RMB760.2 million for the year ended December 31 2019.

The Group's gross profit margin increased from 33.2% for the year ended December 31 2018 to 36.2% for the year ended December 31 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 December 31 2018 to RMB5.1 million for the year ended December 31 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31 2018 to RMB202.1 million for the year ended December 31 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 December 31 2018 to RMB12.4 million for the year ended December 31 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 December 31 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 December 31 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 as at the end of the year. As at the date of this report, over 95% of the Group's bank balances denominated in HK\$ as at December 31 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 December 31 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 December 31 2018 to RMB88.5 million for the year ended December 31 2019. Such increase was primarily due to the increase in the Group's profit before tax as a result of its business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

The effective income tax rate of the Group remained relatively stable at 16.1% and 16.6% for the years ended December 31 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 December 31 2018 to RMB444.1 million for the year ended December 31 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 December 31 2018 to RMB452.9 million for the year ended December 31 2019.

Non-GAAP financial measure

Adjusted profit is a non-GAAP measure 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 December 31	
	2019 RMB'000	2018 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31 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 December 31 2019, the Group's goodwill amounted to RMB267.4 million, representing an increase of approximately 45.3% from RMB184.0 million as at December 31 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 December 31 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 December 31 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 December 31 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 December 31 2018.

The Group's trade receivables mainly arise from property management services under a lump sum basis and consultancy services. As at December 31 2019, the Group's trade receivables amounted to RMB867.0 million, representing an increase of approximately 66.0% from RMB522.2 million as at December 31 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 December 31 2019, other receivables amounted to RMB94.7 million, representing an increase of approximately 125.5% from RMB42.0 million as at December 31 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 December 31 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 December 31 2018, mainly due to the increase in costs of procurement driven by the business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

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 December 31 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 December 31 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 December 31 2019, the Group's trade payables amounted to RMB132.8 million, representing an increase of approximately 104.0% from RMB65.1 million as at December 31 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 December 31 2019, the Group's other payables amounted to RMB499.0 million, representing an increase of approximately 71.5% from RMB291.0 million as at December 31 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 December 31 2019, accrued payroll amounted to RMB143.1 million, representing an increase of approximately 32.5% from RMB108.0 million as at December 31 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 December 31 2019, the Group's net current assets amounted to RMB1,782.3 million (December 31 2018: RMB132.8 million). The Group's total current assets increased by approximately 227.8% from RMB909.6 million as at December 31 2018 to RMB2,981.4 million as at December 31 2019. The Group's total current liabilities increased by approximately 54.4% from RMB776.8 million as at December 31 2018 to RMB1,199.1 million as at December 31 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash position

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

Indebtedness

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

Pledge of assets

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Relevant Year, the Group had undergone acquisitions and disposals of subsidiaries for the purpose of the reorganisation in preparation for the Listing. Please refer to the Prospectus for further details.

On December 6 2019, the Company entered into a sale and purchase agreement with the Seller, Pinghu Future, Pinghu Design, pursuant to which the Company has conditionally agreed to acquire, and the Seller has conditionally agreed to sell 60% equity interests in Zhejiang Zhongneng Property Services Co., Ltd. (浙江中能物業服務有限公司) at the consideration of RMB48,000,000 (subject to adjustment). Such acquisition was completed on December 31 2019 and upon which Zhejiang Zhongneng Property Services Co., Ltd. (浙江中能物業服務有限公司) has become a non wholly-owned subsidiary of the Company.

The acquisition enables the Group to further expand the scale and the scope of its business, and increase its influence and competitiveness in the market, which is in line with the strategic development needs of the Group. For details, please refer to the announcement of the Company dated December 6 2019.

Save as disclosed above and in the Prospectus, the Company has no other significant investments or significant acquisitions of subsidiaries, associates and joint ventures in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

UPDATE ON REVENUE GUARANTEE IN RESPECT OF THE ACQUISITION OF 60% EQUITY INTERESTS OF ZHEJIANG ZHONGNENG PROPERTY SERVICES CO., LTD.* (浙江中能物業服務有限公司)

Reference is made to the announcement of the Company dated December 6 2019 in relation to the acquisition of 60% equity interest of Zhejiang Zhongneng Property Services Co., Ltd.* (浙江中能物業服務有限公司). Up to the date of this report, there are no changes to the terms of the revenue guarantee where the guaranteed GFA and the guaranteed revenue shall not be less than the following respective amounts:

	The guaranteed GFA	The guaranteed revenue
For the year ending December 31 2020	4,741,000 sq. m.	RMB69,643,000
For the year ending December 31 2021	4,978,000 sq. m.	RMB73,125,200
For the year ending December 31 2022	5,227,000 sq. m.	RMB76,781,400

The Company has been in constant liaison with the Seller and the Remaining Shareholders and monitoring closely on the status of the project delivery schedule of Zhejiang Zhongneng Property Services Co., Ltd.* (浙江中能物業服務有限公司).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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 December 31 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

COMMITMENTS

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

KEY FINANCIAL RATIOS

As at December 31 2019, the current ratio was 2.49 (December 31 2018: 1.17) and its liabilities to assets ratio was 35.4% (December 31 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 December 31 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 November 1 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 December 31 2019, the unutilised net proceeds have been placed as interest bearing deposits with a licensed bank in Mainland China and Hong Kong. As at December 31 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.

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis of the utilisation of the net proceeds from the Listing Date up to December 31 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 November 1 2019		Actual use of net proceeds up to December 31 2019	Unutilised net proceeds as at December 31 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

For the detailed breakdown and description of the proceeds and the expected timeline of the intended use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Directors are not aware of any material change to the planned use of net proceeds as at the date of this report. The unutilised net proceeds and its following intended timeframe for utilisation will be applied in the manner consistent with that mentioned in the Prospectus. The intended timeframe stated in the Prospectus was based on the best estimation and assumption of future market conditions and industry development made by the Company at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND REMUNERATION POLICY

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

The remuneration policy of the Group is to reward its employees based on, among other things, the Group's operating results, individual performance and comparable market statistics. The Group offers its employees competitive wages and benefits, systematic training opportunities and internal upward mobility, so as to attract and retain quality staff. In order to retain talents for achieving the Group's strategic and operational goals, the Company has adopted a share incentive scheme on November 9 2018. 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.

In determining the remuneration of the Directors, the Board will make reference to the proposal of the Remuneration Committee, taking into account, among others, their respective duties and responsibilities, individual performance and the prevailing market conditions.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the biographical details of Directors, Supervisors and senior management of the Company are as follows:

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Yao Min (姚敏), aged 55, was appointed as the Director in March 2009 and as the chairman of the Board in October 2013. Mr. Yao is primarily responsible for the strategic planning and making business decisions for the Group. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee.

Mr. Yao joined the Group in March 2005. From March 2005 to August 2008, he successively served as the deputy general manager, executive deputy general manager and general manager at Languang Building Co., Ltd., where he was responsible for the operations and management of the company. From August 2006 to October 2008, he served as an assistant to the president of the Company and was responsible for the operation and management of the housing brokerage business. From December 2007 to March 2009, he was appointed as the Supervisor. From October 2008 to July 2012, he was appointed as vice president and subsequently promoted to executive vice president and also served as the general manager of the Chengdu branch office, where he was responsible for assisting the president and chairman of the Board to promote the Company's business and the overall operations and management of the Chengdu branch office. Mr. Yao served as the president from July 2012 to July 2019, where he was responsible for the overall operations and management the Group.

Prior to joining the Group, from August 1983 to September 1989, Mr. Yao worked at Chengdu Bus Factory (成都客車廠). From September 1989 to September 1997, he served as an engineer at Sichuan Automobile Industry Group Company Ltd. (四川汽車工業集團公司), a company mainly engaged in the manufacturing of passenger cars and off-road vehicles, where he was responsible for the design work of electrical engineering. From September 1997 to December 2001, he served as the deputy general manager at Chengdu Jincheng Property Service Co., Ltd. (成都市錦城物業服務有限責任公司) and was responsible for the operations and management of the company. From February 2002 to February 2003, Mr. Yao served as the general manager at Chengdu Huihuang Property Management Co., Ltd. (成都市輝煌物業管理有限公司), where he was responsible for strategic planning and operations and management. From September 2003 to February 2005, he worked at Chengdu Jiajing Asset Management Co., Ltd. (成都佳境資產管理有限責任公司) as executive deputy general manager, where he was responsible for the overall operations and business coordination. Mr. Yao currently serves as the executive partner at Chengdu Jiayu and at Ningbo Jiaqian Corporate Management Partnership (Limited Partner) (寧波嘉乾企業管理合夥企業(有限合夥)), where he is responsible for making strategic decisions and managing overall operations.

Mr. Yao is currently the vice president of the China Property Management Institute (中國物業管理協會), the research fellow of the China Property Management Industry Development Research Center (中國物業管理行業發展研究中心), a committee member of the Standardization Working Committee of the China Property Management Association (中國物業管理協會標準化工作委員會), the vice president and chairman of the property management professional committee of Sichuan Real Estate Association (四川省房地產協會), the vice president and industry special lecturer of the Chengdu Property Management Association (成都市物業管理協會), the intellectual expert on property management at the China Construction News (中國建設報社) and the deputy director of the Application and Promotion Center of Smart Property at the National Smart Building and Residential Area Digitalization and Standardization Technical Committee (全國智能建築及居住區數字化標準化技術委員會). He was an honorary professor of the President Senior Training Course of Property Management at Renmin University of China (中國人民大學) from November 2011 to November 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yao was selected by the Chengdu Property Management Association (成都市物業管理協會) as the New Talent of Property Management Industry in Chengdu in March 2005, the Senior Entrepreneur of the Property Service Enterprises in Chengdu in July 2011 and the 10 Best Business Manager in March 2012, by the Organization Committee of the China International Exposition of Housing Industry (中國國際住宅產業博覽會) as the China International (Commercial) Property Management Expert in November 2009, by the Sichuan Real Estate Association (四川省房地產協會) as the Advanced Person in February 2011, by the Sichuan Provincial Department of Housing and Urban-Rural Development (四川省住房和城鄉建設廳) as the Advanced Person in the legal construction of the property management industry in April 2012, by the "Urban Development" Magazine Co., Ltd. (《城市開發》雜誌社有限公司) as the Tutor in October 2015, by the Sichuan Provincial Department of Housing and Urban-Rural Development (四川省住房和城鄉建設廳) as the Property Management Expert in Sichuan in March 2016, by the China Property Management Magazine (《中國物業管理》雜誌社) as an Outstanding Figure in July 2016 and by the Chengdu Urban and Rural Housing Authority (成都市城鄉房產管理局) as the Property Management Professional in Chengdu in January 2018.

Mr. Yao was awarded the Second Prize of Property Management Paper in Chengdu by the Chengdu Property Management Association in January 2003, the Property Management Technology Transformation Innovation Award by Modern Property Management Magazine (現代物業雜誌社) in April 2008 and the Experienced Manager of Property Service Enterprise during the commendation of the 30th Anniversary of Property Management Reform and Development (物業管理改革發展30周年) in October 2011.

Mr. Yao graduated from Sichuan Radio and Television University (四川廣播電視大學) in the PRC, where he completed the curriculum of electro-oxygen engineering in July 1989 and industrial and commercial enterprise management in July 2002. He graduated from The Open University of China (國家開放大學) (formerly known as China Central Radio and Television University (中央廣播電視大學)) in the PRC in April 2006, where he completed the curriculum of business management. Mr. Yao became an electrical engineer in the PRC in October 1995.

Mr. Sun Zhefeng, aged 44, was appointed as an executive Director in March 2020 and was appointed as the deputy president in March 2020. Mr. Sun is primarily responsible for investment development and brand strategic business of the Group.

Prior to joining the Group, from July 1998 to May 2003, Mr. Sun was an investment manager of China Sigma Co., Ltd.* (中國希格瑪有限公司). From June 2003 to July 2010, he was a vice president of Angzhan Holdings (China) Co., Ltd.* (昂展控股(中國)有限公司). From August 2010 to April 2015, he was the executive Director of YangGuang HouTu (Tianjin) Equity Investment and Fund Management Co. Ltd* (陽光厚土(天津)股權投資基金管理有限公司) (a company cancelled in October 2016). From August 2011 to June 2017, he was a director of Xiangcun Gaoke Agricultural Co., Ltd.* (湘村高科農業股份有限公司) (a company listed on National Equities Exchange and Quotations System prior to November 2017). From February 2016 to December 2018, he was a director of Henan Liujiang Ecological Animal Husbandry Co., Ltd.* (河南柳江生態牧業股份有限公司) (a company listed on National Equities Exchange and Quotations System prior to June 2017). From April 2015 to September 2019, he was a general manager of CMIG Futurelife Holdings Group Co., Ltd. (中民未來控股集團有限公司). From December 2018 to August 2019, he was a chairman of Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock code: 002652.SZ).

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Sun was graduated from Tsinghua University of the PRC with a bachelor's degree in materials science and engineering in 1998 and obtained a master of business administration degree from The Chinese University of Hong Kong in 2005 and a doctoral degree in business administration in Grenoble Ecole de Management in France in 2019.

Mr. Liu Xia (劉俠), aged 41, was appointed as the president in July 2019 and an executive Director in March 2020, is primarily responsible for overall operations and management of the Group. He is also a member of the Nomination Committee.

Mr. Liu joined the Group in July 2002 and acquired a range of experiences in human resources management, administrative management and property management in several senior management positions, including assistant to the president, director of human resources department and general manager of the Company until July 2013. He rejoined the Group in October 2014 as the general manager until January 2015, where he was responsible for overall operations and management of the Group.

Prior to rejoining the Group, from August 2013 to March 2014, Mr. Liu served as the general manager at Chengdu Rixin Weiye Real Estate Co., Ltd. (成都日新偉業置業有限公司), a company mainly engaged in real estate development, where he was responsible for company's overall operation and management. In January 2015, he joined Sichuan Languang Business Management Co., Ltd. (四川藍光商業經營管理有限公司), a subsidiary of Languang Hejun, as the president until July 2016, then was promoted to the vice chairman of the board in July 2016 and further promoted to the chairman of the board in November 2017, where he was responsible for overall strategic planning, operational management and business decisions until July 2019.

Mr. Liu obtained his bachelor's degree in law from Southwest University for Nationalities (西南民族大學) (formerly known as Southwest College for Nationalities (西南民族學院)) in the PRC in July 2001. He obtained his master's degree in business management from Sichuan University (四川大學) in the PRC in December 2013. He completed the curriculum of the internet and e-commerce in Tsinghua University Shenzhen Graduate School (清華大學深圳研究生院) in the PRC in December 2016.

Mr. Zhang Qiaolong (張巧龍), aged 44, was appointed as the Director in September 2016 and non-executive Director in November 2018. Mr. Zhang is primarily responsible for provision of guidance for the overall development of the Group. He is also a member of the Audit Committee.

Prior to joining the Group, from March 2002 to April 2006, Mr. Zhang successively worked at Sichuan Urban Construction Project Supervision Co., Ltd. (四川省城市建設工程監理有限公司) and Sichuan Dingxin Real Estate Co., Ltd. (四川鼎鑫置業有限責任公司), where he was responsible for project monitoring. He joined Languang Development in July 2006 as structural engineer and subsequently held various positions at subsidiaries of Languang Development, where he was responsible for regional overall management. Since September 2011, he successively served as deputy general manager at Chongqing Languang Hejun Real Estate Co., Ltd. (重慶藍光和駿置業有限公司), chairman of the board of the Chongqing region and Kunming region, vice president, executive vice president and president at Languang Hejun and the vice chairman of the board and president at Languang Development. Mr. Zhang is currently the executive chairman of the board and the president of Languang Development, where he is in charge of business and strategy development and execution, the director of the board at Sichuan Languang Yingnuo Biotechnology Co., Ltd. (四川藍光英諾生物科技股份有限公司), where he is providing guidance to the company's operations and management.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang graduated from Southwest Petroleum University (西南石油大學) (formerly known as Southwest Petroleum College (西南石油學院)) in the PRC in July 1998, where he completed the curriculum of industrial and civil architecture. Mr. Zhang obtained the Class 1 Registered Architect Certificate and the Registered Supervising Engineer Certificate in the PRC in December 2008 and October 2010, respectively.

Mr. Meng Hongwei (孟宏偉), aged 46, was appointed as the non-executive Director in November 2018. Mr. Meng is primarily responsible for provision of guidance for the overall development of the Group. He is also a member of the Remuneration Committee.

From July 1997 to April 2008, Mr. Meng served as deputy director at Huawei Technologies Co., Ltd (華為技術有限公司). From April 2008 to March 2015, Mr. Meng served as assistant to the regional director of Hunan region at New World (China) Real Estate Investment Co., Ltd. (新世界(中國)地產投資有限公司). Mr. Meng joined Languang Development in June 2015 and successively served as general manager of the human resource center and assistant to the president and executive vice president at Languang Hejun, where he is responsible for overall management in human resources and administration. Mr. Meng currently serves as board director and chief human resources officer at Languang Development, board director and executive vice president at Languang Hejun, board director at Chengdu Dikang Pharmaceutical Co., Ltd. (成都迪康藥業股份有限公司) and the legal representative, executive director and general manager at Chengdu Xuanjin Enterprise Management Co., Ltd. (成都炫錦企業管理有限公司).

Mr. Meng graduated from Renmin University of China (中國人民大學) in the PRC in July 1997, where he completed the curriculum of labor economics.

Mr. Wang Wanfeng (王萬峰), aged 43, was appointed as the non-executive Director in August 2019. Mr. Wang is primarily responsible for provision of guidance for the overall development of the Group. He is also a member of the Audit Committee.

Prior to joining the Group, from July 2000 to June 2012, Mr. Wang worked at People's Bank of China Chengdu Branch (中國人民銀行成都分行) and successively served as the secretary of Youth League Committee and the deputy minister of the Propaganda Department of Party Committee. From February 2009 to February 2012, he was seconded to work in the General Office of the Sichuan Provincial People's Government (四川省人民政府辦公廳). From May 2012 to May 2017, he served as the deputy governor at Chengdu Rural Commercial Bank Co., Ltd. (成都農村商業銀行股份有限公司) and was responsible for corporate finance business. He joined Languang Development in May 2017 as the director of the board and executive vice president. He currently serves as the vice president and the director of the board at Languang Development and is mainly responsible for financing and fund management of Languang Development and its subsidiaries.

Mr. Wang obtained his bachelor's degree and master's degree in economics and doctor's degree in finance from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 2000, June 2006 and June 2014, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Shujian (李書劍), aged 50, was appointed as the independent non-executive Director in November 2018. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

In September 1997, Mr. Li joined Henan Zhenghong Real Estate Co., Ltd. (河南正弘置業有限公司) as the vice president until April 2018, where he was responsible for administration and human resources management, project development and customer services. From October 2008 to April 2018, he served as the chairman of the board at Henan Zhenghong Property Management Co., Ltd. (河南正弘物業管理有限公司), where he was responsible for overall management and operations of the company. Since September 2018, he has been serving as the executive director and general manager at Henan Zhengmei Property Service Co., Ltd. (河南正美物業服務有限公司), where he is primarily responsible for overall management and operations of the company. Mr. Li has been the Distinguished Professor at Henan University of Animal Husbandry & Economy (河南牧業經濟學院) since June 2013 and was the Visiting Professor at Henan University of Economics and Law (河南財經政法大學) from May 2014 to May 2017.

Mr. Li served as the member of the Standardization Working Committee of the China Property Management Association (中國物業管理協會標準化工作委員會) from November 2015 to November 2018. He currently serves as the vice president at China Property Management Institute (中國物業管理協會) and Zhengzhou Property Management Association (鄭州市物業管理協會), a research fellow at Industry Development Research Centre of China Property Management Institute (中國物業管理協會行業發展研究中心) and a member of National Property Service Standardization Technical Committee (全國物業服務標準化技術委員會).

Mr. Li graduated from Correspondence College of Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in the PRC in December 2003, where he completed the curriculum of law. He graduated from China Europe International Business School (中歐國際工商學院) in the PRC in October 2015, where he obtained a master degree of business administration.

Mr. Chan Shing Yee, Joseph (陳承義), aged 53, was appointed as the independent non-executive Director in November 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

From July 1989 to April 1994, Mr. Chan worked at Arthur Andersen (安達信會計師事務所), where he was responsible for providing auditing services. From April 1994 to December 2005, he successively served as the planning manager at PepsiCo Inc., a company listed on the National Association of Securities Dealers Automated Quotations (stock code: PEP), as business development and corporate affairs manager at Philip Morris Asia Limited, a company mainly engaged in cigarette and tobacco manufacturing, and as the business development manager at Hutchison Port Group Co., Ltd. (和記港口集團有限公司), a company mainly engaged in port operations, where he was primarily responsible for strategic planning, financial planning and analysis and business development. From January 2006 to July 2010, he served as the managing partner at Finance Street Limited, a company mainly engaged in accounting and private equity services, where he was responsible for private equity and international accounting services. From August 2010 to February 2012, he served as the chief financial officer and company secretary at Yashili International Holdings Ltd (雅士利國際控股有限公司), a company listed on the Stock Exchange (stock code: 1230), where he was responsible for corporate governance, investor relations and finance operations. From August 2012 to July 2014, he served as a general manager of finance at The University of Hong Kong-Shenzhen Hospital (香港大學深圳醫院), where he was responsible for finance operations and management of social insurance and the cashier office of public hospital and promoting cooperation in public healthcare. From March 2015 to May 2017, he served as the executive vice president at OrbusNeich Medical Company Limited (祥豐醫療有限公司), a company mainly engaged in design, development, manufacturing and marketing of medical devices for the treatment of vascular diseases, where he was responsible for establishing corporate governance and business restructuring. He founded MGTC Consulting in May 2018, a management consulting company, and served as the chief executive officer where he is responsible for providing management consulting to private and public sectors.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chan was awarded the Silver Award Certificate and the Gold Award Certificate for Volunteer Services (Individual) by the Social Welfare Department in Hong Kong in December 2013 and December 2014, 2015, 2016 and 2017, respectively. He has been appointed as the independent member of the Tender Committee of The Hong Kong Amateur Athletic Association since April 21 2016, where he is responsible for providing advices to the committee.

Mr. Chan graduated from Hong Kong Polytechnic University in November 1997, where he obtained a bachelor degree in accounting. He graduated from The Chinese University of Hong Kong in December 1999, where he obtained a master degree in business administration. Mr. Chan became a fellow of The Association of Chartered Certified Accountants in the United Kingdom in November 1997 and a fellow of The Hong Kong Society of Accountants in Hong Kong in May 2000.

Mr. Zhang Shouwen (張守文), aged 53, was appointed as the independent non-executive Director in November 2018. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Zhang worked at the Law School of Peking University (北京大學) as the instructor from July 1994 to August 1997, the associate professor from August 1997 to August 2001 and the professor and doctoral advisor since August 2001. He currently serves as the director of the Institute of Economic Law and the dean of the Institute of Legal and Development of Peking University. He has been serving as an independent director at Sunshine Asset Management Corporation Limited (陽光資產管理股份有限公司) since June 2018, a company mainly engaged in investment management, and at Minmetals Development Co., Ltd. (五礦發展股份有限公司) since September 2018, a company listed on the Shanghai Stock Exchange (stock code: 600058).

Mr. Zhang graduated from Peking University (北京大學) in the PRC, where he obtained a bachelor degree in law and master degree in economic law in July 1989 and July 1994, respectively, and a doctor degree in International law in July 1999.

BIOGRAPHICAL DETAILS OF SUPERVISORS

Ms. Wang Lu (王璐), aged 39, was appointed as the Supervisor in January 2020 and the chairman of the Supervisory Committee in January 2020. Ms. Wang is primarily responsible for arranging work of the Supervisory Committee and supervising the Board and senior management of the Company.

In June 2019, Ms. Wang obtained an EMBA from the Southwestern University of Finance and Economics (西南財經大學) in the PRC. Prior to joining the Group, from February 2001 to June 2008, Ms. Wang served as an internal accountant of Languang Development, one of the Controlling Shareholders (as defined under the Listing Rules). From June 2008 to March 2010, Ms. Wang served as an accounting supervisor of Huashen Group Co., Ltd.* (成都華神集團股份有限公司) (now known as Chengdu Taihe Health Technology Group Inc., Ltd. (成都泰合健康科技集團股份有限公司) (stock code: 000790.SZ)), where she was responsible for internal control matters. From March 2010 to April 2012, she served as an accounting manager of Sichuan Gongga Tianyu Travel Development Company Limited* (四川貢嘎天域旅遊開發有限公司), where she was responsible for internal control and internal supervisory work. For the period from April 2012 to November 2019, Ms. Wang has served as an assistant to the general manager of the audit and legal affairs centre of Sichuan Languang Hejun Industries Co., Ltd. (四川藍光和駿實業有限公司), a supervisor at the chairman's office of Languang Development and the assistant to the chairman of Languang Investment Holdings Group Co., Ltd. (藍光投資控股集團有限公司), all of which are the Controlling Shareholders and that Ms. Wang was in charge of internal control and human resources matters.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wang graduated from Sichuan Radio and TV University (四川廣播電視大學) majoring in Accounting in July 2003. In June 2019, Ms. Wang obtained an EMBA from the Southwestern University of Finance and Economics (西南財經大學) in the PRC.

Mr. Liu Jiang (劉江), aged 37, was appointed as the Supervisor in November 2018. Mr. Liu is primarily responsible for supervising the Board and the senior management of the Company. Mr. Liu joined the Group in June 2017 as the deputy general manager of audit and supervision centre, where he is responsible for risk control and audit management.

Prior to joining the Group, from July 2005 to February 2007, Mr. Liu successively served as the office administrator and marketing manager at Sunyouth Environmental Technologies Co., Ltd. (申昱環保科技股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 430527), where he was responsible for marketing management. From March 2008 to February 2012, he served as the director of audit and supervision department at Chengdu Kanghong Pharmaceutical Group Co., Ltd. (成都康弘藥業集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002773), where he was responsible for assisting the supervisor in conducting audit and monitoring. From July 2012 to February 2014, he served as the auditor at Sichuan Dikang Technology Pharmaceutical Co., Ltd. (四川迪康科技藥業股份有限公司), where he was responsible for auditing and monitoring. From February 2014 to June 2017, he served as the audit director at Sichuan Languang Meishang Drinks Co., Ltd. (四川藍光美尚飲品股份有限公司) where he was responsible for risk control and audit team management.

Mr. Liu graduated from Xihua University (西華大學) in the PRC in June 2005, where he obtained a bachelor degree in business administration.

Ms. Li Ru (李茹), aged 40, was appointed as deputy general manager of the auditing and legal centre of the Company in December 2019 and was appointed as an employee representative supervisor in January 2020. Ms. Li is primarily responsible for the establishment of risk management system for the overall legal affairs of the Company, including risk control in investments and M&A, risk control in property management and major litigation, establishment of the legal information system, the establishment of second-tier legal function management system (法律職能二級管控體系) and the structure and staff development in the legal affairs department of the Company.

Prior to joining the Group, from June 2003 to December 2011, Ms. Li served as legal assistant and lawyer at Sichuan Shangxin Law Firm* (四川商信律師事務所), where she was responsible for litigation and non-litigation cases of the consultant unit and various tasks as assigned by the law firm. From December 2011 to February 2015, Ms. Li served as the director of legal affairs at Chengdu Beixin Zhishicheng Zhiye Co., Ltd.* (成都北新知識城置業有限公司), a company principally engaged in the sales and development of properties in the PRC, where she was responsible for legal affairs of the company in different aspects, including the establishment of a standardised risk management system, taking part in investments, M&A of the company, reviewing contracts and dealing with major litigation of the company. From February 2014 to December 2019, Ms. Li served as deputy general manager of the legal affairs department at Sichuan Languang Development Co., Ltd., where she was responsible for the establishment of legal risk management system, risk management in investment and M&A projects, risk management in major project development and sales, establishment of legal information system, establishment of legal function management system (法律職能二級管控體系) and department structure and training of employees.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Li obtained her bachelor's degree in law from Southwest University of Political Science & Law in the PRC in July 2003 and her master's degree in law from Southwestern University of Finance and Economics in the PRC in December 2013. Ms. Li holds the legal professional qualification certificate issued by the Ministry of Justice of the PRC in March 2010.

Mr. Xu Qingshan (徐青山), aged 41, was appointed as the Supervisor in November 2018. Mr. Xu is primarily responsible for supervising the Board and the senior management of the Company.

From July 2002 to August 2009, Mr. Xu successively served as an officer of the president's office, the director of the administrative office and the deputy director of the president's office at Zhuoda Group Co., Ltd. (卓達集團有限公司), a company mainly engaged in property development, where he was primarily responsible for administrative management and daily affairs. He joined Zhuoda Property Services Co., Ltd. (卓達物業服務股份有限公司) in September 2009 as the deputy general manager and then was promoted to the general manager in August 2011, where he was primarily responsible for the overall operations and management of the company.

Mr. Xu graduated from Shi Jia Zhuang University of Applied Technology (石家莊職業技術學院) in the PRC in July 2002, where he obtained a diploma in modern secretarial.

Mr. Liu Deming (劉德明), aged 51, was appointed as the Supervisor in August 2019. Mr. Liu is primarily responsible for supervising the Board and the senior management of the Company.

Prior to joining the Group, from August 1991 to April 2004, Mr. Liu successively served as an editor at Shandong Dazhong News Group Limited (山東大眾報業(集團)有限公司), a company primarily engaged in newspaper publication, a manager of property management department at Dazhong News Group (大眾報業集團) and a general manager at a property management company affiliated to Dazhong News Group (大眾報業集團). Since April 2004, Mr. Liu has been serving as the chairman of the board at Shandong Mingde Property Management Group Co., Ltd. (山東明德物業管理集團有限公司) ("Shandong Mingde"), a company primarily engaged in property management for properties owned by higher education institutions, hospitals and local governments in various provinces including Shandong, Heilongjiang, Anhui and Yunnan, where he is responsible for its overall strategic planning. In September 2016, Mr. Liu joined A-living Services Co., Ltd. (雅居樂雅生活服務股份有限公司), a company listed on the Stock Exchange (stock code: 3319), as the chief executive officer and was appointed as an executive director in July 2017, where he was responsible for overall business operations and management, major decision making and executing the board's decisions until November 2018. Mr. Liu currently serves as a director in Shandong Minde and its certain subsidiaries.

BIOGRAPHIES OF SENIOR MANAGEMENT

Mr. Zou Hao (鄒昊), aged 40, was appointed as the co-president of the Company in December 2019, and is responsible for accounting, financial and capital management of the Group, and for assisting the president to handle other matters of the Company, and was further appointed as the chief financial officer, the joint company secretary and the authorised representative of the Company in February 2020, and is responsible for accounting, financial and capital management of the Group, and for assisting the president to handle other matters relating to the Group's corporate governance, listing compliance and investors relation matters.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Prior to joining the Group, Mr. Zou has over 15 years of professional experience in financing, investment, management and operation of assets management companies, development and issuance of financing and investment products and other matters relating to corporate finance and investment. Before joining the Group, Mr. Zou served as an accountant at KPMG, Beijing office from 2002 to 2005. From 2005 to 2011, Mr. Zou successively served as an analyst and a manager at the Investment Banking Department of Deutsche Bank AG, Beijing Representative Office, BOC International Asia Limited and the Investment Banking Department of Deutsche Bank AG, Hong Kong Branch. From 2011 to 2015, Mr. Zou served as a vice president and an executive director at ICBC International Holdings Limited. From 2016 to 2017, Mr. Zou served as the managing director of Zhongrong International Capital Management Limited. From 2017 to 2019, Mr. Zou served as a chief executive officer at Hwabao WP Asset Management (Hong Kong) Co., Limited.

Mr. Zou graduated and obtained his bachelor degree in Economic Information Management from the Renmin University of China in 2002. Mr. Zou subsequently obtained an MBA degree from the Hong Kong University of Science and Technology in 2008. Mr. Zou has been a chartered financial analyst charterholder of the CFA Institute since 2017.

Ms. Li Lijuan (李麗娟), aged 44. Ms. Li joined the Group as the assistant to the general manager in August 2016, where she was responsible for assisting the general manager in formulating the Company's business strategy from the legal and financial perspective. She was appointed as the chief risk officer in January 2017 and the vice president in November 2018 and is responsible for risk management and legal compliance of the Group. She was appointed as the senior vice president in December 2019 and is responsible for the Group's investment development business.

Prior to joining the Group, from December 1998 to December 2007, Ms. Li served as a manager of financial department at Sichuan Cable TV Network Co., Ltd. Leshan Branch Office (四川省有線廣播電視網絡股份有限公司樂山分公司), where she was responsible for financial system construction, investment management, financial management and accounting. From January 2008 to June 2016, she worked at Sichuan Jinjiao Property Development Co., Ltd. (四川金嬌房地產開發有限公司) as the deputy general manager, where she was responsible for financial management, administrative management, cost monitoring and contract management. She joined Languang Development in June 2016 and served as the deputy general manager of the audit and legal affairs centre, where she was responsible for financial operations and auditing until August 2016. Ms. Li currently serves as the supervisor at Sichuan Languang Culture Tourism Industry Co., Ltd. (四川藍光文化旅游產業有限公司), at Hangzhou Lvyu and at Shanghai Zhenxian, where she is responsible for supervising the board of directors and the senior management of such companies.

Ms. Li graduated from Yili Kazakh Autonomous Prefecture Finance and Trade School (伊犁哈薩克自治州財貿學校) in the PRC in July 1993, where she completed the curriculum of corporate finance. She obtained an executive master of business administration (EMBA) degree from Southwestern University of Finance and Economics (西南財經大學) in the PRC in February 2016.

Ms. Li became a Senior Project Manager certified by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in December 2013 and a Senior Economist certified by the Inner Mongolia Autonomous Region Office of Human Resources and Social Security (內蒙古自治區人力資源和社會保障廳) in October 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lv Lianghai (呂良海), aged 39, was appointed as the vice president in May 2018. Mr. Lv is primarily responsible for quality control of the main business and value-added services of the Group.

Mr. Lv joined the Group in February 2015 as the deputy general manager and general manager of property management centre of the Company, where he was responsible for department operations and management until June 2016. He served as the assistant to general manager and the deputy general manager of Chengdu branch office from June 2016 to August 2017, where he was responsible for the implementation of business operations and management solutions. From August 2017 to May 2018, he served as the assistant to the president, where he was responsible for assisting the president in the development and implementation of strategic planning and annual business plans.

Prior to joining the Group, from February 2007 to May 2014, he served as a quality manager at Chengdu Longfor Property Service Co., Ltd. (成都龍湖物業服務有限公司), where he was responsible for quality management of property services and standardization management. He subsequently served as the assistant to general manager at Guangzhou Tianli Property Management Co., Ltd. (廣州天力物業管理有限公司), where he was responsible for quality management of property services and business planning until January 2015.

Mr. Lv graduated from Sichuan Radio and Television University (四川廣播電視大學) in the PRC in June 2005, where he completed the curriculum of administration management. He graduated from Beijing International University (北京外事研修學院) in the PRC in July 2008, where he completed the curriculum of property management.

Mr. Wu Gang (吳剛), aged 43, was appointed as the executive Director in November 2018 and as vice president in August 2015. He resigned as executive Director in March 2020 and continues to serve as the vice president of the Company. He is responsible for the overall management of the branch offices of the Group in areas other than Southwest China.

Mr. Wu joined the Group in March 2009 and successively served as assistant to general manager and the deputy general manager of our Chengdu branch office and the deputy general manager of the Company, where he was responsible for regional development and implementation of the business plans. He currently serves as the legal representative, director and general manager of Chengdu Jiamei and the head of our Wuhan branch office, Qingdao branch office, Hefei branch office and Changsha branch office, respectively, where he is responsible for overall operations and management.

Prior to joining the Group, from February 2002 to January 2009, he successively served as deputy manager and manager at Chengdu Senyu Property Co., Ltd. (成都市森宇物業有限責任公司), where he was responsible for the management of the Wenjiang Senyu Music Garden Project.

Mr. Wu graduated from The Open University of China (國家開放大學) (formerly known as China Central Radio and Television University (中央廣播電視大學)) in the PRC in July 2009, where he completed the curriculum of business administration. He graduated from Southwest Jiaotong University (西南交通大學) in the PRC in July 2012, where he completed the curriculum of civil engineering through distance learning.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Group is committed to achieving a high standard of corporate governance to protect the Shareholders' overall interests.

Since the listing, the Company has adopted and applied the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own corporate governance code. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the Corporate Governance Code throughout the period from the Listing Date to December 31 2019.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board consists of three executive Directors (namely Mr. Yao Min (Chairman), Mr. Sun Zhefeng and Mr. Liu Xia), three non-executive Directors (namely Mr. Zhang Qiaolong, Mr. Meng Hongwei and Mr. Wang Wanfeng), and three independent non-executive Directors (namely Mr. Li Shujian, Mr. Chan Shing Yee, Joseph and Mr. Zhang Shouwen). An updated list of Directors and their roles and functions is posted on the websites of the Stock Exchange and the Company, respectively. Their names and biographical details are set out in the "Biographical details of Directors, Supervisors and Senior Management" section of this report. The Board has the overall management of the Company's operations, as well as the responsibility for overseeing and formulating the overall business strategy.

Apart from the information disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report, there is no financial, business, family and other material or relevant relationship among the respective Directors, the Supervisors, the chairman and the president of the Company.

For the period from the Listing Date to December 31 2019, the Board has consistently complied with Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors and at least one independent non-executive Director who shall have appropriate professional qualifications or accounting and financial management expertise. The three independent non-executive Directors account for one-third of the Board, which meets the requirements of Rule 3.10A of the Listing Rules, that is, the independent non-executive Directors of the listed issuer must represent at least one-third of the Board. The Board believes that the Board has sufficient independence to safeguard the interests of the Shareholders.

DUTIES OF DIRECTORS

The Board is responsible for overseeing all major matters of the Company, including formulating and approving all policy matters, overall strategy, internal control and risk management systems, and supervising the duty performance of senior management. Directors shall make objective decisions based on the Company's overall interests. As at the date of this report, the Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The names and biographical details of the Directors are listed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

The liability insurance of the Directors, Supervisors and senior management of the Company is maintained by the Company to prevent and cover certain legal liabilities that may arise in the course of performing their duties.

CORPORATE GOVERNANCE REPORT

BOARD AUTHORISATION

The management consisting of executive Directors and other senior management is authorised to implement the strategies and guidelines approved by the Board from time to time and is responsible for the day-to-day management and operations of the Group. The executive Directors and senior executives meet regularly to review the performance of the Group's overall business, coordinate overall resources, and make financial and operating decisions. The Board also gives clear instructions on its management powers (including circumstances where the management should report to it) and will regularly review the authorisation arrangements to ensure that they are suitable for the needs of the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure the timely release of the Group's consolidated financial statements. The Directors are not aware of any significant uncertainties related to events or conditions, and these uncertainties may have a significant impact on the Company's ability to continue as a going concern. Therefore, the Directors have prepared the consolidated financial statements of the Group in accordance with the going concern standard.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors play an important role in the Board by virtue of their independent judgments, and their views are of great significance in the decision of the Board. The functions of independent non-executive Directors include holding impartial views and judgments on such issues as the Company's strategy, performance and control; and reviewing the Company's performance and monitoring performance reports.

All independent non-executive Directors have extensive academic, professional, industry knowledge and management experience, and have made positive contributions to the Company's development by providing professional advice to the Board.

Confirmation of independence

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules, and the Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted the Board Diversity Policy, which sets out ways to achieve board diversity. The Company recognises and embraces the benefits of a diverse board and considers board-level diversity to be an important element in supporting the achievement of the Company's strategic goals and sustainable development. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and years of service. All Board appointments are based on elite management and consider candidates based on objective criteria while fully taking into account the benefits of board diversity.

The Board consists of nine Directors with comprehensive and balanced knowledge, skills and experience in the areas of property management, accounting, investment, engineering and financial management. They have obtained various professional degrees, including engineering, business management, economics and accounting. The Board has three independent non-executive Directors who have different industry backgrounds and account for one third of the Board members. In addition, the age of Board members ranges broadly from 41 to 55.

The Company has also taken and will continue to take measures to enhance diversity at all levels of the Company, including but not limited to the Board and management level. Although the Company recognises that the existing composition of the Board can increase the diversity of the Board, it will continue to refer to the Board Diversity Policy and apply the rules of appointment based on the actual condition.

Regarding gender diversity in the Board, the Board Diversity Policy further stipulates that the Board should take the opportunity to increase the proportion of female members when selecting suitable candidates and making recommendations. The Group will also ensure that there are gender differences in the recruitment of senior and middle positions, so that there will be female senior management and potential successors to the Board in the future. The Company's goal is to maintain an appropriate balance between gender diversity by reference to stakeholder expectations and best practices recommended internationally and locally.

The Nomination Committee is responsible for ensuring the diversity of Board members and will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

According to the Articles of Association, Directors shall be elected by general meeting and the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session. The term of each session of the Board is three years, and the Directors are eligible for re-election upon expiry of the term.

At any time before the expiration of the Director's term, the Shareholders may dismiss any Director by an ordinary resolution at any general meeting convened and held in accordance with the Articles of Association, despite the contrary in the Articles of Association or the existence of any agreement reached between the Company and the Director (but without prejudice to any claim for damages under that agreement).

CORPORATE GOVERNANCE REPORT

DIRECTOR TRAINING AND PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives comprehensive, formal and customised training at the time of appointment. Subsequently, the Directors will obtain the latest developments regarding the Listing Rules, legal and other regulatory requirements, as well as the Group's business development, and they will be encouraged to participate in continuous professional development to expand their knowledge and skills. For the year ended December 31 2019, the Directors participated in the continuous professional development plan. In accordance with the code provisions set out in the Corporate Governance Code, all Directors have provided the Company with training records for the Relevant Year.

BOARD MEETING

The Board meets regularly to discuss and formulate the overall strategy, operations and financial performance of the Group. Directors can participate in person or through electronic communication. The Board holds at least four meetings per year at a frequency of approximately once a quarter, and will arrange ad hoc meetings if necessary. The date of each meeting is set in advance so that the Directors can attend the meeting in person.

During the year ended December 31 2019, the Directors made positive contributions to the affairs of the Group and held seven Board meetings.

Director attendance record

For the period from the Listing Date to December 31 2019, the attendance records of the Directors at Board meetings, meetings of special committees under the Board and general meetings are as follows:

	Number of meetings attended/number of meetings held for the year ended December 31 2019				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
Executive Directors					
Mr. Yao Min (<i>Chairman</i>)	7/7	N/A	1/1	1/1	2/2
Mr. Wu Gang (<i>Resigned on March 12 2020</i>)	7/7	N/A	N/A	N/A	2/2
Mr. Chen Jingchao (<i>Resigned on January 22 2020</i>)	7/7	N/A	N/A	1/1	2/2
Mr. Sun Zhefeng (<i>Appointed on March 12 2020</i>)	N/A	N/A	N/A	N/A	N/A
Mr. Liu Xia (<i>Appointed on March 12 2020</i>)	N/A	N/A	N/A	N/A	N/A
Non-executive Directors					
Mr. Zhang Qiaolong	7/7	1/1	N/A	N/A	2/2
Mr. Meng Hongwei	7/7	N/A	1/1	N/A	2/2
Mr. Wang Wanfeng	3/3 ^{Note}	1/1	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Li Shujian	7/7	1/1	1/1	1/1	2/2
Mr. Chan Shing Yee, Joseph	7/7	1/1	1/1	1/1	2/2
Mr. Zhang Shouwen	7/7	1/1	1/1	1/1	2/2

Note: Mr. Wang Wanfeng was appointed as a Director on August 16 2019. For the period from the date of his appointment as a Director to December 31 2019, the Board held three meetings.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

The Nomination Committee adopts a variety of methods to determine candidates for Directors, including recommendations from Board members, the management and professional headhunters. In addition, the Nomination Committee will consider Director candidates appropriately submitted by Shareholders. The evaluation of the Nomination Committee on Director candidates may include, but is not limited to, review of resumes and work experience, personal interviews, verification of professional and personal recommendation letters, and performing background checks. The Board will consider the recommendations of the Nomination Committee and be responsible for designating candidates for Directors to be elected by Shareholders at the Company's general meeting, or appointing suitable candidates to serve as Directors to fill Board vacancies or as supplements to Board members, and to comply with the Articles of Association. All Director appointments should be confirmed through a letter of appointment and/or service contract, which should state the main terms and conditions of Director appointment.

The Nomination Committee should consider the following eligibility requirements, which are minimum requirements for candidates to recommend to the Board potential new Directors or to continue to provide existing Directors:

- the highest personal and professional ethics and integrity;
- proven achievements and abilities of the nominee and exercise of reasonable business judgment;
- complementary skills with existing Board;
- ability to assist and support management and make a significant contribution to the Company's success;
- understand the fiduciary duties required by Board members and the time and effort required to perform their duties diligently;
- independence: independent non-executive Director candidates should meet the "independence" standards required by the Listing Rules, and the composition of the Board should meet the requirements of the Listing Rules.

The Nomination Committee may also consider other factors that are considered to be in the interests of the Company and the Shareholders as a whole.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Since the Listing, the Company has adopted the Model Code as the guidelines for Directors' dealings in the securities of the Company. Upon specific enquiries with all Directors, each of them has confirmed that since the Listing Date and up to December 31 2019, he has complied with all applicable code provisions under the code of securities transactions.

According to the Company's requirements, the relevant management personnel and employees are also bound by the Model Code, which prohibits them from trading in the Company's securities at any time when they have inside information related to the securities. The Company was not aware of incidents of violations of the Model Code by relevant personnel and employees.

REMUNERATION OF SENIOR MANAGEMENT

According to code provision B.1.5 of the Corporate Governance Code, the annual remuneration of senior management (other than Directors) by band for the year ended December 31 2019 is as follows:

	Number of senior management
RMB1,000,001 to RMB1,500,000	3
RMB1,500,001 to RMB2,000,000	2
RMB3,000,001 to RMB3,500,000	1
	6

DIVIDEND POLICY

Subject to compliance with applicable laws and regulations and the Articles of Association, the Group expects that the annual dividend payout shall not be less than 25% of the after-tax profit. The payment and amount (if any) of dividends depend on the Group's operating results, cash flow, financial position, legal and regulatory restrictions on dividends, future prospects and other relevant factors. Shareholders will be entitled to receive the dividend on a pro-rata basis based on the paid-up Shares paid or credited to the Shares. The declaration, payment and amount of dividends will be completely determined by the Company. The proposed payment of dividends must also be at the discretion of the Board, and any announcement of the final dividend must be approved by Shareholders. The Board will review the dividend policy annually and does not guarantee that dividends will be declared or paid for any particular amount for any given period.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties, including:

- develop and review the Company's policies and practices regarding corporate governance;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's compliance with policies and practices required by laws and regulations;
- develop, review and monitor codes of conduct and compliance manuals applicable to employees and Directors; and
- review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

For the year ended December 31 2019, the Board has performed the above duties.

CHAIRMAN AND PRESIDENT

For the year ended December 31 2019, the chairman and the president were held by different individuals. The chairman is Mr. Yao Min, and the president is Mr. Liu Xia. The separation of responsibilities between the chairman and president ensures that the responsibilities of the chairman in managing and leading the Board are clearly different from those of president in managing the Company's business.

BOARD COMMITTEES

The Board has established three committees with respective written terms of reference to oversee related affairs of the Group.

AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rules 3.21 to 3.23 of the Listing Rules and established written terms of reference in accordance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The main duties of the Audit Committee are to review and supervise the Group's financial reporting procedures and internal control systems, risk management and internal audit, provide advice to the Board, and perform other duties that the Board may delegate.

As at the date of this report, the Audit Committee consists of five members, including three independent non-executive Directors, Mr. Chan Shing Yee, Joseph, Mr. Li Shujian and Mr. Zhang Shouwen, and two non-executive Directors, Mr. Zhang Qiaolong and Mr. Wang Wanfeng. The chairman of the Audit Committee is Mr. Chan Shing Yee, Joseph, who is an independent non-executive Director with appropriate accounting and related financial management expertise, which meets the requirements of Rule 3.21 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Pursuant to the terms of reference of the Audit Committee, Audit Committee meeting shall be held at least twice every year or more frequently if circumstances require. However, due to the fact that the Company was listed on October 18 2019, only one Audit Committee meeting has been held during the period from the Listing Date to December 31 2019.

For the period from the Listing Date to December 31 2019, the Audit Committee held one meeting with the Company's senior management and independent auditors to consider (i) the independence and work scope of the independent auditors; and (ii) review and discuss the Group's risk management and internal control systems, the effectiveness of the Company's internal audit and risk control functions, the Group's annual financial statements and the opinions and reports of independent auditors, and submit the report to the Board for approval.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and has established its written terms of reference. The main responsibilities of the Remuneration Committee are to formulate policies on remuneration for Directors and senior management, and to establish formal and transparent procedures to formulate remuneration policies and provide recommendations to the Board; make recommendations to the Board on the remuneration package of each executive Director and senior management, and review and approve performance-based compensation with reference to corporate goals achieved from time to time. The remuneration of all Directors and senior management is regularly monitored by the Remuneration Committee to ensure that their remuneration levels are appropriate.

As at the date of this report, the Remuneration Committee consists of five members, including an executive Director, Mr. Yao Min, three independent non-executive Directors, Mr. Li Shujian, Mr. Chan Shing Yee, Joseph and Mr. Zhang Shouwen, and a non-executive Director, Mr. Meng Hongwei. The chairman of the Remuneration Committee is Mr. Li Shujian.

For the period from the Listing Date to December 31 2019, the Remuneration Committee held one meeting to review the remuneration structure of the Directors and senior management of the Group and the evaluation system for key positions of the Group, and discuss the challenges of attracting and retaining senior management and make recommendations on the remuneration package for executive Directors and senior management in 2019.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, with written terms of reference. The main duties of the Nomination Committee are to regularly review the structure, size and composition of the Board and make recommendations to the Board on any proposed changes to the composition of the Board; determine and select Board members or nominate Director candidates, and make recommendations to the Board and ensure diversity of board members; assess the independence of independent non-executive Directors and make recommendations to the Board on matters related to appointment, reappointment and removal of Directors, and Director succession plans.

As at the date of this report, the Nomination Committee consists of five members, including two executive Directors, Mr. Yao Min and Mr. Liu Xia, and three independent non-executive Directors, Mr. Li Shujian, Mr. Chan Shing Yee, Joseph and Mr. Zhang Shouwen. The chairman of the Nomination Committee is Mr. Yao Min.

CORPORATE GOVERNANCE REPORT

For the period from the Listing Date to December 31 2019, the Nomination Committee held one meeting to review the composition of the Board and committees thereunder, the background and experience of Board members, and evaluate the contributions of Board members to the Group. The independence of independent non-executive Directors is also evaluated.

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Financial Reporting System

The Board, with the support of the financial department, is responsible for preparing the financial statements of the Company and the Group. In preparing the financial statements, HKFRS was adopted and appropriate accounting policies were consistently used and applied. The purpose of the Board is to make a clear and balanced assessment of the Group's performance in its annual and interim reports to Shareholders, and to make appropriate disclosures and announcements in a timely manner. Under code provision C.1.1 of the Code, the management will provide explanations and information to the Board to enable it to make an informed assessment of financial and other information submitted to the Board for approval.

The scope of work and reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are set out in the "Independent Auditor's Report" on pages 70 to 75 of this report.

Risk Management and Internal Control Systems

The Board acknowledges its overall responsibility for maintaining adequate and effective risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness at least annually.

The Board and senior management are responsible for establishing, reviewing and implementing the Group's risk management and internal control systems. The internal control system covers all major aspects of the Group's operations, including sales, procurement, financial reporting, asset management, budget and accounting processes. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Group also has internal audit and risk control functions, which mainly analyze and independently evaluate the adequacy and effectiveness of risk management and internal control systems, and report its findings to the senior management at least annually.

Regarding the Group's risk management and internal control measures, the Group has formulated a comprehensive set of policies and guidelines, which detail all aspects of internal control standards, process used to identify, evaluate and manage significant risks, division of responsibilities, approval procedures, and personnel accountability. The Group also conducts regular internal assessments and training to ensure that its employees have sufficient knowledge of these policies and guidelines.

CORPORATE GOVERNANCE REPORT

For the year ended December 31 2019, the Group has implemented procedures and internal controls to process and disclose inside information. In particular, the Group:

- has handled in strict accordance with the disclosure requirements of the Listing Rules and the Inside Information Disclosure Guidelines issued by the Securities and Futures Commission of Hong Kong in June 2012;
- has established its own disclosure obligation procedures that set out procedures and controls for assessing potential internal information and for processing and disseminating internal information. The program has been communicated to the Company's senior management and employees and the Company monitors its implementation; and
- made extensive, non-exclusive information disclosure to the public in financial reports, announcements and through channels such as websites.

The risk management and internal control systems are continuously reviewed and evaluated by the Audit Committee and executive Directors, and will be further reviewed and evaluated by the Board at least annually, covering all material controls, including financial, operational and compliance controls. During the year ended December 31 2019, the Board, through the Audit Committee, has reviewed the Company's internal control and risk management systems and considered the systems to be effective and adequate.

AUDITOR'S REMUNERATION

For the year ended December 31 2019, the remuneration paid or payable to PricewaterhouseCoopers for its audit services and non-audit services was approximately RMB2.50 million and RMB2.29 million, respectively. The amount of non-audit services in 2019 mainly included financial due diligence service and information system consulting service fee. The Audit Committee is satisfied that the non-audit services in 2019 did not affect the independence of the auditor.

JOINT COMPANY SECRETARIES

As at the date of this report, Mr. Zou Hao and Ms. Tsui Sum Yi, from Vistra (Hong Kong) Limited, an external service provider, act as joint company secretaries. Ms. Tsui's primary contact person of the Company is Mr. Zou Hao. As at December 31 2019, Ms. Tsui undertook at least 15 hours of relevant professional training to update her skills and knowledge. Mr. Zou was appointed as joint company secretary on February 18 2020 and he will comply with Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training in the year 2020.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

The Company treats all Shareholders equally with an aim to ensure that their rights can be fully exercised and their legitimate interests can be safeguarded and that the Shareholders' general meeting can be convened and held in strict compliance with the relevant laws and regulations. The Company's corporate governance structure is to ensure that all Shareholders, especially the minority Shareholders, can enjoy equal benefits and undertake corresponding responsibilities.

Convening an Extraordinary General Meeting

Pursuant to the Articles of Association, the Board may convene an extraordinary general meeting as it thinks fit. Shareholders requisitioning extraordinary general meetings or class meetings shall abide by the following procedures:

- (I) Shareholders individually or jointly holding 10% or more of the voting Shares may request the Board to convene an extraordinary general meeting or a class meeting by signing and submitting one or more written requests with the same format and contents in which the matters for consideration at the meeting shall be set out clearly. The Board shall proceed to convene the extraordinary general meeting or the class meeting as soon as possible after receiving the aforesaid written request. For the purpose of the preceding requirement relating to the number of voting Shares held, such number shall be calculated on the basis of the number of relevant voting Shares held on the date of submission of such written request.
- (II) If the Board fails to issue a notice of such meeting within 30 days from the date of the receipt of the written request, the Supervisory Committee may convene such a meeting by itself within 4 months from the date of receipt of the request by the Board. If the Supervisory Committee fails to convene and preside over an extraordinary general meeting or a class meeting, Shareholders holding over 10% of the Shares individually or jointly may convene and preside over such a meeting by themselves, following the procedure for convening such meeting by the Board as much as possible.

Any reasonable expenses incurred by the Supervisory Committee or the Shareholders in convening and holding such meeting due to the failure of the Board to convene such meeting in response to the aforesaid request shall be borne by the Company. Such expenses shall be deducted from the amounts owed by the Company to the Directors in default.

Procedures to Put Forward Motions at General Meeting by Shareholders

Shareholders may make recommendations at the general meeting by two means: proposing a provisional resolution at general meetings and requiring the right to speak at the general meeting.

If the Company decides to hold a general meeting, Shareholders individually or jointly holding 3% or more of the total Shares carrying voting right shall be entitled to propose motions in writing to the convener 10 days before the convening of the general meeting. The convener shall dispatch a supplemental notice of the general meeting within 2 days from receipt of the proposal to notify other Shareholders and include such proposed motions into the agenda for such general meeting if they are matters falling within the functions and powers of general meeting.

A Shareholder may submit and serve the motions directly through IR-Justbon@brc.com.cn.

Shareholders attending the general meeting may require the right to speak. The right to speak at general meetings can be conducted in writing and verbally. Shareholders or proxies requiring the right to speak shall register with the secretary to the Board or the chairman of the meeting prior to voting. The order of speaking shall follow the registration order.

CORPORATE GOVERNANCE REPORT

Making Inquiry to the Board

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to the Company by mail to CRM Center, No. 9 Xixin Avenue, West Hi-tech Zone, Chengdu, Sichuan Province, the PRC or by email to IR-Justbon@brc.com.cn.

CONSTITUTIONAL DOCUMENTS

The Company has amended the Articles of Association in accordance with the requirements of the Listing Rules. The amended Articles of Association have been effective since the Listing Date.

After December 31 2019, the Articles of Association were approved for amendment by the Shareholders at the following general meetings of the Company:

- (i) the first extraordinary general meeting held on January 17 2020;
- (ii) the H Shareholders' class meeting and domestic Shareholders' class meeting held on January 17 2020; and
- (iii) the second extraordinary general meeting held on March 12 2020.

The changes were mainly to reflect:

- 1. the requirements on the notice period of the general meeting under the Company Law of the People's Republic of China;
- 2. the relevant provisions on shares repurchase under the Company Law of the People's Republic of China; and
- 3. the appointment of Directors and Supervisors.

Save as the above mentioned, there were no significant changes in the constitutional documents of the Company for the year ended December 31 2019 and up to the date of this report. The Articles of Association are available on the Company's website and the Stock Exchange's website.

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present the annual report and audited consolidated financial statements of the Group for the year ended December 31 2019.

PRINCIPAL BUSINESS

The Company and its subsidiaries are principally engaged in property management services, consultancy services and community value-added services. An analysis on the Group's revenue and operating results for the year ended December 31 2019 is set out in Note 6 to the consolidated financial statements of the Group on page 113 of this report.

GEOGRAPHICAL ANALYSIS OF OPERATION

An analysis of the Group's revenue from operations by geographical locations of customers for the year ended December 31 2019 is set out in Note 5 to the consolidated financial statements.

RESULTS AND OVERALL PERFORMANCE

The Group's results for the year ended December 31 2019 are set out in the Consolidated Statement of Comprehensive Income on page 76 of this report.

BUSINESS REVIEW

The Group's business review, including the discussion on the major risks and uncertainties exposed to the Group and the potential business development course of the Group in the future, is set out in the sections headed "Report of the Board of Directors" and "Management Discussion and Analysis", which is on pages 54 to 67 and pages 14 to 31 of this report, respectively.

Details of the significant events which affected the Group and took place since the close of the financial year ended December 31 2019 are set out in Note 33 to the consolidated financial statements on page 171 of this report. "Management Discussion and Analysis" on pages 14 to 31 of this report contains part of the analysis on the Group's annual performance using key financial performance indicators. For explanations on the major relations between the Company and its employees, customers and suppliers, please refer to the section headed "Employees, Remuneration Policy and Training" under "Management Discussion and Analysis" and the section headed "Major Customers and Suppliers" under "Report of the Board of Directors" of this report.

These discussions form part of this Report of the Board of Directors.

REPORT OF THE BOARD OF DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended December 31 2019 to be published in due course in accordance with the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31 2019, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

FINAL DIVIDEND

The Board recommends the payment of 2019 Proposed Final Dividend of RMB0.97 per Share (before tax) in the form of cash for the year ended December 31 2019. The 2019 Proposed Final Dividend is subject to the approval of the Shareholders at the 2019 AGM to be held on Thursday, June 11 2020. The 2019 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, the exchange rate of which would be calculated based on the average exchange rate published by the People's Bank of China five business days prior to the 2019 AGM. Subject to the approval of the Shareholders at the 2019 AGM, the 2019 Proposed Final Dividend is expected to be paid on or around Monday, August 31 2020.

As at the date of this report, there was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed as appropriate as set out below:

For determining the entitlement to attend, speak and vote at the 2019 AGM

The Register of Members will be closed from Tuesday, May 12 2020 to Thursday, June 11 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 2019 AGM, the holders 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, May 11 2020.

REPORT OF THE BOARD OF DIRECTORS

For determining the entitlement to the 2019 Proposed Final Dividend

The Register of Members will be closed from Thursday, June 18 2020 to Tuesday, June 23 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 holders 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, June 17 2020.

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS

According to the Law on Enterprise Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) which came into effect on January 1 2008 and amended on February 24 2017 and December 29 2018, respectively, and its implementing rules, the Notice on the Issues Concerning Withholding and Paying Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008] 897號)), which was promulgated by the State Administration of Taxation and came into effect on November 6 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from January 1 2008 to non-resident enterprise shareholders, it is required to withhold and pay 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the annual dividend as enterprise income tax, distribute the annual dividend to non-resident enterprise shareholders whose names appear on the Register of Members of H Shares, i.e. any Shareholders who hold H Shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups. After receiving dividends, the non-resident enterprises Shareholders may apply to the competent tax authorities for enjoying treatment of tax treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such tax treaties (arrangement). After having verified that there is no error, the competent tax authorities shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant tax treaties (arrangement).

Pursuant to the Notice on the Issues Regarding Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of H Shares. If the individual holders of H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

REPORT OF THE BOARD OF DIRECTORS

If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the relevant tax treaties, the Company may apply, on behalf of such Shareholders and according to the relevant tax treaties, for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) (《非居民納稅人享受稅收協議待遇管理辦法》(國家稅務總局公告2015年第60號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authorities.

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended December 31 2019 are set out in Note 14 to the consolidated financial statements.

BORROWINGS

For the year ended December 31 2019, the Group had no borrowings.

SHARE CAPITAL

The Company allotted and issued 42,916,200 H Shares and 6,437,500 H Shares at HK\$37 per Share on October 18 2019 and November 6 2019 respectively in connection with the Listing.

Details of the movements in the share capital of the Company for the year ended December 31 2019 are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company for the year ended December 31 2019 are set out on in Note 31 to the consolidated financial statements. For the purpose of the Company, the reserves available for distribution as at December 31 2019 amounted to RMB242.7 million.

REPORT OF THE BOARD OF DIRECTORS

CHARITABLE DONATIONS

The donations made by the Group for the year ended December 31 2019 amounted to RMB1.1 million.

FINANCIAL STATEMENTS

The results of the Group for the year ended December 31 2019 and its financial position as at December 31 2019 are set out in the consolidated financial statements on page 76 to 171 of this report.

DIRECTORS AND SUPERVISORS

For the year ended December 31 2019 and up to the date of this report, the Directors and Supervisors are as follows:

Name of Director	Position
Mr. Yao Min (<i>Chairman</i>)	Executive Director
Mr. Sun Zhefeng (appointed on March 12 2020)	Executive Director
Mr. Liu Xia (appointed on March 12 2020)	Executive Director
Mr. Wu Gang (resigned on March 12 2020)	Executive Director
Mr. Chen Jingchao (resigned on January 22 2020)	Executive Director
Mr. Zhang Qiaolong	Non-Executive Director
Mr. Meng Hongwei	Non-Executive Director
Mr. Wang Wanfeng	Non-Executive Director
Mr. Li Shujian	Independent Non-executive Director
Mr. Chan Shing Yee, Joseph	Independent Non-executive Director
Mr. Zhang Shouwen	Independent Non-executive Director

Name of Supervisor	Position
Ms. Wang Xiaoying (resigned on January 17 2020)	President of the Supervisory Committee and Shareholder Representative Supervisor
Ms. Wang Lu (appointed on January 17 2020)	President of the Supervisory Committee and Shareholder Representative Supervisor
Mr. Liu Jiang	Employee Representative Supervisor
Mr. Zhao Yang (resigned on January 22 2020)	Employee Representative Supervisor
Ms. Li Ru (appointed on January 22 2020)	Employee Representative Supervisor
Mr. Xu Qingshan	External Supervisor
Mr. Liu Deming	External Supervisor

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Directors and Supervisors has entered into a service contract with the Company and each of the non-executive Directors (including the independent non-executive Directors) has signed an appointment letter with the Company. The appointment of all Directors is effective from the respective appointment date until the expiry of the term of the second session of the Board, and appointment of all Supervisors is effective from the respective appointment date until the expiry of the term of the second session of the Supervisory Committee, subject to the termination by no less than one month's notice in writing served by either party. Both of the term of the second session of the Board and the Supervisory Committee are three years.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended December 31 2019, none of the Directors or their respective associates (as defined under the Listing Rules) had any interests in any business which competes or may compete with the business of the Group. The independent non-executive Directors were not aware of any violation of such commitment.

SHARE OPTION SCHEME

The Company had no share option scheme.

DIRECTORS', SUPERVISORS' AND THE CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31 2019, the interests and short positions of the Directors, Supervisors and chief executive officer of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the SFO), which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Company

Name of Shareholder	Nature of Interest	Class of Shares	Shares held as at December 31 2019 ⁽¹⁾		Shares held in the relevant class of Shares as at December 31 2019 ⁽¹⁾		Shares held in the total share capital of the Company as at December 31 2019 ⁽¹⁾	
			Number	Percentage (approx.)	Number	Percentage (approx.)	Number	Percentage (approx.)
Mr. Yao Min ⁽²⁾⁽³⁾	Interest in controlled corporations	Domestic Shares	10,921,660 (L)	8.48%	10,921,660 (L)	8.48%	10,921,660 (L)	6.13%

REPORT OF THE BOARD OF DIRECTORS

Notes:

- (1) As at December 31 2019, the Company had 178,102,160 Shares in issue, including 49,353,700 H Shares and 128,748,460 domestic Shares. The letter "L" denotes the entity's long position in the domestic Shares.
- (2) Mr. Yao Min is a general partner of Chengdu Jiayu. By virtue of the SFO, Mr. Yao is deemed to be interested in the Shares held by Chengdu Jiayu.
- (3) Mr. Yao Min is a general partner of Ningbo Jiaqian. By virtue of the SFO, Mr. Yao is deemed to be interested in the Shares held by Ningbo Jiaqian.

Save as disclosed above, as at December 31 2019, none of the Directors, Supervisors or chief executive officer of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interest in associated corporations of the Company

Name	Name of Associated Corporation	Nature of Interest	Interest in shares ⁽¹⁾	Percentage holding (approx.)
Zhang Qiaolong	Languang Development	Beneficial owner	13,905,890 (L) 15,960,000 ⁽²⁾	0.46% 0.53%
Wang Xiaoying	Languang Development	Beneficial owner	1,972,379 (L)	0.07%
Meng Hongwei	Languang Development	Beneficial owner	2,416,400 (L) 3,360,000 ⁽²⁾	0.08% 0.11%
Wang Wanfeng	Languang Development	Beneficial owner	3,728,802(L) 3,360,000 ⁽²⁾	0.12% 0.11%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Such interest is in the form of share options which have not yet vested as at December 31 2019. The shareholding percentage is calculated based on the total number of shares of Languang Development in issue as at December 31 2019.

REPORT OF THE BOARD OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as known to the Company, as at December 31 2019, the persons (other than the Directors or Supervisors or chief executive officer of the Company) who had 5% or above interests in the Shares or underlying Shares which were recorded in the register kept by the Company under section 336 of the SFO were as follows :

Name of Shareholder	Nature of Interest	Class of Shares ⁽¹⁾	Shares held as at December 31 2019 ⁽¹⁾		Shares held in the total share capital of the Company as at December 31 2019 ⁽¹⁾	
			Number	Percentage (approx.)	Number	Percentage (approx.)
Mr. Yang ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	115,840,200 (L)	89.97%	115,840,200 (L)	65.04%
Languang Investment ⁽³⁾	Interest in controlled corporations	Domestic Shares	115,840,200 (L)	89.97%	115,840,200 (L)	65.04%
Languang Development ⁽²⁾	Interest in controlled corporations	Domestic Shares	115,840,200 (L)	89.97%	115,840,200 (L)	65.04%
Languang Hejun	Beneficial owner	Domestic Shares	115,840,200 (L)	89.97%	115,840,200 (L)	65.04%
Milestone Asset Management (Hong Kong) Limited (理成(香港)資產管理有限公司) ⁽⁵⁾	Beneficial owner	H Shares	2,702,700 (L)	5.48%	2,702,700 (L)	1.52%
Cheng Yiquan (程義全) ⁽⁵⁾	Interest in controlled corporation	H Shares	2,702,700 (L)	5.48%	2,702,700 (L)	1.52%
Orient Fund Management Co., Ltd.(東方基金管理有限責任公司)	Beneficial owner	H Shares	3,162,100 (L)	7.37%	3,162,100 (L)	1.78%
Shanghai International Trust Co., Ltd.(上海國際信託有限公司)	Beneficial owner	H Shares	3,162,100 (L)	7.37%	3,162,100 (L)	1.78%
Shenzhen City China Merchants GuoXie No.2 Equity Investment Fund Management Co., Ltd.(深圳市招商國協貳號股權投資基金管理有限公司)	Beneficial owner	H Shares	4,299,600 (L)	10.02%	4,299,600 (L)	2.41%

REPORT OF THE BOARD OF DIRECTORS

Notes:

- (1) As at December 31 2019, the Company had 178,102,160 Shares in issue, including 49,353,700 H Shares and 128,748,460 domestic Shares. The letter "L" denotes the entity's long position in the Shares.
- (2) Languang Hejun is wholly owned by Languang Development. By virtue of the SFO, Languang Development is deemed to be interested in the Shares held by Languang Hejun.
- (3) Languang Development is owned as to 47.21% by Languang Investment. By virtue of the SFO, Languang Investment is deemed to be interested in the Shares held by Languang Development.
- (4) Languang Investment is owned as to 95.04% by Mr. Yang. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Languang Investment.
- (5) Milestone Asset Management (Hong Kong) Limited ("Milestone") is wholly-owned by Mr. Cheng Yiquan, and therefore Mr. Cheng Yiquan is deemed to be interested in the 2,702,700 Shares held by Milestone pursuant to the SFO.

Save as disclosed above, as at December 31 2019, the Company was not aware of any other persons (other than the Directors or chief executive officer of the Company) having an interest or short position in the Shares or underlying Shares which would require to be recorded in the register to be kept pursuant to Section 336 of the SFO.

SHARE INCENTIVE SCHEME

In order to retain talents for achieving our strategic and operational goals, on November 9 2018, the then Shareholders passed resolutions approving the adoption of a share incentive scheme by way of establishing and making capital contribution into Ningbo Jiaqian, under which 11 individuals, including the Directors, senior management and certain employees of the Group, became the general partner and/or the limited partners of Ningbo Jiaqian which held approximately 3.08% issued share capital of the Company. The incentive shares to be acquired by the individuals mentioned above are subject to lock-up period of three years where 40%, 30% and 30% of the incentive shares may be unlocked on a year-to-year basis commencing from December 3 2018, on conditions that the performance conditions and requirements as set out in the share incentive scheme have been fulfilled.

Details of the share incentive scheme were set out in the Prospectus. No incentive share has been acquired by the abovementioned individuals from the adoption date to December 31 2019.

REPORT OF THE BOARD OF DIRECTORS

ARRANGEMENT TO PURCHASE EQUITY OR DEBT SECURITIES

Save as disclosed in the section headed “Share Incentive Scheme” in this report, during the year ended December 31 2019, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At the year-end or any time from the Listing Date to December 31 2019, save as disclosed in this report, there was no transaction, arrangement or contract of significance, to which the Company, its holding company or subsidiary was a party, and in which the Directors and the Supervisors or their respective connected entities were materially interested, either directly or indirectly.

SIGNIFICANT CONTRACTS

From the Listing Date to December 31 2019, save as disclosed in the section headed “Related Party Transactions” below, there was no significant contract relating to the business of the Group between the Company (or any of its subsidiaries) and the Controlling Shareholder(s) (or any of its/their subsidiaries), nor was there any significant contract for the provision of services by the Controlling Shareholder(s) (or any of its/their subsidiaries) to the Company (or any of its subsidiaries).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31 2019, the revenue attributable to the Group’s largest customer, and five largest customers in aggregate, represented approximately 22.5% and 23.6% of the Group’s total annual revenue, respectively.

For the year ended December 31 2019, the purchase attributable to the Group’s largest supplier, and five largest suppliers in aggregate, represented approximately 8.2% and 32.1% of the Group’s total annual purchase, respectively.

Except that the Controlling Shareholders are interested in Languang Group, the five largest customers and five largest suppliers of the Group, for the year ended December 31 2019, none of the other Directors, Supervisors, their respective associates or other Shareholders (to the knowledge of the Directors, who are interested in more than 5% of the issued shares of the Company) had any interests in the five largest suppliers or customers of the Group.

REPORT OF THE BOARD OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

According to the disclosure requirements under Chapter 14A of the Listing Rules, the following transactions have been entered into and/or continued between certain connected persons (as defined under the Listing Rules) and the Company with the following relevant disclosures made by the Company in accordance with the Listing Rules:

1. Master Purchase Agreement

On June 11 2019, the Group entered into a master purchase agreement (the “Master Purchase Agreement”) with Languang Investment, pursuant to which the Company agreed to purchase or procure, through its subsidiaries, from members of Languang Investment Group certain products, including but not limited to bottled water and tickets of a theme park in Dujiangyan and processed food for a term commencing from the Listing Date to December 31 2021. The aggregate annual cap for the transactions contemplated under the Master Purchase Agreement for each of the three years commencing from the Listing Date to December 31 2021 is RMB7.1 million, RMB9.4 million and RMB11.8 million, respectively. For the year ended December 31 2019, the value of sales to the Group from Languang Investment and/or any of its associates amounted to RMB3.6 million.

2. Master Property Management Related Services Agreement

On June 11 2019, the Group entered into a master property management related services agreement (the “Master Property Management Related Services Agreement”) with Languang Investment, pursuant to which the Group agreed to provide property management services to Languang Investment Group, including but not limited to (i) pre-delivery services, including (a) house inspection; (b) display units and on-site sales office management services; (ii) property management services for properties owned by Languang Investment Group; (iii) preliminary planning and design consultancy services for property development projects; (iv) after-sales maintenance services and customer relationship maintenance services, for a term commencing from the Listing Date to December 31 2021. According to the Master Property Management Related Services Agreement, the annual cap for each of the three years ending December 31 2021 is RMB514.2 million, RMB609.1 million and RMB678.3 million, respectively. For the year ended December 31 2019, the value of services from the Group to Languang Investment Group amounted to RMB472.7 million.

REPORT OF THE BOARD OF DIRECTORS

3. Master Car Parking Lots Lease Agreement

On June 11 2019, the Group entered into a master car parking lots lease agreement (the “Master Car Parking Lots Lease Agreement”) with Languang Investment, pursuant to which the Group shall lease to Languang Development and its subsidiaries (excluding the Group) and/or any of their associates certain car parking lots situated in residential communities which the Group manages for sub-leasing to residents in those communities. The Master Car Parking Lots Lease Agreement has a term commencing from the Listing Date to December 31 2021. For each of the three years ending December 31 2021, the annual cap for the transactions contemplated under the Master Car Parking Lots Lease Agreement is RMB34.9 million, RMB42.9 million and RMB50.1 million, respectively. For the year ended December 31 2019, the expenses on leasing from the Group to Languang Investment and/or any of its associates amounted to RMB23.6 million.

Languang Investment is one of the Controlling Shareholders and is therefore a connected person of the Company under the Listing Rules. The above transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Confirmation from independent non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into (i) in the ordinary course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective agreement governing the above continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company’s independent auditor

For the purpose of Rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, has issued a letter to the Board confirming that there is no matter which came to its attention and enabled it to believe the above continuing connected transactions have (i) not been approved by the Board; (ii) not, in all material respects, been conducted in accordance with the pricing policies of the Group; (iii) not been entered into under relevant agreements governing such transactions in all material aspects; and (iv) exceeded their respective annual cap.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended December 31 2019 are disclosed in Note 30 to the consolidated financial statements. Except part of provision of services to the associates of Languang Development are transactions with independent third parties as defined under Listing Rules, all such related party transactions were either connected transactions or continuing connected transactions within the meanings under the Listing Rules.

The Company has complied with, or otherwise has obtained waivers from the Stock Exchange exempting from, the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions or continuing connected transactions entered into by the Group during the year ended December 31 2019.

REPORT OF THE BOARD OF DIRECTORS

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

There is no provision on pre-emptive rights in the Articles of Association. The Company is not aware of any tax relief or exemption available to any existing Shareholder by reason of his/her holding of the securities of the Company.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

The Company did not enter into any new loan agreement, which contained any covenant relating to specific performance of the Controlling Shareholders and shall be disclosed as required by Rule 13.18 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and within the best knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Board is of the view that the Company has adopted, applied and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Relevant Year under review. The corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" of this report.

FINANCIAL SUMMARY

Summary of the Group's results and assets and liabilities for the latest four financial years is set out in the section headed "Four-Year Financial Summary" on pages 172 to 173 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at December 31 2019 are set out in Note 11 to the consolidated financial statements.

PERMITTED INDEMNITY

The Group has purchased and maintained liability insurance for the Directors for the year ended December 31 2019, which provides appropriate cover for the Directors.

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 November 1 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 December 31 2019.

EQUITY LINKED AGREEMENT

No equity linked agreement was entered into during the year, or subsisted at the end of the year.

REPORT OF THE BOARD OF DIRECTORS

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

There are no changes in the biographical details of the Directors and the Supervisors that are required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the Listing and up to the date of this report.

MANAGEMENT CONTRACT

No contract concerning management of the whole or substantial part of any business of the Company was entered into during the year ended December 31 2019, or subsisted at the end of the year ended December 31 2019.

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 report, 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 December 31 2019 and up to the date of this report.

RETIREMENT BENEFITS PLAN

Details of retirement benefits plan of the Group for the Relevant Year are set out in Note 9 to the consolidated financial statements.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' and the Supervisors' remuneration and five highest paid individuals for the Relevant Year are set out in Note 9 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31 2019 have been audited by PricewaterhouseCoopers, which will resign at the 2019 AGM. PricewaterhouseCoopers is qualified for a re-appointment, therefore a resolution will be proposed at the 2019 AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

There has been no change of of auditor of the Company since the Listing.

By Order of the Board

Yao Min

Chairman and executive Director

Hong Kong, March 20 2020

REPORT OF THE SUPERVISORY COMMITTEE

COMPOSITION OF THE SUPERVISORY COMMITTEE

In accordance with the requirements of the Articles of Association, the Supervisory Committee consists of five members, of which there are two employee representative Supervisors, one Shareholder representative Supervisor and two external Supervisors. The term of office of Supervisors shall be three years, and is renewable upon re-election after the expiry of their term.

As at the date of this report, the composition of the Supervisory Committee is as follows:

Name	Position
Ms. Wang Lu	President of the Supervisory Committee and Shareholder Representative Supervisor
Mr. Liu Jiang	Employee Representative Supervisor
Ms. Li Ru	Employee Representative Supervisor
Mr. Xu Qingshan	External Supervisor
Mr. Liu Deming	External Supervisor

CHANGES IN SUPERVISORS

On August 16 2019, Mr. Zhao Jinxu resigned as a Supervisor, while Mr. Liu Deming was appointed to be a Supervisor upon review and approval at the general meeting on the same date.

On January 17 2020, Ms. Wang Xiaoying resigned from the positions of the president of the Supervisory Committee and a Supervisor; Ms. Wang Lu was appointed to be a Supervisor upon review and approval at the general meeting on January 17 2020, and was selected by the Supervisory Committee to be the president thereof on the same date.

On January 22 2020, Mr. Zhao Yang resigned as a Supervisor, while Ms. Li Ru was appointed to be a Supervisor upon election at the employee representative meeting on the same date.

MAJOR WORKS PERFORMED BY THE SUPERVISORY COMMITTEE IN 2019

During the Reporting Period, the Supervisory Committee performed its duties diligently to supervise the operation and management of the Company in a legal, proper and effective manner under the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Articles of Association and the Listing Rules, which effectively safeguarded the interests of the Shareholders and the Company.

In 2019, the Supervisory Committee held a total of 3 meetings of the Supervisory Committee. The Supervisors carefully reviewed the meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee to earnestly perform their supervisory duties. The details of Supervisors attendance at the meetings of the Supervisory Committee held during the 2019 are as follows:

REPORT OF THE SUPERVISORY COMMITTEE

Name	Attendance in person	Attendance by proxy	Absence
Ms. Wang Xiaoying	3/3	N/A	N/A
Mr. Liu Jiang	3/3	N/A	N/A
Mr. Zhao Yang	3/3	N/A	N/A
Mr. Xu Qingshan	3/3	N/A	N/A
Mr. Liu Deming	1/1	N/A	N/A
Mr. Zhao Jinxu	2/2	N/A	N/A

The Supervisory Committee supervised the operating activities of the Company, and supervised the Company in establishing a relatively comprehensive internal control system and corresponding internal control structure, and made great efforts to execute, improve and effectively implement the same so as to mitigate various operating risks of the Company.

The Supervisory Committee also inspected the detailed implementation of the financial management system of the Company and carefully reviewed the financial report of the Company. It considered the financial report of the Company to be true and reliable, and the audit opinions issued by the audit firm appointed by the Company to be objective and impartial.

The Supervisory Committee supervised the performance of duties by the Directors and senior management of the Company, and took the view that the Directors, president and other senior management of the Company diligently exercised various powers as delegated by the Shareholders and carefully discharged their duties under the principles of diligence and integrity. As at the date of this report, the Directors, president and other senior management conducted the work in strict accordance with the laws and regulations, the Articles of Association and other various provisions, to ensure the regulated operations of the Company, and they were not aware of any power abuse or any actions which might be detrimental to the interests of the Shareholders and the legitimate rights of employees.

The Supervisory Committee is satisfied with the operation management work conducted and the economic benefits achieved by the Board and management of the Company in 2019, and is fully confident in the development prospect of the Company in the future.

By Order of the Supervisory Committee

Wang Lu

President of the Supervisory Committee

Hong Kong, March 20 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sichuan Languang Justbon Services Group Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Sichuan Languang Justbon Services Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 171, which comprise:

- the consolidated balance sheet as at December 31 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matters identified in our audit are summarised as follows:

- Impairment of trade receivables
- Impairment assessment of goodwill

Key Audit Matters

How our audit addressed the Key Audit Matters

Impairment of Trade Receivables

Refer to Note 4(a) "Critical accounting estimates and judgments" and Note 19 "Trade and other receivables" to the consolidated financial statements.

As at December 31 2019, the gross amount of trade receivables of the Group amounted to RMB922,224,000. The trade receivables comprised mainly property management fee receivables from individual property owners.

Impairment provision of trade receivables was made based on an assessment of the expected credit losses, including an assessment of the risk of default and the expected loss rate. In performing the assessment, management considered the credit quality of the debtors by considering their credit history, ageing profile, financial position and other factors, and taking into account of current market conditions and forward looking estimates at the end of each reporting period. As at December 31 2019, impairment provision made for the trade receivables amounted to RMB55,190,000.

We focused on this area as the impairment assessment of trade receivables involved significant management's judgements and estimates.

We have performed the following procedures to address this key audit matter:

- 1) We understood, evaluated and validated the key controls relating to management's assessment on the expected credit losses of the trade receivables, including ageing analysis review and review of collectability of the receivable balances;
- 2) We obtained management's assessment on the expected credit losses of trade receivables, assessed its reasonableness by considering the historical cash collection performance and ageing profile, evaluated adjustment made to the historical loss rates based on current economic conditions and forward-looking information with reference to our industry knowledge, market information including macroeconomic factors;
- 3) We tested, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management to supporting documents;
- 4) We checked the mathematical accuracy of the calculation of the provision for loss allowance; and
- 5) We tested, on a sample basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documents.

We found that the significant judgements and estimates made by management in relation to the impairment assessment of trade receivables were supported by available evidences.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key Audit Matters

Impairment Assessment of Goodwill

Refer to Note 4(b) "Critical accounting estimates and judgements" and Note 17 "Intangible assets" to the consolidated financial statements.

As at December 31 2019, the Group has goodwill of approximately RMB267,447,000 primarily related to the Group's acquisition of other property management services entities (the "Acquirees") in the prior years or during the current year.

Goodwill is tested for impairment annually, or when there are events or changes in circumstances indicate that it might be impaired. For the purpose of impairment assessment, goodwill of RMB267,447,000 was allocated to respective Acquirees. Management assessed the recoverable amount of major Acquirees with the assistance of an independent external valuer (the "External Valuer"). The recoverable amounts were determined based on a value-in-use ("VIU") calculation using cash flow projections of the relevant Acquirees based on financial budgets approved by management. The key assumptions involved mainly including (i) annual revenue growth rate, (ii) gross margins, (iii) long-term growth rates; and (iv) pre-tax discount rates.

We focused on this area as the impairment assessment of goodwill involves significant management's judgements and key assumptions.

How our audit addressed the Key Audit Matters

We have performed the following procedures to address this key audit matter:

- 1) We evaluated the competency, capabilities and objectivity of the External Valuer;
- 2) We evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation specialists;
- 3) We assessed the reasonableness of the key assumptions adopted by management by (i) evaluating the historical estimation accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year; (ii) assessed the pre-tax discount rates with reference to comparable listed companies; (iii) evaluating the reasonableness of the key assumptions used in the cash flow forecast, including annual revenue growth rates and gross margins, taking into account the approved budgets, historical financial data and plans of the Acquirees; (iv) for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate;
- 4) We tested source data to supporting evidence on a sample basis, such as approved budgets and available market data; and
- 5) We performed sensitivity analysis on the key assumptions adopted in the impairment assessment so as to assess the potential implication on the results of the impairment assessment if these key assumptions are to be changed within a reasonable range.

We found that the significant management's judgements and key assumptions adopted in the goodwill impairment assessment were supported by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in financial highlights and management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and corporate information, annual review/honors and awards, chairman's statement, biographical details of directors, supervisors and senior management, corporate governance report, report of the board of directors, report of the supervisory committee, and four-year financial summary which are expected to be made available to us after that date.

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 20 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended December 31	
		2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	6	2,100,224	1,464,458
Cost of sales	8	(1,339,996)	(977,688)
Gross profit		760,228	486,770
Selling and marketing expenses	8	(5,110)	(3,760)
Administrative expenses	8	(202,119)	(128,083)
Net impairment losses on financial assets	3.1.2	(25,822)	(16,563)
Other income	7	12,396	5,348
Other (losses)/gains-net	10	(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	12	(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	13	3.10	2.30

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at December 31	
		2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	18,224	18,548
Investment properties	16	32,900	32,687
Goodwill	17	267,447	183,968
Other intangible assets	17	162,722	114,845
Deferred income tax assets	25	19,209	10,565
		500,502	360,613
Current assets			
Inventories		7,220	5,985
Trade and other receivables	19	1,003,772	596,480
Financial assets at fair value through profit or loss	3.3	7,675	–
Cash and cash equivalents	20	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	21	178,102	128,748
Other reserves	23	1,657,683	125,074
Retained earnings	23	363,341	182,877
		2,199,126	436,699
Non-controlling interests		48,503	29,964
Total equity		2,247,629	466,663

CONSOLIDATED BALANCE SHEET (Continued)

(All amounts in RMB thousands unless otherwise stated)

		As at December 31	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	25	32,343	22,462
Lease liabilities	15	2,782	4,278
		35,125	26,740
Current liabilities			
Contract liabilities	6	299,325	230,527
Trade and other payables	24	800,291	481,055
Current income tax liabilities		97,062	62,958
Lease liabilities	15	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

The financial statements on pages 76 to 171 were approved by the Board of Directors on March 20 2020 and were signed on its behalf

Mr. Yao Min
Chairman & Executive Director

Mr. Liu Xia
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Attributable to owners of the Company				Non-controlling interests	Total equity	
	Share capital	Other reserves	Retained earnings	Total			
<i>Note</i>	RMB'000 (<i>Note 21</i>)	RMB'000 (<i>Note 23</i>)	RMB'000 (<i>Note 23</i>)	RMB'000	RMB'000	RMB'000	
Balance at January 1 2018	88,044	94,987	242,422	425,453	8,850	434,303	
Comprehensive income							
Profit for the year	–	–	289,347	289,347	7,543	296,890	
Transactions with owners of the Company							
Transfer from other reserves to share capital	21(a)	35,218	(35,218)	–	–	–	
Capital injection in connection with Share Incentive Plan	21(b)	5,486	29,407	–	34,893	34,893	
Changes in ownership interests in subsidiaries without change of control		–	2,638	–	2,638	4,525	
Acquisition of subsidiaries		–	–	–	–	13,814	
Dividend declared to shareholders of the Company	26	–	–	(319,345)	(319,345)	(319,345)	
Dividend declared to non-controlling interests		–	–	–	–	(2,130)	
Employee share-based payment scheme – value of employee service	22	–	3,713	–	3,713	3,713	
Appropriation of statutory reserves	23(a)	–	29,547	(29,547)	–	–	
Balance at December 31 2018		128,748	125,074	182,877	436,699	29,964	466,663

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to owners of the Company			Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
		(Note 21)	(Note 23)	(Note 23)			
Balance at January 1 2019		128,748	125,074	182,877	436,699	29,964	466,663
Comprehensive income							
Profit for the year		-	-	429,519	429,519	14,608	444,127
Transactions with owners of the Company							
Issue of shares in connection with the Listing	21(c)	49,354	1,481,933	-	1,531,287	-	1,531,287
Contribution from non-controlling shareholders of subsidiaries		-	-	-	-	1,205	1,205
Changes in ownership interests in subsidiaries without change of control		-	(439)	-	(439)	684	245
Acquisition of subsidiaries	29	-	-	-	-	10,600	10,600
Dividend declared to shareholders of the Company	26	-	-	(215,010)	(215,010)	-	(215,010)
Dividend declared to non-controlling interests		-	-	-	-	(8,558)	(8,558)
Employee share-based payment scheme – value of employee service	22	-	17,070	-	17,070	-	17,070
Appropriation of statutory reserves	23(a)	-	34,045	(34,045)	-	-	-
Balance at December 31 2019		178,102	1,657,683	363,341	2,199,126	48,503	2,247,629

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	<i>Note</i>	Year ended December 31	
		2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	27	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	14	(5,285)	(6,659)
Purchase of other intangible assets	17	(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	3.3(a)	–	(250,000)
Proceeds from disposal of financial assets at fair value through profit or loss and investment income	3.3(a)	–	492,646
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	29	(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	21(c)	1,644,383	–
Capital contribution from owners	21(b)	–	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	26	(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	27(a)	(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	10	(8,496)	–
Cash and cash equivalents at end of year		1,962,719	307,136

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

Sichuan Languang Justbon Services Group Co., Ltd. (the “Company”, formerly known as “Sichuan Justbon Property Management Group Co., Ltd.”) was established in the People’s Republic of China (the “PRC”) as a limited liability company on December 7 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 October 18 2019 (the “Listing”).

The Company and its subsidiaries (the “Group”) are 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. These consolidated financial statements have been approved for issue by the board of directors (the “Board”) on March 20 2020.

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 HKFRSs issued by the HKICPA 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 HKFRSs 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in Note 4.

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

- (i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31 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	January 1 2020
HKFRS 3 (Amendment)	Definition of a business	January 1 2020
	Revised conceptual Framework for Financial Reporting	January 1 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 of the Company 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.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

- (a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations not under common control (Continued)

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Contingent consideration is classified either as a financial asset or a financial liability. Amounts classified as a financial asset or liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "other gains – net" in the consolidated statements of comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, and certain leased plants and equipment, the shorter lease term, as follows:

– Vehicles	5-8 years
– Office equipment	5 years
– Machinery	10-15 years
– Leasehold improvements	3-10 years
– Right-of-use asset	2-6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains – net" in the consolidated statements of comprehensive income.

2.6 Investment properties

Investment properties, principally retail units and car parks, are held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are measured at their fair values. Changes in the fair value of investment properties are presented in profit or loss.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (Continued)

(c) *Customer relationships*

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 100 to 120 months for the customer relationship.

(d) *Computer software*

Acquired computer software programmes are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (2 to 10 years).

Research and development costs that are directly attributable to the design and testing of identifiable and unique software products, for example, applications, controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the research and development and to use the software product are available; and
- The expenditure attributable to the software product during its research and development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets

Goodwill that has an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

2.9.2 Recognition and measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "other (losses)/gains". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains" and impairment expenses are presented as separate line item in the statement of profit or loss.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in "other (losses)/gains – net" in the period in which it arises.

2.9.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is measured by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1.2 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized as "income tax expenses" in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) *Pension obligations*

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) *Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.18 Share-based payments

Share-based compensation benefits are provided to employees via the employee share incentive scheme. Information relating to the schemes is set out in Note 22.

Share incentive scheme

Equity-settled share-based payment transactions are share-based payment arrangement in which the Group received goods or services as consideration for its own equity instrument. The Group might receive goods or services but have no obligation to settle the transaction with the supplier, as the settlement will be made by a shareholder or another group entity, this transaction are also equity-settled share-based payment transaction.

For an equity-settled share-based payment transaction, the fair value of equity instrument granted is recognized as an employee benefits expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (eg the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Share-based payments (Continued)

Share incentive scheme (Continued)

No-marketing performance and services conditions are included in the calculation of the number of the equity instrument expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.19 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.20 Revenue recognition

The Group provides property management services, consultancy services, community value-added services and sales of goods. Revenue from providing services is recognized in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management services fee received or receivable. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage or amount of the property management fee received or receivable by the properties.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

Consultancy services mainly includes consultancy services to property developers or other property management companies and cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

For community value-added services includes resident services, residential property agency, commercial property management and operation and advertisement, revenue is recognized when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

For sales of goods, the Group sells commodities to property owners and residents of the properties under the Group's management online and in community. Sales of goods are recognized when the Group delivers the goods to the customers.

If contracts involve the sale of multiple services, the transaction price allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized. The Group applied the practical expedient to recognize the incremental costs of obtaining a contract as an expense immediately if the amortization period is less than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.22 Leases

The Group leases certain properties. Rental contracts are typically made for fixed periods of 1 to 6 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (Note 15). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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 minimize potential adverse effects on the Group's financial performance.

3.1.1 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 on the Main Board of the Stock Exchange and payment of professional fees which are dominated in HK dollar ("HK\$") and US dollar ("USD"). As at December 31 2019, major non-RMB assets are cash and cash equivalents of RMB1,537,229,000 denominated in HK\$. 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.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As at December 31 2019		As at December 31 2018	
	HKD RMB'000	USD RMB\$'000	HKD RMB'000	USD RMB\$'000
Cash and cash equivalent	1,537,229	1,081	–	–
Other payables	(794)	(3,782)	–	–

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Foreign exchange risk (Continued)

The aggregate net foreign exchange losses recognized in profit or loss were:

	2019 RMB'000	2018 RMB'000
Net foreign exchange losses included in other (losses)/gains	(8,496)	–

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% appreciation/depreciation in RMB against the relevant currencies, the effect on the profit for the year is as follows:

	As at December 31	
	2019 RMB'000	2018 RMB'000
5% increase in RMB against HK\$	(63,762)	–
5% decrease in RMB against HK\$	63,762	–
5% increase in RMB against USD	112	–
5% increase in RMB against USD	(112)	–

3.1.2 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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

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 of the Company 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. And these mandates 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 whether there has been a 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 a 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 reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- 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
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

- (i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Trade and other receivables (excluding prepayments)

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivable. The Group uses the expected credit loss model in Note(i) to determine the expected loss provision for other receivables (excluding prepayments). As at December 31 2019, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition (December 31 2018: same). Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

As at December 31 2019, the Group has assessed that the expected loss rate for trade receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for trade receivables from related parties was recognized in 2019 (2018: nil).

As at December 31 2019 and 2018, the loss allowance provision for the trade receivables and other receivables due from third parties was determined as follows. The expected credit losses below also incorporated forward looking information.

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Trade receivables (excluding trade receivables from related parties)						
At December 31 2019						
Expected loss rate	5%	10%	20%	40%	100%	
Gross carrying amount (RMB'000)	490,262	139,578	34,553	11,490	6,852	682,735
Loss allowance provision (RMB'000)	22,873	13,958	6,911	4,596	6,852	55,190
At December 31 2018						
Expected loss rate	5%	10%	20%	40%	100%	
Gross carrying amount (RMB'000)	280,763	61,885	13,324	5,073	6,164	367,209
Loss allowance provision (RMB'000)	14,038	6,189	2,665	2,029	6,164	31,085

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Total
Other receivables (excluding prepayments)						
At December 31 2019						
Expected loss rate	5%	10%	20%	40%	100%	
Gross carrying amount (RMB'000)	82,069	8,262	2,470	635	5,907	99,343
Loss allowance provision (RMB'000)	3,566	826	494	254	5,907	11,047
At December 31 2018						
Expected loss rate	5%	10%	20%	40%	100%	
Gross carrying amount (RMB'000)	37,374	3,327	1,137	1,548	6,282	49,668
Loss allowance provision (RMB'000)	1,869	333	227	619	6,282	9,330

The Group assessed the loss allowance of trade and other receivables (excluding prepayments) based on an assessment of the expected credit losses to be incurred, including an assessment of the historical collection rate and forward looking adjustments when applicable.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

The expected credit loss rate of trade and other receivables (excluding prepayments) due from third parties remained stable during 2019 due to the following reasons:

- trade receivables due from third parties as at December 31 2019 were mainly property management fee receivables due from individual property owners, which are mainly owners of properties developed by Languang Investment and its subsidiaries (the “Languang Properties”). The historical loss rate of trade receivables due from owners of Languang Properties remained stable during 2019;
- management consistently applied the same policies and procedures on collection of the newly acquired properties developed by third parties, resulting in improvement to the collection rate and loss rate of trade receivables converged to the Group’s rates;
- other receivables mainly represented deposit receivables and advances to employees, of which the credit risk remained stable during 2019;
- management’s expectation of future economic environment and risk of default stay stable in 2019.

The directors are of the view that the industrial characteristic factors with regard to trade and other receivables collections have been taken into accounts in the assessment on the expected credit loss rate during 2019.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

As at December 31 2019, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables (excluding trade receivables from related parties) RMB'000	Other receivables (excluding prepayments and other receivables from related parties) RMB'000	Total RMB'000
At January 1 2019	31,085	9,330	40,415
Provision for loss allowance recognized in profit or loss	26,171	2,367	28,538
Unused amounts reversed	(2,066)	(650)	(2,716)
At December 31 2019	55,190	11,047	66,237
	Trade receivables (excluding trade receivables from related parties) RMB'000	Other receivables (excluding prepayments and other receivables from related parties) RMB'000	Total RMB'000
At January 1 2018	16,496	7,356	23,852
Provision for loss allowance recognized in profit or loss	14,732	2,143	16,875
Unused amounts reversed	(143)	(169)	(312)
At December 31 2018	31,085	9,330	40,415

As at December 31 2019, the gross carrying amount of trade and other receivables (excluding prepayments) was RMB1,027,928,000 (2018: RMB604,622,000) and thus the maximum exposure to loss was RMB961,691,000 (2018: RMB564,207,000).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.3 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.

The table below analyses the Group's financial liabilities and lease liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31 2019				
Financial liabilities				
Trade and other payables (excluding accrued payroll liabilities and other tax payable)	639,097	–	–	639,097
Lease liabilities (including interest payments)	2,657	2,535	340	5,532
	641,754	2,535	340	644,629
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000

As at December 31 2018

Financial liabilities

Trade and other payables (excluding accrued payroll liabilities and other tax payable)	358,290	–	–	358,290
Lease liabilities (including interest payments)	2,539	2,106	2,424	7,069
	360,829	2,106	2,424	365,359

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As at December 31 2019 and 2018 asset-liability ratio of the Group is as follows:

	As at December 31	
	2019	2018
Asset-liability ratio	35%	63%

The decrease in the asset-liability ratio during the year ended December 31 2019 was primarily resulted from the issue of shares in connection with the Listing (Note 21).

3.3 Fair value estimation

(a) *Financial assets and liabilities*

The Group's financial instruments recognized in the consolidated balance sheets are mainly trade and other receivables, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and financial liabilities carried at amortized cost. The carrying value less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses estimated discounted cash flows to make assumptions.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial assets at fair values included trust products and contingent consideration, fair value of which are estimated based on unobservable inputs (level 3).

- (i) The following table presents the changes in level 3 instruments for the year ended December 31 2019:

	Financial assets at fair value through profit or loss		
	Financial products	Contingent consideration	Total
	RMB'000	(Note 29) RMB'000	RMB'000
Opening balance	–	–	–
Addition	–	1,621	1,621
Acquisition of Subsidiaries (Note 29)	6,054	–	6,054
Closing balance	6,054	1,621	7,675
Includes unrealized gains recognized in profit or loss attributable to balances held at the end of the reporting period	54	–	54

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) *Financial assets and liabilities (Continued)*

(i) (Continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

	Fair value at December 31		Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
	2019 RMB'000	Valuation technique(s)			
Financial assets at fair value through profit or loss					
- Contingent consideration	1,621	Discounted cash flow	Weighted average capital cost rate	10.70%	A change in weighted average capital cost +/- 10% results in a change in fair value by RMB102,000
- Financial products	6,054	Discounted cash flow	Expected interest rate per annum	3.41%	A change in weighted average capital cost +/- 10% results in a change in fair value by RMB5,000

(ii) The following table presents the changes in level 3 instruments for the year ended December 31 2018.

	Financial assets at fair value through profit or loss			
	Financial products RMB'000	Structural deposits RMB'000	Contingent consideration RMB'000	Total RMB'000
Opening balance	201,890	30,049	2,213	234,152
Addition	200,000	50,000	2,051	252,051
Gains/(losses) for the period recognized in profit or loss	10,065	642	(4,264)	6,443
Disposal	(411,955)	(80,691)	-	(492,646)
Closing balance	-	-	-	-

Includes unrealized gains/(losses)
recognized in profit or loss
attributable to balances held at the
end of the reporting period

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NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial assets and liabilities

The Group's non-financial assets and liabilities measured at fair value are mainly investment properties (level 3).

The following table presents the changes in level 3 items:

	Investment Properties		Total RMB'000
	Retail unit RMB'000	Car Park RMB'000	
As at January 1 2018	684	30,073	30,757
Amounts recognized in other (losses)/gains	(4)	1,934	1,930
As at December 31 2018	680	32,007	32,687
As at January 1 2019	680	32,007	32,687
Amounts recognized in other (losses)/gains	(7)	220	213
As at December 31 2019	673	32,227	32,900

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

(c) Estimation of the useful life of customer relationship identified in business combinations

During the year ended December 31 2019, the Company completed its acquisitions of two companies. Customer relationship of acquirees identified in the business combinations as at each acquisition date respectively (Note 29). The customer relationship is recognized as intangible assets (Note 17).

Customer relationship primarily related to the existing customers of acquirees on the acquisition date. A large portion of the existing service contracts of the acquirees are with specific expiration date, of which the contract periods of one to five years, and the remaining contracts are with no specific expiration date. Based on past experience and general situation in property management industry, termination or non-renewal of property management contracts with property owners' association may happen. The Group thus estimates the useful life and determines the amortization period of the customer relationship to be 100 to 120 months.

However, the actual useful life may be shorter or longer than estimate depending on acquirees' ability to secure its contracts and relationships with property developers or renew the contracts with property owners' associations in the future. Where the actual contract duration is different from the original estimate, such difference will impact the carrying amount of these intangible assets and the amortization expenses in the periods in which such estimate has been changed.

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Fair value of financial assets at fair value through profit or loss

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 18.

(f) Share-based payment

As mentioned in Note 22, the Group has granted incentive shares to its employees. The directors have adopted the Discounted Cash Flow (the "DCF") Method to determine the total fair value of the equity instrument granted, which is to be expensed over the respective vesting periods. Significant judgement of parameters, such as weighted average cost of capital, discount for lack of marketability and discount for lack of control, is required to be made by the directors in applying the DCF Method.

The fair value of equity instrument granted to employees during the year ended December 31 2018 was determined by DCF Method.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by 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 December 31 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 (Note 29). 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 December 31 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 December 31 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 Mainland.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

6 REVENUE

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

		Year ended December 31	
		2019	2018
		RMB'000	RMB'000
	Revenue from customer and recognized		
Property management services	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 December 31 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 December 31 2019 (2018: nil).

(a) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

		As at December 31	
		2019	2018
		RMB'000	RMB'000
Contract liabilities			
– Related parties (Note 30(e))		18,279	–
– Third parties		281,046	230,527
		299,325	230,527

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

6 REVENUE (Continued)

(a) Contract liabilities (Continued)

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities was mainly due to the expansion of business activities from self-development and business combinations.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Property management services	159,847	113,132
Consultancy services	–	22,093
Community value-added services	70,680	28,903
	230,527	164,128

(iii) Unsatisfied performance obligations

For property management services and consultancy services, the Group recognizes revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts for consultancy services is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

(iv) Assets recognized from incremental costs to obtain a contract

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

7 OTHER INCOME

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Government grants <i>(Note(a))</i>	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.

8 EXPENSES BY NATURE

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Employee benefit expenses <i>(Note 9)</i>	820,074	704,746
Greening and cleaning expenses	208,637	135,032
Turnover taxes and other levies	12,222	10,164
Maintenance costs	96,536	60,244
Utilities	76,763	39,018
Operating lease payments <i>(Note 15)</i>	31,339	21,932
Advertising expenses	4,656	3,286
Cost of security and fire protection	108,860	29,081
Travelling and entertainment expenses	22,267	17,210
Cost of goods sold <i>(Note (a))</i>	52,939	26,046
Office expenses	39,023	21,946
Depreciation and amortization charges	24,094	18,167
Community activities expenses	3,583	2,540
Bank charges	5,814	4,672
Consultancy fee	9,888	3,938
Recruiting costs	1,470	1,445
Listing expenses	10,286	820
Auditors' remunerations		
– Audit services	2,500	485
– Non-audit services	2,294	1,485
Others	13,980	7,274
	1,547,225	1,109,531

(a) The cost of goods sold represents the cost of the commodities sold to owners and residents of the properties under the Group's management.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	605,196	532,755
Social insurance expenses (Note (a))	96,132	79,388
Housing benefits	20,880	16,159
Share-based payment (Note 22)	17,070	3,713
Other employee benefits (Note (b))	80,796	72,731
	820,074	704,746

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.
- (b) Other employee benefits mainly include meal, travelling and car allowances.
- (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 3 directors for the year ended December 31 2019 (2018: 4 directors and supervisors), whose emoluments are reflected in the analysis shown in Note 32. The emoluments payable to the remaining 2 individual during the year ended December 31 2019 are as follows (2018: 1 individual):

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Salaries	1,912	921
Discretionary bonuses	253	109
Employer's contribution to a retirement benefit scheme	68	25
Housing fund, others allowances and benefits in kind	2,684	359
	4,917	1,414

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31	
	2019	2018
Emolument bands (in HK dollar)		
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$3,500,001 – HK\$4,000,000	1	–
	2	1

10 OTHER (LOSSES)/GAINS – NET

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Net foreign exchange losses	(8,496)	–
Fair value gains on investment properties	213	1,930
Fair value gains on financial assets at fair value through profit or loss – net	–	6,443
Gains/(losses) on disposal of property, plant and equipment	7	(37)
Written-off of payables	1,631	2,158
	(6,645)	10,494

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(All amounts in RMB thousands unless otherwise stated)

11 SUBSIDIARIES

The following is a list of the principal subsidiaries at December 31 2019 and 2018:

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	2019	2018
Directly owned:							
Kunming Justbon Property Services Co., Ltd. * 昆明嘉寶物業服務有限公司	The PRC, Limited liability company	Property management services in Kunming	RMB5,000,000	95%	95%	5%	5%
Chongqing Justbon Management Consultants Co., Ltd. * 重慶嘉寶管理顧問有限公司	The PRC, Limited liability company	Property management services in Chongqing	RMB20,000,000	99.25%	97%	0.75%	3%
Beijing Languang Justbon Property Management Co., Ltd. * 北京藍光嘉寶物業管理有限公司	The PRC, Limited liability company	Property management services in Beijing	RMB1,000,000	90%	90%	10%	10%
Chengdu Jiamei Market Management Co., Ltd.* 成都嘉美市場經營管理有限公司	The PRC, Limited liability company	Market management services in Chengdu	RMB50,000	90%	90%	10%	10%
Chengdu Jieshunbao Information Technology Co., Ltd. * 成都捷順寶信息科技有限公司	The PRC, Limited liability company	Information technology research in Chengdu	RMB20,000,000	100%	100%	-	-
Sichuan Guojia Property Services Co., Ltd. ("Guojia Property")* 四川省國嘉物業服務有限公司	The PRC, Limited liability company	Property management services in Chengdu	RMB5,000,000	100%	100%	-	-
Hangzhou Lvyu Property Management Co., Ltd. ("Hangzhou lvyu")* 杭州綠宇物業管理有限公司	The PRC, Limited liability company	Property management services in Hangzhou	RMB10,080,000	73.56%	73.56%	26.44%	26.44%
Shanghai Zhenxian Property Management Co., Ltd. ("Shanghai Zhenxian")* 上海真賢物業管理有限公司	The PRC, Limited liability company	Property management services in Shanghai	RMB5,000,000	71.35%	71.35%	28.65%	28.65%
Chengdu Dongjing Property Management Co., Ltd. ("Chengdu Dongjing")* 成都市東景物業管理有限公司	The PRC, Limited liability company	Property management services in Chengdu	RMB5,500,000	65%	65%	35%	35%
Luzhou Tianli Property Co., Ltd. ("Luzhou Tianli")* 瀘州天立物業有限公司	The PRC, Limited liability company	Property Management services in Luzhou	RMB3,000,000	70%	70%	30%	30%
Leshan Justbon Property Services Co., Ltd. * 樂山嘉寶物業服務有限公司	The PRC, Limited liability company	Property Management Services In Leshan	RMB5,000,000	100%	100%	-	-

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at December 31 2019 and 2018: (Continued)

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2019	2018	2019	2018
Sichuan Justbon Yuyi Property Management Co., Ltd. * 四川嘉寶宇億物業管理有限公司	The PRC, Limited liability company	Property Management Services In Bazhong	RMB2,000,000	70%	70%	30%	30%
Sichuan Justbon Hongshan Property Management Co., Ltd. * 四川嘉寶鴻山物業管理有限公司	The PRC, Limited liability company	Property Management Services In Zigong	RMB500,000	70%	70%	30%	30%
Luzhou Justbon Property Services Co., Ltd. * 瀘州嘉寶物業服務有限公司	The PRC, Limited liability company	Property Management Services In Luzhou	RMB5,000,000	100%	100%	-	-
Meishan Justbon Property Services Co., Ltd.* 眉山嘉寶物業服務有限公司	The PRC, Limited liability company	Property Management Services In Meishan	RMB500,000	51%	100%	49%	-
Luzhou Justbon Xinyang Property Management Co., Ltd. * 瀘州嘉寶鑫洋物業管理有限公司	The PRC, Limited liability company	Property Management Services In Luzhou	RMB500,000	70%	70%	30%	30%
Chengdu Quancheng Property Services Co., Ltd. ("Chengdu Quancheng")* 成都全程物業服務有限公司	The PRC, Limited liability company	Property Management Services In Chengdu	RMB500,000	100%	100%	-	-
Sichuan Justbon Tianfu Property Services Co., Ltd.* 四川嘉寶天府物業服務有限公司	The PRC, Limited liability company	Property management services in Chengdu	RMB2,000,000	67%	N/A	33%	N/A
Languang Justbon (Shanghai) Property Services Co., Ltd.* 藍光嘉寶(上海)物業管理有限公司	The PRC, Limited liability company	Property management services in Shanghai	RMB10,000,000	100%	N/A	-	N/A
Jiangsu Changfa Property Management Service Co., Ltd. ("Jiangsu Changfa")* (Note 29) 江蘇常發物業服務有限公司	The PRC, Limited liability company	Property management services in Changzhou	RMB6,500,000	100%	N/A	-	N/A
Zhejiang Zhongneng Property Management Service Co., Ltd. ("Zhejiang Zhongneng")* (Note 29) 浙江中能物業服務有限公司	The PRC, Limited liability company	Property management services in Zhejiang	RMB10,000,000	60%	N/A	40%	N/A

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

12 INCOME TAX EXPENSES

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	98,150	64,157
Deferred income tax (Note 25)		
– 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 December 31	
	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 recognized	42	–
– Utilization of previously unrecognized tax losses	(48)	(1,957)
PRC corporate income tax	88,502	56,977

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

12 INCOME TAX EXPENSES (Continued)

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.

13 EARNINGS PER SHARE

The number of ordinary shares outstanding during the year ended December 31 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 as described in Note 21(a) 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 December 31 2019 and 2018.

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

	Year ended December 31	
	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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Vehicles	Office equipment	Machinery	Leasehold improvements	Construction in progress	Right-of-use assets (Note 15)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31 2018							
Opening net book amount	1,157	3,860	992	3,718	418	5,642	15,787
Additions	909	824	276	–	4,650	1,565	8,224
Acquisition of subsidiaries	108	246	44	–	–	–	398
Transfer to leasehold improvements	–	–	–	5,068	(5,068)	–	–
Disposals	(117)	(65)	(17)	–	–	–	(199)
Depreciation charge	(736)	(1,248)	(442)	(1,384)	–	(1,852)	(5,662)
Closing net book amount	1,321	3,617	853	7,402	–	5,355	18,548
As at December 31 2018							
Cost	3,500	9,786	2,774	14,678	–	9,840	40,578
Accumulated depreciation	(2,179)	(6,169)	(1,921)	(7,276)	–	(4,485)	(22,030)
Net book amount	1,321	3,617	853	7,402	–	5,355	18,548
Year ended December 31 2019							
Opening net book amount	1,321	3,617	853	7,402	–	5,355	18,548
Additions	1,113	1,118	138	2,916	–	1,246	6,531
Acquisition of subsidiaries (Note 29)	22	267	8	–	–	–	297
Disposals	(84)	(52)	(19)	–	–	–	(155)
Depreciation charge	(595)	(1,229)	(269)	(2,640)	–	(2,264)	(6,997)
Closing net book amount	1,777	3,721	711	7,678	–	4,337	18,224
As at December 31 2019							
Cost	3,937	10,875	2,828	17,594	–	11,086	46,320
Accumulated depreciation	(2,160)	(7,154)	(2,117)	(9,916)	–	(6,749)	(28,096)
Net book amount	1,777	3,721	711	7,678	–	4,337	18,224

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Cost of sales	3,341	3,343
Selling and marketing expenses	209	–
Administrative expenses	3,447	2,319
	6,997	5,662

- (a) No property, plant and equipment is restricted or pledged as security for liabilities as at December 31 2019 (2018: nil).

15 LEASES

(i) Amounts recognized in the balance sheet The Group

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Right-of-use assets		
Properties (<i>Note 14</i>)	4,337	5,355
Lease liabilities		
Current	2,456	2,271
Non-current	2,782	4,278
	5,238	6,549

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

15 LEASES (Continued)

(i) Amounts recognized in the balance sheet (Continued)

The Company

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Right-of-use assets		
Properties	2,579	4,133
Lease liabilities		
Current	1,710	1,895
Non-current	1,793	3,503
	3,503	5,398

As at December 31 2019 and 2018, right-of-use assets was included in property, plant and equipment in the consolidated and company balance sheets.

(ii) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Properties (Note 14)	2,264	1,852
Interest expense (included in finance cost)	299	339
Expenses relating to short-term leases (included in cost of sales and administrative expense) (Note 8)	31,339	21,932

The total cash outflow for leases for the years ended December 31 2019 was RMB12,064,000 (2018: RMB24,135,000).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

15 LEASES (Continued)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, parking lots, and dormitories. Rental contracts are typically made for fixed periods of 6 months to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16 INVESTMENT PROPERTIES

The Group and the Company

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Opening net book amount	32,687	30,757
Revaluation gains recognized in other (losses)/gains	213	1,930
Closing net book amount	32,900	32,687

(a) Fair value hierarchy

As at December 2019, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year ended December 31 2019.

(b) Valuation techniques

The fair values of the Group's investment properties at December 31 2019 have been arrived at on the basis of valuations carried out on those dates by Sichuan Tianjianhuaheng Assets Appraisal Co., Ltd, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair values of retail units were generally derived using the income capitalisation method, which was based on converting further rental income to a discounted amount.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

16 INVESTMENT PROPERTIES (Continued)

(b) Valuation techniques (Continued)

Fair values of car parks were evaluated by using direct comparison approach, which was based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

Description	Fair value as at December 31		Valuation Techniques	Significant Unobservable inputs	Range of unobservable inputs	
	2019	2018			As at December 31	
	RMB'000	RMB'000			2019	2018
Completed investment properties				Discount rate	6.14%-7.00%	6.23%-7.00%
- Retail unit	673	680	Income capitalisation	Market rental rate (RMB/sqm/month)	37.30-67.16	38-66
- Car park	32,227	32,007	Direct comparison	Market unit sales price (RMB/unit)	134,000-141,000	132,000-141,000
Total	32,900	32,687				

For retail unit, increase in discount rates may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

There are no changes to the valuation technique during the year ended December 31 2019.

(c) Amounts recognized in profit or loss for investment properties

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Rental income	138	159
Direct operating expenses	(86)	(104)
	52	55

No investment property is restricted or pledged as security for liabilities as at December 31 2019 (2018: nil).

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17 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 December 31 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
Amortization	(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 December 31 2018						
Cost	27,636	54	108,570	136,260	183,968	320,228
Accumulated amortization	(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 December 31 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 <i>(Note 29)</i>	–	–	50,000	50,000	83,479	133,479
Amortization	(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 December 31 2019						
Cost	42,610	54	158,570	201,234	267,447	468,681
Accumulated amortization	(8,998)	(9)	(29,505)	(38,512)	–	(38,512)
Net book amount	33,612	45	129,065	162,722	267,447	430,169

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

17 INTANGIBLE ASSETS (Continued)

Amortization of intangible assets has been charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Cost of sales	13,198	10,562
Administrative expenses	3,899	1,943
	17,097	12,505

- (a) No intangible asset is restricted or pledged as security for liabilities as at December 31 2019 (2018: nil).
- (b) Goodwill arose from acquisition of subsidiaries:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Guojia Property	68,697	68,697
Hangzhou Lvyu	41,026	41,026
Shanghai Zhenxian	15,327	15,327
Chengdu Dongjing	33,797	33,797
Luzhou Tianli	23,346	23,346
Chengdu Quancheng	1,775	1,775
Jiangsu Changfa (Note 29)	53,000	–
Zhejiang Zhongneng (Note 29)	30,479	–
	267,447	183,968

An independent valuation was performed by an independent valuer to determine the amount of the customer relationship upon completion of acquisitions. Methods and key assumptions in determining the fair value of customer relationship are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets
Customer relationship	Discounted cash flow	17.2%-17.8%	100-120 months

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(All amounts in RMB thousands unless otherwise stated)

17 INTANGIBLE ASSETS (Continued)

(b) Goodwill arose from acquisition of subsidiaries: (Continued)

During the year ended December 31 2019, the Company completed its acquisitions of 100% and 60% of the equity interests in Jiangsu Changfa and Zhejiang Zhongneng at a consideration of RMB80,000,000 and RMB46,379,000, respectively (Note 29).

As at December 31 2019, management performed an impairment assessment on the goodwill arising from the acquisitions except for the goodwill in relation to the acquisition of Jiangsu Changfa and Zhejiang Zhongneng, which were completed in December 2019. The recoverable amounts of the property management business operated by Guojia Property, Hangzhou Lvyu, Shanghai Zhenxian, Chengdu Dongjing, Luzhou Tianli and Chengdu Quancheng have been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at December 31 2019:

	Guojia Property	Shanghai Zhenxian	Hangzhou Lvyu	Chengdu Dongjing	Luzhou Tianli	Chengdu Quancheng
Revenue 2020 (% annual growth rate)	5%	10%	4%	2%	9%	3%
Revenue 2021 (% annual growth rate)	4%	9%	12%	7%	6%	3%
Revenue – 2022 to 2024 (% annual growth rate)	3%-4%	6%-9%	5%-9%	5%-7%	3%-7%	3%
Gross margin (% of revenue)	45%	22%	20%	32%	26%	31%
Long-term growth rate	3%	3%	3%	3%	3%	3%
Pre-tax discount rate	18%	20%	21%	18%	18%	21%

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

17 INTANGIBLE ASSETS (Continued)

(b) Goodwill arose from acquisition of subsidiaries: (Continued)

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at December 31 2018:

	Guojia Property	Shanghai Zhenxian	Hangzhou Lvyu	Chengdu Dongjing	Luzhou Tianli	Chengdu Quancheng
Revenue 2019 (% annual growth rate)	6%	14%	8%	12%	15%	16%
Revenue 2020 (% annual growth rate)	5%	5%	6%	10%	12%	2%
Revenue – 2021 to 2023 (% annual growth rate)	3%-4%	3%-5%	3%-6%	4%-10%	4%-9%	2%
Gross margin (% of revenue)	46%	24%	21%	27%	23%	28%
Long-term growth rate	3%	3%	3%	3%	3%	0%
Pre-tax discount rate	18%	21%	21%	19%	19%	8%

As at December 31 2019, the recoverable amounts of RMB833 million (2018: RMB649 million) of the property management business calculated based on VIU exceeded their carrying value of RMB427 million (2018: RMB358 million) by RMB406 million (2018: RMB291 million).

Details of the headroom attributable to the property management business of the acquired entities as at December 31 2019 and 2018 are set out as follows:

	As at December 31	
	2019 RMB'000	2018 RMB'000
Guojia Property	241,118	179,528
Shanghai Zhenxian	16,765	32,346
Hangzhou Lvyu	27,105	14,399
Chengdu Dongjing	86,456	51,648
Luzhou Tianli	27,223	12,126
Chengdu Quancheng	7,253	814
	405,920	290,861

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(All amounts in RMB thousands unless otherwise stated)

17 INTANGIBLE ASSETS (Continued)

(b) Goodwill arose from acquisition of subsidiaries: (Continued)

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at December 31 2019 and 2018:

	Guojia Property	Shanghai Zhenxian	Hangzhou Lvyu	Chengdu Dongjing	Luzhou Tianli	Chengdu Quancheng
As at December 31 2019						
Annual revenue growth rate	-31%	-6%	-6%	-13%	-8%	-37%
Discount rate	+33%	+5%	+3%	+10%	+7%	+39%
As at December 31 2018						
Annual revenue growth rate	-21%	-12%	-3%	-9%	-5%	-9%
Discount rate	+29%	+15%	+2%	+9%	+3%	+9%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of the CGU to exceed its recoverable amount.

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

NOTES TO THE FINANCIAL STATEMENTS

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18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Financial asset at amortized cost		
Trade and other receivables (excluding prepayments) (<i>Note 19</i>)	961,691	564,207
Cash and cash equivalents (<i>Note 20</i>)	1,962,719	307,136
	2,924,410	871,343
Financial assets at fair value through profit or loss		
	7,675	–
Financial liabilities at amortized costs		
Trade and other payables (excluding accrued payroll and other taxes payables) (<i>Note 24</i>)	639,097	358,290
Lease liabilities (<i>Note 15</i>)	5,238	6,549
	644,335	364,839

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

19 TRADE AND OTHER RECEIVABLES

The Group

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)		
– Related parties (<i>Note 30(e)</i>)	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 (<i>Note 30(e)</i>)	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 (<i>Note 30(e)</i>)	321	673
– Third parties	40,997	31,198
	41,318	31,871
Prepaid tax	763	402
	1,003,772	596,480

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

19 TRADE AND OTHER RECEIVABLES (Continued)

The Company

	As at December 31	
	2019 RMB'000	2018 RMB'000
Trade receivables (<i>Note (a)</i>)		
– Related parties	177,245	141,280
– Third parties	275,600	154,350
	452,845	295,630
Less: allowance for impairment of trade receivables	(26,716)	(17,268)
	426,129	278,362
Other receivables		
– Subsidiaries	129,729	59,222
– Third parties	51,253	34,368
	180,982	93,590
Less: allowance for impairment of other receivables	(8,851)	(8,008)
	172,131	85,582
Prepayments to suppliers		
– Related parties	301	–
– Third parties	33,202	22,073
	33,503	22,073
Prepaid tax	360	396
	632,123	386,413

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

19 TRADE AND OTHER RECEIVABLES (Continued)

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

The Group

	As at December 31	
	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 December 31 2019, a provision of RMB55,190,000 (2018: RMB31,085,000) was made against the gross amounts of trade receivables (Note 3.1.2).

The Company

	As at December 31	
	2019	2018
	RMB'000	RMB'000
0-180 days	275,374	224,261
181-365 days	97,625	17,513
1 to 2 years	49,412	31,708
2 to 3 years	18,421	11,135
Over 3 years	12,013	11,013
	452,845	295,630

The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at December 31 2019, a provision of RMB26,716,000 (2018: RMB17,268,000) was made against the gross amounts of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

20 CASH AND CASH EQUIVALENTS

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Cash at bank and on hand		
--Dominated in HK\$	1,537,229	–
--Dominated in RMB	424,409	307,136
--Dominated in USD	1,081	–
	1,962,719	307,136

- (a) As at December 31 2019, cash and cash equivalents did not include housing maintenance funds of RMB527,000 (2018: RMB136,000) which were owned by the property owners but were deposited in the bank accounts in the name of the group entities. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.
- (b) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.
- (c) As at December 31 2019, the balance of proceeds from the initial public offering of HK\$53,729,000 and HK\$1,662,355,000, equivalent to RMB48,129,000 and RMB1,489,100,000, were temporarily deposited in the Group's bank accounts in Hong Kong and the PRC.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

21 SHARE CAPITAL

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

- (a) On May 8 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 June 12 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 (Note 22), on December 3 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 (Note 23) respectively. Upon completion of the capital injection, Languang Hejun, Ningbo Jiaqian and Chengdu Jiayu Enterprise Management LLP held 89.97%, 4.26% and 4.22% of equity interests of the Company, respectively.
- (c) On October 18 2019 and November 6 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 (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

22 SHARE-BASED PAYMENTS

Pursuant to the resolution of the Board dated November 9 2018, a share incentive plan (the “Share Incentive Plan”) was approved, under which the Company would issue certain shares (the “Incentive Shares”) to Ningbo Jiaqian, an independent trustee, at a subscription price of RMB6.36 per share (the “Subscription Price”). Ningbo Jiaqian was established on November 1 2018, by 11 of the Company’s employees, including directors, supervisors, senior management and certain employees (the “Recipients”), approved in the Share Incentive Plan. The related consideration for subscription of the Incentive Shares was paid to the Company by the Recipients through Ningbo Jiaqian.

The Incentive Shares represented an aggregate of 5,486,300 shares, 4.26% of the total issued and outstanding shares on December 3 2018.

The Incentive Shares are subject to lock-up period. 40%, 30% and 30% of the Incentive Shares acquired by the Recipients will be unlocked once per year in three years after one year starting from the December 3 2018 (the “Subscription Date”), subjected to achieving both of the Company performance conditions and the personal performance requirement as set out in the Share Incentive Plan. As at December 31 2019, none of the Incentive Shares has been unlocked.

Langguang Hejun, the parent company of the Company, has the legal obligation to repurchase the incentive shares that fail to unlock due to dissatisfaction of the performance conditions at the Subscription Price.

On December 3 2018, the Company issued and granted 5,486,300 shares of the Company to the Recipients through Ningbo Jiaqian at a price of RMB6.36 per share and received capital contribution amounting to RMB34,893,000 in cash from Ningbo Jiaqian. RMB5,486,000 and RMB29,407,000 were recorded as share capital (Note 21) and share premium (Note 23) respectively.

The excess of fair value of the Incentive Shares granted to the Recipients was recognized as expense over the vesting period in the consolidated statement of comprehensive income. During the year ended December 31 2019, the Company has recognized employee benefit expenses of RMB17,070,000 in the consolidated statements of comprehensive income in relation to the Share Incentive Plan (2018: RMB3,713,000).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

23 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 January 1 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 (<i>Note 21(a)</i>)	(35,218)	–	–	(35,218)	–	(35,218)
Capital injection in connection with Share Incentive Plan (<i>Note 21(b)</i>)	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 (<i>Note 26</i>)	–	–	–	–	(319,345)	(319,345)
Employee share-based payment scheme – value of employee service (<i>Note 22</i>)	–	3,713	–	3,713	–	3,713
Appropriation of statutory reserves (<i>Note (a)</i>)	–	–	29,547	29,547	(29,547)	–
Balance at December 31 2018	67,597	4,691	52,786	125,074	182,877	307,951
Balance at January 1 2019	67,597	4,691	52,786	125,074	182,877	307,951
Profit for the period	–	–	–	–	429,519	429,519
Issue of shares in connection with the Listing (<i>Note 21 (c)</i>)	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 (<i>Note 26</i>)	–	–	–	–	(215,010)	(215,010)
Employee share-based payment scheme – value of employee service (<i>Note 22</i>)	–	17,070	–	17,070	–	17,070
Appropriation of statutory reserves (<i>Note (a)</i>)	–	–	34,045	34,045	(34,045)	–
Balance at December 31 2019	1,549,091	21,761	86,831	1,657,683	363,341	2,021,024

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

23 RESERVES (Continued)

- (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.

24 TRADE AND OTHER PAYABLES

The Group

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)		
– Related parties (<i>Note 30(e)</i>)	22,397	234
– Third parties	110,355	64,878
	132,752	65,112
Other payables		
– Related parties (<i>Note 30(e)</i>)	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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

24 TRADE AND OTHER PAYABLES (Continued)

The Company

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)		
– Related parties	22,096	3
– Third parties	49,609	29,409
	71,705	29,412
Other payables		
– Subsidiaries	134,771	51,862
– Related parties	109,922	67,105
– Third parties	240,005	145,623
	484,698	264,590
Accrued payroll	83,413	66,139
Other taxes payables	8,433	7,487
Dividend payable	91	47
	648,340	367,675

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

- (a) As at December 31 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:

The Group

	As at December 31	
	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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

24 TRADE AND OTHER PAYABLES (Continued)

(a) (Continued)

The Company

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Up to 1 year	68,605	28,420
1 to 2 years	2,730	823
2 to 3 years	285	169
Over 3 years	85	–
	71,705	29,412

25 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	15,949	8,092
– Deferred tax assets to be recovered within 12 months	3,260	2,473
	19,209	10,565
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(28,486)	(19,466)
– Deferred tax liabilities to be recovered within 12 months	(3,857)	(2,996)
	(32,343)	(22,462)
	(13,134)	(11,897)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

25 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the Year ended December 31 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – allowance on doubtful debts RMB'000	Deferred tax assets – accrued expenses RMB'000	Deferred tax assets – tax losses RMB'000	Deferred tax assets – net impact of right-of-use assets and lease liabilities RMB'000	Deferred tax liabilities – excess of value of intangible assets identified in business combination RMB'000	Deferred tax liabilities – financial assets at fair value through profit or loss RMB'000	Deferred tax liabilities – financial assets at fair value through profit or loss RMB'000	Total RMB'000
As at January 1 2018	3,975	724	–	174	(13,112)	(3,036)	(309)	(11,584)
Credited/(charged) to the consolidated statements of comprehensive income	2,689	1,339	1,430	(5)	2,152	(734)	309	7,180
Acquisition of subsidiaries	239	–	–	–	(7,732)	–	–	(7,493)
At December 31 2018	6,903	2,063	1,430	169	(18,692)	(3,770)	–	(11,897)
As at January 1 2019	6,903	2,063	1,430	169	(18,692)	(3,770)	–	(11,897)
Credited/(charged) to the consolidated statements of comprehensive income	4,650	3,190	(767)	(44)	2,666	(47)	–	9,648
Acquisition of subsidiaries (Note 29)	1,615	–	–	–	(12,500)	–	–	(10,885)
At December 31 2019	13,168	5,253	663	125	(28,526)	(3,817)	–	(13,134)

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

25 DEFERRED INCOME TAX (Continued)

As at December 31 2019, in accordance with the accounting policy set out in Note 2.16(b), the Group has not recognized deferred tax assets in respect of cumulative tax losses RMB243,000 as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity (2018: RMB193,000). The tax losses shall expire in five years from year of occurrence under current tax legislation.

Expiry year	Unused tax losses for which no deferred tax asset was recognized As at December 31	
	2019	2018
	RMB'000	RMB'000
2019	–	24
2020	–	40
2021	–	36
2022	–	56
2023	–	37
2024	243	–
	243	193

26 DIVIDENDS

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

During the year ended December 31 2019, the Company declared dividends of RMB215,010,000 (2018: RMB319,345,000). As at December 31 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 December 31 2019 of RMB0.97 per share (before tax), amounting to approximately RMB172,159,000 has been approved by the Board of Directors on March 20 2020 and is subject to approval of the shareholders of the Company in the annual general meeting to be held on June 11 2020. The final dividend will be distributed out from the Company's retained earnings. These consolidated financial statements have not reflected this dividend payable.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

27 CASH GENERATED FROM OPERATIONS

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	532,629	353,867
Adjustments for:		
– Depreciation of property, plant and equipment (<i>Note 14</i>)	6,997	5,662
– Fair value gains on investment properties (<i>Note 16</i>)	(213)	(1,930)
– Net foreign exchange losses (<i>Note 10</i>)	8,496	–
– Amortization of other intangible assets (<i>Note 17</i>)	17,097	12,505
– Allowance for impairment of trade and other receivables	25,822	16,563
– (Gains)/losses from disposal of property, plant and equipment	(7)	37
– Fair value gains on financial assets at fair value through profit or loss	–	(6,443)
– Share-based employee expense (<i>Note 22</i>)	17,070	3,713
– Listing expense	–	820
– Interest expense (<i>Note 15</i>)	299	339
	608,190	385,133
Changes in working capital:		
– Inventories	(1,235)	(1,060)
– Trade and other receivables	(399,021)	(184,509)
– Contract liabilities	52,206	46,506
– Trade and other payables	231,356	40,120
	491,496	286,190

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

27 CASH GENERATED FROM OPERATIONS (Continued)

(a) The reconciliation of liabilities arising from financial activities is as follow:

	Borrowings RMB'000	Other payables- interest payable RMB'000	Lease liabilities RMB'000	Total RMB'000
As at January 1 2018	–	–	6,848	6,848
Acquisition of subsidiaries	9,000	–	–	9,000
Addition of lease liabilities	–	–	1,565	1,565
Accrued interest expenses	–	24	339	363
Repayments	(9,000)	–	(1,866)	(10,866)
Interest paid	–	(24)	(337)	(361)
As at December 31 2018	–	–	6,549	6,549
As at January 1 2019	–	–	6,549	6,549
Addition of lease liabilities	–	–	1,246	1,246
Accrued interest expenses	–	–	299	299
Repayments	–	–	(2,559)	(2,559)
Interest paid	–	–	(297)	(297)
As at December 31 2019	–	–	5,238	5,238

28 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred for the years ended December 31 2019 is as follows.

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Up to 1 year	3,862	98

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

28 COMMITMENTS (Continued)

(b) Lease commitments – as lessee

The Group leases offices and staff dormitories under non-cancellable lease agreements with lease term less than 12 months. The majority of lease agreements are signed with third parties and renewable at the end of the lease period based on rates mutually agreed.

The future aggregate minimum lease payments under non-cancellable short-term leases are as follows:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Up to 1 year	–	114

29 BUSINESS COMBINATIONS

Business combination during the year ended December 31 2019 included the acquisitions of two property management companies. The acquired companies' principal activities are property management in the PRC. The financial information of the two acquired companies on the acquisition date is listed as follows:

On December 10 2019, the Company completed its acquisition of 100% of the equity interests in Jiangsu Changfa at a consideration of RMB80,000,000 from a third party. Total identifiable net assets of Jiangsu Changfa amounted to RMB27,000,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

On December 31 2019, the Company completed its acquisition of 60% of the equity interests in Zhejiang Zhongneng at a consideration of RMB46,379,000 from a third party. Total identifiable net assets of Zhejiang Zhongneng amounted to RMB26,500,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

The acquired businesses of Jiangsu Changfa and Zhejiang Zhongneng contributed total revenue of RMB3,080,000 and net profit of RMB227,000 to the Group for the year from the respective acquisition date to December 31 2019.

Had Jiangsu Changfa and Zhejiang Zhongneng been consolidated from January 1 2019, the consolidated statements of comprehensive income for the year ended December 31 2019 would show pro-forma revenue of RMB2,219,531,000 and net profit of RMB459,149,000.

The acquisition agreements stipulate that the original shareholders promise for the revenue and gross floor area under management to reach a certain performance target in certain period. If the terms of the contingent consideration agreement cannot be fulfilled at the end, a part of the total consideration will be deducted. A third-party appraiser has been engaged to evaluate the fair value of the contingent consideration on the acquisition date, which was recorded as "financial assets at fair value through profit and loss".

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

29 BUSINESS COMBINATIONS (Continued)

	Jiangsu Changfa RMB'000	Zhejiang Zhongneng RMB'000	Total RMB'000
Consideration			
– Cash paid	48,000	28,800	76,800
– Payable	32,000	19,200	51,200
– Contingent consideration	–	(1,621)	(1,621)
	80,000	46,379	126,379
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	11,471	7,392	18,863
Financial assets at fair value through profit or loss	–	6,054	6,054
Property, plant and equipment (<i>Note 14</i>)	101	196	297
Customer relationship (<i>Note 17</i>)	28,000	22,000	50,000
Deferred tax assets (<i>Note 25</i>)	1,352	263	1,615
Trade and other receivables	24,980	19,843	44,823
Trade and other payables	(15,902)	(17,318)	(33,220)
Current income tax liabilities	(5,110)	(730)	(5,840)
Contract liabilities	(10,892)	(5,700)	(16,592)
Deferred tax liabilities (<i>Note 25</i>)	(7,000)	(5,500)	(12,500)
Total identifiable net assets	27,000	26,500	53,500
Less: non-controlling interests	–	(10,600)	(10,600)
Net assets acquired	27,000	15,900	42,900
Goodwill (<i>Note 17</i>)	53,000	30,479	83,479

Goodwill of RMB83,479,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognized is expected to be deductible for income tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

29 BUSINESS COMBINATIONS (Continued)

Net cash outflow arising from the acquisitions during the year ended December 31 2019:

	RMB'000
Cash consideration paid	(76,800)
Cash and cash equivalents acquired on the acquisition date	18,863
Net cash outflow on acquisitions	(57,937)

30 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. Yang Keng 楊鏗	The founding shareholder
Languang Investment Holdings Group Co., Ltd. ("Languang Investment") 藍光投資控股集團有限公司	The ultimate holding company
Languang Development 四川藍光發展股份有限公司	Intermediate holding company
Languang Hejun 四川藍光和駿實業有限公司	Parent company
Anhui Meitaiguanghua Real Estate Co., Ltd.* 安徽美太光華置業有限公司	Controlled by the same ultimate holding company
Anhui Tuobaishi Property Co., Ltd.* 安徽拓佰仕置業有限公司	Controlled by the same ultimate holding company
Baoji Dingfeng Property Co., Ltd.* ("Baoji Dingfeng") (b) 寶雞鼎豐置業有限公司	Controlled by the same ultimate holding company
Baoji Yekun Real Estate Co., Ltd.* 寶雞燁坤置業有限公司	Controlled by the same ultimate holding company
Beijing Hejun Investment Co., Ltd.* 北京和駿投資有限責任公司	Controlled by the same ultimate holding company
Beijing Languang Business Management Co., Ltd.* 北京藍光商業經營管理有限公司	Controlled by the same ultimate holding company
Beijing Xinghua Languang Real Estate Co., Ltd.* 北京星華藍光置業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Changzhou Hejun Real Estate Co., Ltd.* 常州和駿置業有限公司	Controlled by the same ultimate holding company
Chaohu Languang Hejun Real Estate Co., Ltd.* 巢湖市藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Chenghuacancong Real Estate Co., Ltd.* 成都成華燦琮置業有限公司	Controlled by the same ultimate holding company
Chengdu Chenghua Hejun Real Estate Co., Ltd.* 成都成華和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Chenghua Languang Real Estate Development Co., Ltd.* 成都成華藍光房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Chenghua Languang Hejun Property Co., Ltd.* 成都成華藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Chenghuazhenghui Real Estate Development Co., Ltd.* 成都成華正惠房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Chenghua Zhonghong Real Estate Development Co., Ltd.* 成都成華中泓房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Dujiangyan Hejun Real Estate Co., Ltd.* 成都都江堰和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Dujiangyan Languang Hejun Property Co., Ltd.* 成都都江堰藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Gaoxin Hejun Property Co., Ltd.* 成都高新和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Gaoxin Languang Hejun Real Estate Co., Ltd.* 成都高新藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Hairun Real Estate Co., Ltd.* 成都海潤置業有限公司	Controlled by the same ultimate holding company
Chengdu Hejun Investment Co., Ltd.* 成都和駿投資有限公司	Controlled by the same ultimate holding company
Chengdu Hexiang Industrial Co., Ltd.* 成都和祥實業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Chengdu Justbon Commercial Property Management Co., Ltd.* 成都嘉寶商業物業經營管理有限公司	Controlled by the same ultimate holding company
Chengdu Justbon Commercial Property Management Co., Ltd.* Golden Hawaii Branch 成都嘉寶商業物業經營管理有限公司 金色夏威夷分公司	Controlled by the same ultimate holding company
Chengdu Jingu Landscape Engineering Co., Ltd.* 成都金谷景觀工程有限公司	Controlled by the same ultimate holding company
Chengdu Jinniu Languang Hejun Property Co., Ltd.* 成都金牛藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Jinniu Zhenghui Real Estate Development Co., Ltd.* 成都金牛正惠房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Jintang Languang Hejun Property Co., Ltd.* 成都金堂藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Jintang Cancong Property Co., Ltd.* 成都錦江燦琮置業有限公司	Controlled by the same ultimate holding company
Chengdu Jujin Trading Co., Ltd.* 成都聚錦商貿有限公司	Controlled by the same ultimate holding company
Chengdu Languang Hejun Property Co., Ltd.* 成都藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Languang Green Decoration Engineering Co., Ltd.* 成都藍光綠色裝飾工程有限公司	Controlled by the same ultimate holding company
Chengdu Languang Ecological Gardening Engineering Co., Ltd.* 成都藍光生態園林工程有限公司	Controlled by the same ultimate holding company
Chengdu Languang Cultural Tourism Development Co., Ltd.* 成都藍光文化旅遊開發有限公司	Controlled by the same ultimate holding company
Chengdu Longquanyi Languang Hejun Property Co., Ltd.* 成都龍泉驛藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Pixian Hejun Property Co., Ltd.* 成都郫縣和駿置業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Chengdu Pixian Languang Hejun Property Co., Ltd.* 成都郫縣藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Puxing Commercial & Trading Co., Ltd.* 成都浦興商貿有限責任公司	Controlled by the same ultimate holding company
Chengdu Qingbaijiang Languang Hejun Property Co., Ltd.* 成都青白江藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Qingyang Hejun Real Estate Co., Ltd.* 成都青羊和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Qingyang Languang Hejun Property Co., Ltd.* 成都青羊藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Qingyang zhenghui Real Estate Development Co., Ltd.* 成都青羊正惠房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Qionglai Hejun Real Estate Co., Ltd.* 成都邛崃和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Ruina Investment Co., Ltd.* 成都瑞納投資有限公司	Controlled by the same ultimate holding company
Chengdu Wenjiang Hejun Real Estate Co., Ltd.* 成都市溫江區和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Wenjiang Languang Hejun Real Estate Co., Ltd.* 成都市溫江區藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Shuangliu Hejun Real Estate Co., Ltd.* 成都雙流和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Wuniuzhenghui Electric Appliance Co., Ltd.* ("Wuniuzhenghui Electric Appliance") 成都五牛正惠電器有限公司	Controlled by the same ultimate holding company
Chengdu Wuhoujufeng Real Estate Co., Ltd.* 成都武侯炬峰置業有限公司	Controlled by the same ultimate holding company
Chengdu Wuhou Languang Real Estate Development Co., Ltd.* 成都武侯藍光房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Wuhou Languang Gold Room Property Co., Ltd.* 成都武侯藍光金房置業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Chengdu Wuhou Zhonghong Real Estate Development Co., Ltd.* 成都武侯中泓房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Xindulanguang Real Estate Development Co., Ltd.* 成都新都藍光房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Xindu Languang Hejun Property Co., Ltd.* 成都新都藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chengdu Yuming Decoration Engineering Co., Ltd.* 成都煜明裝飾工程有限公司	Controlled by the same ultimate holding company
Chengdu Yuanlai Real Estate Development Co., Ltd.* 成都遠來房地產開發有限公司	Controlled by the same ultimate holding company
Chengdu Zhonghong Real Estate Development Co., Ltd.* 成都中泓房地產開發有限公司	Controlled by the same ultimate holding company
Chongqing Canrui Real Estate Co., Ltd.* 重慶燦瑞置業有限公司	Controlled by the same ultimate holding company
Chongqing Hejun Real Estate Co., Ltd.* 重慶和駿置業有限公司	Controlled by the same ultimate holding company
Chongqing Jinhong Enterprise Management Consulting Co., Ltd.* 重慶錦泓企業管理有限公司	Controlled by the same ultimate holding company
Chongqing Kunyu Enterprise Management Consulting Co., Ltd.* 重慶坤鈺企業管理諮詢有限公司	Controlled by the same ultimate holding company
Chongqing Languang Real Estate Development Co., Ltd.* 重慶藍光房地產開發有限公司	Controlled by the same ultimate holding company
Chongqing Lanshen Real Estate Co., Ltd.* 重慶藍申置業有限公司	Controlled by the same ultimate holding company
Chongqing Lanshi Real Estate Co., Ltd.* 重慶藍實置業有限公司	Controlled by the same ultimate holding company
Chongqing Weikun Real Estate Co., Ltd.* 重慶煒坤置業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Chongqing Yusheng Real Estate Co., Ltd.* 重慶宇晟置業有限公司	Controlled by the same ultimate holding company
Chongqing Zhenghui Real Estate Co., Ltd.* 重慶正惠置業有限公司	Controlled by the same ultimate holding company
Chongqing Zhonghong Hejun Enterprise Management Service Co., Ltd.* (Formerly known as Chongqing Hejun Investment Co., Ltd.*) 重慶中泓和駿企業管理服務有限公司 (Formerly known as 重慶和駿投資有限公司)	Controlled by the same ultimate holding company
Dazhou Languang Hejun Property Co., Ltd.* 達州藍光和駿置業有限公司	Controlled by the same ultimate holding company
Dujiangyan Languang Tourism Development Co., Ltd.* 都江堰藍光旅遊資源開發有限公司	Controlled by the same ultimate holding company
Emeishan Languang Cultural Tourism Real Estate Co., Ltd.* 峨眉山藍光文化旅遊置業有限公司	Controlled by the same ultimate holding company
Emeishan Languang Cultural Tourism Property Co., Ltd. Jizhuang Hotel* 峨眉山藍光文化旅遊置業有限公司己莊酒店	Controlled by the same ultimate holding company
Fengxian Languang Real Estate Development Co., Ltd.* 豐縣藍光地產開發有限公司	Controlled by the same ultimate holding company
Foshan Lanhe Real Estate Co., Ltd.* 佛山藍和置業有限公司	Controlled by the same ultimate holding company
Fuzhou Lanjun Real Estate Co., Ltd.* 福州藍駿置業有限公司	Controlled by the same ultimate holding company
Fuzhou Lankun Real Estate Co., Ltd.* 福州藍坤置業有限公司	Controlled by the same ultimate holding company
Guiyang Canchong Real Estate Co., Ltd.* 貴陽燦崇置業有限公司	Controlled by the same ultimate holding company
Hefei Languang Real Estate Development Co., Ltd.* 合肥藍光房地產開發有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Hefei Languang Hejun Property Co., Ltd.* 合肥藍光和駿置業有限公司	Controlled by the same ultimate holding company
Hefei Languang Hongjing Real Estate Co., Ltd.* 合肥藍光宏景置業有限公司	Controlled by the same ultimate holding company
Hefei Languang Shengjing Real Estate Co., Ltd.* 合肥藍光盛景置業有限公司	Controlled by the same ultimate holding company
Hengshui Hongmei Real Estate Development Co., Ltd.* 衡水紅美房地產開發有限公司	Controlled by the same ultimate holding company
Hubei Kaiyi Real Estate Development Co., Ltd.* 湖北楷熠房地產開發有限公司	Controlled by the same ultimate holding company
Hunan Ruiqi Real Estate Co., Ltd.* 湖南瑞琪置業有限公司	Controlled by the same ultimate holding company
Hunan Sanhuan Property Co., Ltd.* 湖南三環置業有限公司	Controlled by the same ultimate holding company
Huzhou Languanghejun Real Estate Co., Ltd.* 湖州藍光和駿置業有限公司	Controlled by the same ultimate holding company
Huaxi Hejunyaocheng Real Estate (Luzhou) Co., Ltd.* 華西和駿耀城置業(瀘州)有限公司	Controlled by the same ultimate holding company
Huizhou Languanghejun Real Estate Co., Ltd.* 惠州藍光和駿置業有限公司	Controlled by the same ultimate holding company
Huizhou Hesheng Real Estate Co., Ltd.* ("Huizhou Hesheng") (a) 惠州市和勝置業有限公司	Controlled by the same ultimate holding company
Ji'an Hejun Kailong Real Estate Development Co., Ltd.* 吉安和駿鎧瀧房地產開發有限公司	Controlled by the same ultimate holding company
Jiaying Languang Hejun Property Co., Ltd.* 嘉興藍光和駿置業有限公司	Controlled by the same ultimate holding company
Jiangyin Tianjian Property Co., Ltd.* 江陰天建置業有限公司	Controlled by the same ultimate holding company
Jinning Dianchi Real Estate Co., Ltd.* 晉寧滇池置業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Kunming Languangdianchi Cultural Tourism Development Co., Ltd.* 昆明藍光滇池文化旅遊發展有限公司	Controlled by the same ultimate holding company
Kunming Languang Real Estate Development Co., Ltd.* 昆明藍光房地產開發有限公司	Controlled by the same ultimate holding company
Kunming Languangyunbao Real Estate Co., Ltd.* 昆明藍光雲報置業有限公司	Controlled by the same ultimate holding company
Kunming Changyi Real Estate Development Co., Ltd.* 昆明長頤房地產開發有限公司	Controlled by the same ultimate holding company
Luzhou Jinlan Real Estate Development Co., Ltd.* 瀘州錦瀾房地產開發有限公司	Controlled by the same ultimate holding company
Luoyang Haode Anlan Real Estate Co., Ltd.* 洛陽浩德安瀾置業有限公司	Controlled by the same ultimate holding company
Luohe Liuyuan Real Estate Co., Ltd.* 漯河市鑒源置業有限公司	Controlled by the same ultimate holding company
Maoming Shuocheng Real Estate Development Co., Ltd.* 茂名爍城房地產開發有限公司	Controlled by the same ultimate holding company
Maoming Yecheng Real Estate Development Co., Ltd.* 茂名燁城房地產開發有限公司	Controlled by the same ultimate holding company
Maoming Yukun Real Estate Development Co., Ltd.* 茂名煜坤房地產開發有限公司	Controlled by the same ultimate holding company
Wuxi Minfa Real Estate Development Co., Ltd.* 民發實業集團(無錫)房地產開發有限公司	Controlled by the same ultimate holding company
Nanchang Hejun Real Estate Development Co., Ltd.* 南昌和駿房地產開發有限公司	Controlled by the same ultimate holding company
Nanchang Languang Real Estate Development Co., Ltd.* 南昌藍光房地產開發有限公司	Controlled by the same ultimate holding company
Nanchang Languang Hejun Property Co., Ltd.* 南昌藍光和駿置業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Nanchang Yecheng Real Estate Development Co., Ltd.* 南昌燁城房地產開發有限公司	Controlled by the same ultimate holding company
Nanchong Canrui Real Estate Co., Ltd.* 南充燦瑞置業有限公司	Controlled by the same ultimate holding company
Nanchong Hejun Real Estate Co., Ltd.* 南充和駿置業有限公司	Controlled by the same ultimate holding company
Nanchong Huangfeng Real Estate Co., Ltd.* 南充煌峰置業有限公司	Controlled by the same ultimate holding company
Nanchong Languang Real Estate Co., Ltd.* 南充藍光房地產有限公司	Controlled by the same ultimate holding company
Nanchong Languang Hejun Property Co., Ltd.* 南充藍光和駿置業有限公司	Controlled by the same ultimate holding company
Nanchong Lanshi Real Estate Co., Ltd.* 南充藍實置業有限公司	Controlled by the same ultimate holding company
Nanjing Languang Hejun Property Co., Ltd.* 南京藍光和駿置業有限公司	Controlled by the same ultimate holding company
Nanning Cancong Property Co., Ltd.* 南寧燦琮置業有限公司	Controlled by the same ultimate holding company
Nantong Fusheng Real Estate Co., Ltd.* 南通富盛置業有限公司	Controlled by the same ultimate holding company
Ningbo Hangzhouwan Xinqu Xinxing Real Estate Development Co., Ltd.* 寧波杭州灣新區新星房地產開發有限公司	Controlled by the same ultimate holding company
Pingtian Lanxin Property Co., Ltd.* 平潭藍馨置業有限公司	Controlled by the same ultimate holding company
Qingdao Gengchen Huangdao Automobile Industry Co., Ltd.* 青島庚辰黃島汽車產業有限公司	Controlled by the same ultimate holding company
Qingdao Languang Real Estate Development Co., Ltd.* 青島藍光房地產開發有限公司	Controlled by the same ultimate holding company
Qingdao Languang Hejun Property Co., Ltd.* 青島藍光和駿置業有限公司	Controlled by the same ultimate holding company
Qingzhen Runhong Real Estate Development Co., Ltd.* 清鎮潤弘房地產開發有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Quanzhou Lanze Real Estate Co., Ltd.* 泉州藍澤置業有限公司	Controlled by the same ultimate holding company
Rugao Zhaoji Real Estate Co., Ltd.* 如皋市兆基置業有限公司	Controlled by the same ultimate holding company
Shandong Jiazhou Real Estate Co., Ltd.* 山東嘉州置地有限公司	Controlled by the same ultimate holding company
Shanxi Baoyuanchang Real Estate Development Co., Ltd.* 山西保源昌房地產開發有限公司	Controlled by the same ultimate holding company
Shanxi Jiyu Industrial Co., Ltd.* 陝西基煜實業有限公司	Controlled by the same ultimate holding company
Shengzhou Languangzhixin Real Estate Co., Ltd.* 嵯州藍光置信置業有限公司	Controlled by the same ultimate holding company
Sichuan Jizhuang Hotel Management Co., Ltd.* 四川己莊酒店管理有限公司	Controlled by the same ultimate holding company
Sichuan Justbon Real Estate Marketing Agency Co., Ltd.* 四川嘉寶房地產行銷代理有限公司	Controlled by the same ultimate holding company
Sichuan Lanben Engineering Design Co., Ltd.* 四川藍本工程設計有限公司	Controlled by the same ultimate holding company
Sichuan Languang Engineering Consulting and Design Co., Ltd.* 四川藍光工程諮詢設計有限公司	Controlled by the same ultimate holding company
Sichuan Languangmeishang Beverage Co., Ltd.* 四川藍光美尚飲品股份有限公司	Controlled by the same ultimate holding company
Sichuan Languang Commercial Management Co., Ltd.* 四川藍光商業經營管理有限公司	Controlled by the same ultimate holding company
Sichuan Languang Ecological Environment Industry Co., Ltd.* 四川藍光生態環境產業有限公司	Controlled by the same ultimate holding company
Sichuan Languang Cultural Tourism Industry Co., Ltd.* 四川藍光文化旅遊產業有限公司	Controlled by the same ultimate holding company
Sichuan Languang Cultural Tourism Investment Co., Ltd.* 四川藍光文化旅遊投資有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Sichuan Languangyouju Technology Co., Ltd.* (Formerly known as Sichuan Languangyouju Housing Industry Co., Ltd.)* 四川藍光優居科技有限公司 (Formerly known as 四川藍光優居家居產業有限公司)	Controlled by the same ultimate holding company
Sichuan Rongtong Jinyue Commercial Management Co., Ltd.* 四川融通金悅商業經營管理有限公司	Controlled by the same ultimate holding company
Sichuan Shuxin Investment Co., Ltd.* 四川蜀鑫投資有限公司	Controlled by the same ultimate holding company
Suzhou Hejun Property Co., Ltd.* 蘇州和駿置業有限公司	Controlled by the same ultimate holding company
Suzhou Languang Hejun Property Co., Ltd.* 蘇州藍光和駿置業有限公司	Controlled by the same ultimate holding company
Suzhou Languang Real Estate Co., Ltd.* 蘇州藍光置地有限公司	Controlled by the same ultimate holding company
Suzhou Languang Real Estate Co., Ltd.* 蘇州藍光置業有限公司	Controlled by the same ultimate holding company
Suining Languang Hejun Property Co., Ltd.* 遂寧藍光和駿置業有限公司	Controlled by the same ultimate holding company
Taicang Languang Hejun Real Estate Co., Ltd.* 太倉藍光和駿置業有限公司	Controlled by the same ultimate holding company
Tianjin Languang Baoheng Real Estate Development Co., Ltd.* 天津藍光寶珩房地產開發有限公司	Controlled by the same ultimate holding company
Tianjin Languang Hejun Cultural Tourism Entertainment Development Co., Ltd.* 天津藍光和駿小站文旅娛樂發展有限公司	Controlled by the same ultimate holding company
Tianjin Languang Junjing Real Estate Development Co., Ltd.* 天津藍光駿景房地產開發有限公司	Controlled by the same ultimate holding company
Tianjin Jiangyuhaihui Real Estate Co., Ltd.* 天津市江宇海匯房地產有限責任公司	Controlled by the same ultimate holding company
Tianjin Xiqing Forest Green Field Construction Engineering Co., Ltd.* 天津西青楊柳青森林綠野建築工程有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Wuxi Languang Hejun Property Co., Ltd.* 無錫藍光和駿置業有限公司	Controlled by the same ultimate holding company
Wuxi Languang Land Development Co., Ltd.* 無錫藍光置地有限公司	Controlled by the same ultimate holding company
Wuxi Languang Real Estate Co., Ltd.* 無錫藍光置業有限公司	Controlled by the same ultimate holding company
Wuhan Hejun Real Estate Co., Ltd.* 武漢和駿置業有限公司	Controlled by the same ultimate holding company
Wuhan Celebrity Era Real Estate Co., Ltd.* 武漢名流時代置業有限公司	Controlled by the same ultimate holding company
Wuhan Xinhongsen Real Estate Property Co., Ltd.* 武漢市新宏森地產置業有限公司	Controlled by the same ultimate holding company
Xi'an Cancong Real Estate Co., Ltd.* 西安燦琮置業有限公司	Controlled by the same ultimate holding company
Xi'an Jukun Real Estate Development Co., Ltd.* 西安炬坤房地產開發有限公司	Controlled by the same ultimate holding company
Xi'an Pinnuo Real Estate Co., Ltd.* 西安品諾置業有限公司	Controlled by the same ultimate holding company
Xi'an Yikun Real Estate Co., Ltd.* 西安熠坤置業有限公司	Controlled by the same ultimate holding company
Xi'an Yukun Real Estate Development Co., Ltd.* 西安煜坤房地產開發有限公司	Controlled by the same ultimate holding company
Xi'an Zhenghui Real Estate Development Co., Ltd.* 西安正惠房地產開發有限公司	Controlled by the same ultimate holding company
Xinxiang Languang Liuyuan Property Co., Ltd.* 新鄉市藍光鑾源置業有限公司	Controlled by the same ultimate holding company
Xinxiang Tangpu Jinhong Real Estate Development Co., Ltd.* 新鄉市唐普錦鴻房地產開發有限公司	Controlled by the same ultimate holding company
Xingping Hailian Xinxing Real Estate Development Co., Ltd.* 興平市海聯新興房地產開發有限公司	Controlled by the same ultimate holding company
Xuzhou Languang Property Co., Ltd.* 徐州藍光置業有限公司	Controlled by the same ultimate holding company
Yantai Hejun Real Estate Development Co., Ltd.* 煙臺和駿房地產開發有限公司	Controlled by the same ultimate holding company
Yantai Xinchao Haixing Property Co., Ltd.* 煙臺新潮海興置業有限公司	Controlled by the same ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

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

Name	Relationship
Yangzhou Hejun Property Co., Ltd.* 揚州和駿置業有限公司	Controlled by the same ultimate holding company
Yuyao Huanheng Real Estate Co., Ltd.* 余姚市環恒置業有限公司	Controlled by the same ultimate holding company
Yuyao Lanjun Real Estate Co., Ltd.* 余姚市藍駿置業有限公司	Controlled by the same ultimate holding company
Yunnan Baiyao Real Estate Co., Ltd.* 雲南白藥置業有限公司	Controlled by the same ultimate holding company
Yunnan Languang Hejun Real Estate Development Co., Ltd.* 雲南藍光和駿房地產開發有限公司	Controlled by the same ultimate holding company
Zhangjiakou Languang Shengyuan Real Estate Co., Ltd.* 張家口藍光聖源房地產有限責任公司	Controlled by the same ultimate holding company
Changsha Languang Hejun Property Co., Ltd.* 長沙藍光和駿置業有限公司	Controlled by the same ultimate holding company
Zhuhai Lankai Holding Co., Ltd.* 珠海藍凱控股有限公司	Controlled by the same ultimate holding company
Ziyang Chuanmian Educational Real Estate Development Co., Ltd.* 資陽市川綿教育房地產開發有限公司	Controlled by the same ultimate holding company
Zigong Languang Hejun Property Co., Ltd.* 自貢藍光和駿置業有限公司	Controlled by the same ultimate holding company
Chongqing Xinshenjia Real Estate Co., Ltd.* 重慶新申佳實業有限公司	Joint ventures of Languang Development
Renshou Shuheng Real Estate Co., Ltd.* 仁壽蜀恒置業有限公司	Joint ventures of Languang Development
Henan Huazhili Real Estate Co., Ltd.* 河南華之麗實業有限公司	Associate of Languang Development
Nantong Jinlong Property Co., Ltd.* 南通錦隆置業有限公司	Associate of Languang Development

* The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(a) Huizhou Hesheng was formerly a joint venture of Languang Development and then controlled by Languang Development on April 18 2019

(b) Baoji Dingfeng was formerly a joint venture of Languang Development and then controlled by Languang Development on February 21 2019

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	Year ended December 31	
	2019 RMB'000	2018 RMB'000
Provision of services		
– Parent company	32,572	24,072
– Controlled by the same ultimate holding company	439,334	294,288
– Associate of Languang Development	4,036	–
– Joint ventures of Languang Development	–	4,568
	475,942	322,928
Purchase of goods and services		
– Controlled by the same ultimate holding company	3,577	2,290
Short-term lease expenses		
– Parent company	231	658
– Controlled by the same ultimate holding company	23,388	14,330
	23,619	14,988
Interest expenses for lease liabilities		
– The ultimate holding company	216	283
Payments of lease liabilities		
– The ultimate holding company	1,631	1,280

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

- (c) During the year ended December 31 2019, part of the Group's office space was provided by Wuniuzhenghui Electric Appliance, a related party and no rental expense was charged.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

Compensations for key management other than those for directors and supervisors as disclosed in Note 32 is set out below.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Salaries and other short-term employee benefits	10,514	3,302

(e) Balances with related parties

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Trade receivables		
– The ultimate holding company	1,325	1,325
– Parent company	9,917	6,706
– Controlled by the same ultimate holding company	226,106	175,834
– Joint ventures of Languang Development	1,310	1,975
– Associate of Languang Development	831	276
	239,489	186,116
Other receivables (<i>Note (i)</i>)		
– Controlled by the same ultimate holding company	6,361	1,629
Prepayments		
– Parent company	42	–
– Controlled by the same ultimate holding company	279	598
– Associate of Languang Development	–	75
	321	673

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

(e) Balances with related parties (Continued)

	As at December 31	
	2019 RMB'000	2018 RMB'000
Trade payables		
– Parent company	223	–
– Controlled by the same ultimate holding company	22,174	234
	22,397	234
Other payables (<i>Note (ii)</i>)		
– The ultimate holding company	–	1,119
– Intermediate holding company	29	29
– Parent company	64,831	45,307
– Controlled by the same ultimate holding company	46,208	6,841
	111,068	53,296
Contract liabilities		
– The ultimate holding company	1,517	–
– Intermediate holding company	3	–
– Controlled by the same ultimate holding company	16,759	–
	18,279	–
Lease liabilities		
– The ultimate holding company	3,504	5,135

Above trade receivables, prepayments, trade payables and contract liabilities due from/to related parties are trade in nature, while the other receivables and other payables due from/to related parties are non-trade in nature.

Trade receivables, trade payables, and contract liabilities due from/to related parties are unsecured and interest-free.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

30 RELATED PARTY TRANSACTIONS (Continued)

(e) Balances with related parties (Continued)

- (i) Amounts represented 1) bottle deposits of pure water purchased from Languang Development and related entities, which will be collected upon the termination of purchase contracts; and 2) payments of expenses by the Group on behalf of Languang Development and related entities for certain projects to which the Group provided services, which are interest-free and repayable on demand.
- (ii) Amounts represented rental payments collected by the Group on behalf of Languang Development and related entities, which are interest-free and periodically settled as mutually agreed with Languang Development and related entities.

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at December 31	
		2019	2018
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		12,237	13,624
Investment properties	16	32,900	32,687
Other intangible assets		33,635	22,555
Deferred income tax assets		9,010	4,679
Investments in subsidiaries	11	400,568	271,373
		488,350	344,918
Current assets			
Inventories		5,909	4,603
Trade and other receivables	19	632,123	386,413
Financial assets at fair value through profit or loss		1,621	–
Cash and cash equivalents		1,833,854	189,200
		2,473,507	580,216
Total assets		2,961,857	925,134

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	<i>Note</i>	As at December 31	
		2019 RMB'000	2018 RMB'000
Equity			
Equity attributable to owners of the Company			
Share capital		178,102	128,748
Other reserves		1,627,008	93,960
Retained earnings		242,699	151,294
Total equity		2,047,809	374,002
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		3,818	3,771
Lease liabilities	15	1,793	3,503
		5,611	7,274
Current liabilities			
Contract liabilities		203,707	135,672
Trade and other payables	24	648,340	367,675
Lease liabilities	15	1,710	1,895
Current income tax liabilities		54,680	38,616
		908,437	543,858
Total liabilities		914,048	551,132
Total equity and liabilities		2,961,857	925,134

The balance sheet of the Company was approved by the Board of Directors on March 20 2019 and was signed on its behalf:

Mr. Yao Min
Chairman & Executive Director

Mr. Liu Xia
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

31 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	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 January 1 2018	42,294	978	23,239	66,511	194,674	261,185
Profit for the year	–	–	–	–	305,512	305,512
Transfer from other reserves to share capital (Note 21(a))	(35,218)	–	–	(35,218)	–	(35,218)
Capital injection in connection with Share Incentive Plan (Note 21(b))	29,407	–	–	29,407	–	29,407
Dividend declared to shareholders of the Company (Note 26)	–	–	–	–	(319,345)	(319,345)
Employee share-based payment scheme – Value of employee service (Note 22)	–	3,713	–	3,713	–	3,713
Appropriation of statutory reserves (Note 23(a))	–	–	29,547	29,547	(29,547)	–
Balance at December 31 2018	36,483	4,691	52,786	93,960	151,294	245,254
Balance at January 1 2019	36,483	4,691	52,786	93,960	151,294	245,254
Profit for the period	–	–	–	–	340,460	340,460
Issue of shares in connection with the Listing	1,481,933	–	–	1,481,933	–	1,481,933
Dividend declared to shareholders of the Company (Note 26)	–	–	–	–	(215,010)	(215,010)
Employee share-based payment scheme – Value of employee service (Note 22)	–	17,070	–	17,070	–	17,070
Appropriation of statutory reserves (Note 23(a))	–	–	34,045	34,045	(34,045)	–
Balance at December 31 2019	1,518,416	21,761	86,831	1,627,008	242,699	1,869,707

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

32 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS

(a) Directors' and supervisors' emoluments

The directors and supervisors received emoluments from the Group for the year ended December 31 2019 as follows:

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Housing fund, other allowance and benefits in kind RMB'000	Total RMB'000
Executive Directors						
Mr. Yao Min <i>(Note (iv))</i>	80	1,292	692	34	6,749	8,847
Mr. Wu Gang <i>(Note (i) (iv))</i>	80	910	159	34	1,861	3,044
Mr. Chen Jingchao <i>(Note (i) (iv))</i>	80	822	259	34	961	2,156
Non-executive Directors						
Mr. Meng Hongwei <i>(Note (i))</i>	80	-	-	-	-	80
Mr. Zhang Qiaolong	80	-	-	-	-	80
Mr. Wang Wanfeng <i>(Note (i))</i>	30	-	-	-	-	30
Mr. Pu Hong <i>(Note (i))</i>	50	-	-	-	-	50
Independent Non-executive Directors						
Mr. Li Shujian <i>(Note (ii))</i>	300	-	-	-	-	300
Mr. Chan Shing Yee, Joseph <i>(Note (ii))</i>	300	-	-	-	-	300
Mr. Zhang Shouwen <i>(Note (ii))</i>	300	-	-	-	-	300
Supervisors						
Mr. Liu Jiang <i>(Note (iii))</i>	40	617	185	11	31	884
Mr. Zhao Yang	40	447	206	9	31	733
Mr. Xu Qingshan <i>(Note (iii))</i>	100	-	-	-	-	100
Mr. Liu Deming <i>(Note (iii))</i>	100	-	-	-	-	100
Mr. Zhao Jinxu <i>(Note (iii))</i>	62	-	-	-	-	62
Ms. Wang Xiaoying	40	-	-	-	-	40
	1,762	4,088	1,501	122	9,633	17,106

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

32 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

The directors and supervisors received emoluments from the Group (in their role as senior management and employee before their appointment as directors and supervisors respectively) for the year ended December 31 2018 as follows:

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Housing fund, other allowance and benefits in kind RMB'000	Total RMB'000
Executive Directors						
Mr. Yao Min (<i>Note (iv)</i>)	8	798	542	39	1,287	2,674
Mr. Wu Gang (<i>Note (i) (iv)</i>)	8	860	181	39	378	1,466
Mr. Chen Jingchao (<i>Note (i) (iv)</i>)	8	908	175	39	375	1,505
Non-executive Directors						
Mr. Meng Hongwei (<i>Note (i)</i>)	–	–	–	–	–	–
Mr. Zhang Qiaolong	–	–	–	–	–	–
Mr. Pu Hong (<i>Note (i)</i>)	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. Li Shujian (<i>Note (ii)</i>)	32	–	–	–	–	32
Mr. Chan Shing Yee, Joseph (<i>Note (ii)</i>)	32	–	–	–	–	32
Mr. Zhang Shouwen (<i>Note (ii)</i>)	32	–	–	–	–	32
Supervisors						
Ms. Li Lijuan (<i>Note (iii)</i>)	–	1,275	20	39	368	1,702
Mr. Liu Jiang (<i>Note (iii)</i>)	4	88	122	2	5	221
Mr. Zhao Yang	4	374	133	10	31	552
Mr. Xu Qingshan (<i>Note (iii)</i>)	11	–	–	–	–	11
Mr. Zhao Jinxu (<i>Note (iii)</i>)	11	–	–	–	–	11
Ms. Wang Xiaoying	–	–	–	–	–	–
	150	4,303	1,173	168	2,444	8,238

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

32 DIRECTORS' AND SUPERVISORS' BENEFITS AND INTERESTS (Continued)

(a) Directors' and supervisors' emoluments (Continued)

- (i) In January 2018, Mr. Chen Jingchao was appointed as director. In November 2018, Mr. Wu Gang, Mr. Meng Hongwei and Mr. Pu Hong were appointed as directors. In August 2019, Mr. Pu Hong resigned from his position as director, and Mr. Wang Wanfeng was appointed as director.
 - (ii) In November 2018, Mr. Li Shujian, Mr. Chan Shing Yee, Joseph and Mr. Zhang Shouwen were appointed as independent non-executive directors.
 - (iii) In November 2018, Mr. Liu Jiang, Mr. Xu Qingshan and Mr. Zhao Jinxu were appointed as supervisors, and Ms. Li Lijuan resigned from her position as supervisor. In August 2019, Mr. Zhao Jinxu resigned from his position as supervisor, and Mr. Liu Deming was appointed as supervisor.
 - (iv) In November 2018, the Company implemented the Share Incentive Plan, under which 11 Recipients including directors, supervisors, senior management and certain employees were entitled to indirectly make a subscription to Incentive Shares at Subscription Price (Note 22).
- (b) There were no retirement benefits paid to or receivable by directors and supervisors during the year ended December 31 2019 by defined benefit pension plans operated by the Group (2018: nil).
- (c) There were no director's and supervisors' termination benefits subsisted during the year ended December 31 2019 (2018: nil).
- (d) There was no consideration provided to third parties for making available directors' services subsisted during the year ended December 31 2019 (2018: nil).
- (e) During the year ended December 31 2019, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors and supervisors (2018: nil).
- (f) During the year ended December 31 2019, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had interests, whether directly or indirectly, subsisted at the end of the year ended December 31 2019 or at any time during the year ended December 31 2019 (2018: nil).
- (g) During the year ended December 31 2019, no directors and supervisors waived emoluments or have agreed to waive emoluments (2018: nil).
- (h) During the year ended December 31 2019, there were no amounts paid or payable by the Company to the directors, supervisors or any of the five highest paid individuals set out in the Note 9(c) as an inducement to join or upon joining the Group (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

33 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 the 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.

FOUR-YEAR FINANCIAL SUMMARY

(All amounts in RMB thousands unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	2,100,224	1,464,458	923,298	658,222
Cost of sales	(1,339,996)	(977,688)	(587,437)	(445,100)
Gross profit	760,228	486,770	335,861	213,122
Selling and marketing expenses	(5,110)	(3,760)	(4,514)	(7,459)
Administrative expenses	(202,119)	(128,083)	(127,631)	(86,585)
Net impairment losses on financial assets	(25,822)	(16,563)	(8,752)	(4,006)
Other income	12,396	5,348	2,791	3,978
Other (losses)/gains, net	(6,645)	10,494	22,777	2,055
Operating profit	532,928	354,206	220,532	121,105
Finance costs	(299)	(339)	(335)	(354)
Profit before income tax	532,629	353,867	220,197	120,751
Income tax expenses	(88,502)	(56,977)	(34,842)	(19,380)
Profit for the year	444,127	296,890	185,355	101,371
Attributable to:				
Owners of the Company	429,519	289,347	184,354	100,898
Non-controlling interests	14,608	7,543	1,001	473
	444,127	296,890	185,355	101,371
Earnings per share (expressed in RMB per share)				
Basic and diluted earnings per share	3.10	2.30	1.46	0.83

FOUR-YEAR FINANCIAL SUMMARY

(All amounts in RMB thousands unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	As at December 31			
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Assets				
Non-current assets	500,502	360,613	253,344	151,869
Current assets	2,981,386	909,601	804,805	547,664
Total assets	3,481,888	1,270,214	1,058,149	699,533
Equity and liabilities				
Total equity	2,247,629	466,663	434,303	259,942
Non-current liabilities	35,125	26,740	21,795	13,621
Current liabilities	1,199,134	776,811	602,051	425,970
Total liabilities	1,234,259	803,551	623,846	439,591
Total equity and liabilities	3,481,888	1,270,214	1,058,149	699,533

GLOSSARY AND DEFINITIONS

(All amounts in RMB thousands unless otherwise stated)

“2019 AGM”	the annual general meeting of the Company for 2019 to be held on June 11 2020
“2019 Proposed Final Dividend”	the final dividend of RMB0.97 per Share (before tax) proposed by the Board for 2019
“Articles of Association”	the articles of association of the Company
“Audit Committee”	the audit committee of the Company
“Board”	board of the Directors
“CAGR”	compound annual growth rate, which is the annual growth rate over a specified period of time longer than one year
“Chengdu Jiayu”	Chengdu Jiayu Enterprise Management Center (Limited Partnership) (成都嘉裕企業管理中心 (有限合夥)), a limited partnership established in accordance with the Partnership Laws of the PRC for the purpose of the implementation of the share incentive plan adopted by the Company on June 22 2015
“China” or “PRC”	the People’s Republic of China
“Company” or “Languang Justbon Services”	Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司) (formerly known as Sichuan Justbon Property Management Group Co., Ltd. (四川嘉寶資產管理集團股份有限公司)), a joint stock company with limited liability established in the PRC on December 7 2000 and whose Shares are listed on the main board of the Stock Exchange (stock code: 2606)
“Controlling Shareholder(s)”	the Company’s controlling shareholder group (has the meaning ascribed to it under the Listing Rules), which refers to Languang Hejun, Languang Development, Languang Investment and Mr. Yang Keng
“Corporate Governance Code”	the corporate governance code contained in Appendix 14 to the Listing Rules
“CPD”	continuing professional development
“Director(s)”	the director(s) of the Company
“GAAP”	generally accepted accounting principles
“GFA”	gross floor area
“gross profit margin”	annual gross profit divided by annual revenue and multiplied by 100%
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards

GLOSSARY AND DEFINITIONS

(All amounts in RMB thousands unless otherwise stated)

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Languang Development”	Sichuan Languang Development Co., Ltd. (四川藍光發展股份有限公司) (formerly known as Sichuan Dikang Technology Pharmaceutical Co., Ltd. (四川迪康科技藥業股份有限公司)), a joint stock limited company listed on the Shanghai Stock Exchange in the PRC on May 18 1993 (stock code: 600466) and one of the Controlling Shareholders
“Languang Group”	Languang Investment and its subsidiaries excluding the Group
“Languang Hejun”	Sichuan Languang Hejun Industries Co., Ltd. (四川藍光和駿實業有限公司), a company with limited liability established in the PRC on May 20 1998 and one of the Controlling Shareholders
“Languang Investment”	Languang Investment Holdings Group Co., Ltd. (藍光投資控股集團有限公司) (formerly known as Sichuan Languang Industrial Group Co., Ltd. (四川藍光實業集團有限公司)), a company with limited liability established in the PRC on October 13 1993 and one of the Controlling Shareholders
“Listing”	the listing of the Company on the main board of the Stock Exchange on October 18 2019
“Listing Date”	October 18 2019, on which dealings in our H Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“M&A”	mergers and acquisitions
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“Mr. Yang”	Mr. Yang Keng (楊鏗), one of the Controlling Shareholders
“Ningbo Jiaqian”	Ningbo Jiaqian Corporate Management Partnership (Limited Partner) (寧波嘉乾企業管理合夥企業 (有限合夥)), a limited partnership established in accordance with the Partnership Laws of the PRC for the purpose of the implementation of the share incentive scheme adopted by the Company on November 9 2018
“Nomination Committee”	the nomination committee of the Company
“Pinghu Design”	Pinghu Zhujia Decoration Design Engineering Co., Ltd.* (平湖築家裝飾設計工程有限公司), a company established in the PRC with limited liability and one of the registered shareholders of Zhejiang Zhongneng Property Services Co., Ltd.* (浙江中能物業服務有限公司)

GLOSSARY AND DEFINITIONS

(All amounts in RMB thousands unless otherwise stated)

“Pinghu Future”	Pinghu Zhongneng Future Enterprise Management Partnership (Limited Partnership)* (平湖中能未來企業管理合夥企業(有限合夥)), a limited partnership established in accordance with the Partnership Laws of the PRC and one of the registered shareholders of Zhejiang Zhongneng Property Services Co., Ltd.* (浙江中能物業服務有限公司)
“Prospectus”	the prospectus of the Company dated October 8 2019 in relation to the Listing
“Register of Members”	the register of members of the Company
“Relevant Year”	the year ended December 31 2019
“Remaining Shareholders”	Pinghu Design and Pinghu Future
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Shanghai Lifei Business Consultancy Partnership (Limited Partnership)* (上海力菲商務諮詢服務合夥企業(有限合夥)), a limited partnership established in accordance with the Partnership Laws of the PRC and one of the registered shareholders of Zhejiang Zhongneng Property Services Co., Ltd.* (浙江中能物業服務有限公司)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each
“Shareholder(s)”	holders(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	supervisory committee of the Company
“US\$”	United States dollars
“%”	per cent

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translations of official Chinese names which are marked with “*” are for identification purpose only.