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濱江服務

BINJIANG SERVICE

Binjiang Service Group Co. Ltd.

濱江服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3316)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “**Board**”) of Binjiang Service Group Co. Ltd. (the “**Company**” or “**Binjiang Service**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2018. The interim results of the Group for the Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board on 21 August 2019.

The following interim financial statements are unaudited, but have been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be dispatched to shareholders.

HIGHLIGHTS

The Group achieved the following results for the six months ended 30 June 2019:

- The Group's revenue was RMB317.3 million, representing an increase of 43.3% as compared with RMB221.5 million for the corresponding period of 2018.
- The Group's revenue generated from three business lines are as follows:
 - 1) revenue from property management services was RMB191.3 million, accounting for 60.3% of total revenue, representing an increase of 31.9% as compared with RMB145.0 million for the corresponding period of 2018;
 - 2) revenue from value-added services to non-property owners was RMB110.9 million, accounting for 34.9% of total revenue, representing an increase of 82.1% as compared with RMB60.9 million for the corresponding period of 2018; and
 - 3) revenue from value-added services to property owners was RMB15.1 million, accounting for 4.8% of total revenue, representing a decrease of 3.2% as compared with RMB15.6 million for the corresponding period of 2018.
- Gross profit was RMB91.8 million, representing an increase of 49.3% as compared with RMB61.5 million for the corresponding period of 2018. Gross profit margin was 28.9%, representing an increase of 1.1 percentage points as compared with 27.8% for the corresponding period of 2018, mainly due to the growth in value-added services to non-property owners with higher gross profit margin.
- Profit for the Period was RMB48.9 million, representing an increase of 37.7% as compared with RMB35.5 million for the corresponding period of 2018. Profit for the Period attributable to equity shareholders of the Company was RMB48.7 million, representing an increase of 37.6% as compared with RMB35.4 million for the corresponding period of 2018. Excluding listing expenses and after-tax impact of RMB10.7 million (RMB14.2 million before tax), adjusted profit for the Period attributable to equity shareholders of the Company was RMB59.4 million, representing an increase of 46.7% as compared with RMB40.5 million (excluding listing expenses and after tax impact of RMB5.1 million) for the corresponding period of 2018.
- Cash and cash equivalents were RMB394.0 million, representing a decrease of 14.1% as compared with RMB458.5 million as at 31 December 2018, mainly because the Company placed a certain amount of cash as fixed deposits held at the bank with original maturity over three months for higher interest income to secure liquidity.
- The Board resolved not to declare any interim dividend for the Period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — unaudited

	<i>Note</i>	Six months ended 30 June	
		2019	2018
		<i>RMB'000</i>	<i>(Note)</i> <i>RMB'000</i>
Revenue	3(a)	317,304	221,542
Cost of sales		<u>(225,510)</u>	<u>(159,967)</u>
Gross profit		91,794	61,575
Other revenue	4	1,452	433
Other net income	4	966	1,839
Selling and marketing expenses		(367)	(638)
Administrative expenses		(26,555)	(14,638)
Other expenses		<u>(2,334)</u>	<u>(768)</u>
Profit from operations		64,956	47,803
Finance income		3,899	213
Finance costs		<u>(958)</u>	<u>(480)</u>
Net finance income/(costs)	5(a)	2,941	(267)
Share of profits less losses of an associate		<u>(1,566)</u>	<u>(19)</u>
Profit before taxation	5	66,331	47,517
Income tax	6	<u>(17,440)</u>	<u>(12,010)</u>
Profit for the period		<u>48,891</u>	<u>35,507</u>

	Six months ended 30 June	
	2019	2018
		<i>(Note)</i>
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Attributable to:		
Equity shareholders of the Company	48,684	35,449
Non-controlling interests	207	58
	<u>48,891</u>	<u>35,507</u>
Profit for the period	48,891	35,507
Other comprehensive income for the period		
(after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>12,238</u>	<u>20</u>
Total comprehensive income for the period	<u>61,129</u>	<u>35,527</u>
Attributable to:		
Equity shareholders of the Company	60,922	35,469
Non-controlling interests	207	58
	<u>61,129</u>	<u>35,527</u>
Earnings per share	7	
Basic and diluted (RMB)	<u>0.20</u>	<u>0.18</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 — unaudited

		At 30 June 2019	At 31 December 2018 (Note)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	8	13,835	8,491
Investment in an associate		3,421	4,986
Deferred tax assets		4,340	2,898
Bank deposits	11(a)	100,000	—
		121,596	16,375
Current assets			
Inventories	9	22,921	476
Trade and other receivables	10	91,359	44,594
Bank deposits	11(a)	423,046	—
Restricted bank balances	11(b)	38,553	31,107
Cash and cash equivalents	11(c)	393,978	458,543
		969,857	534,720
Current liabilities			
Contract liabilities	12	194,986	128,764
Trade and other payables	13	223,279	214,960
Lease liabilities	2(d)	2,234	—
Current taxation		16,611	22,639
		437,110	366,363
Net current assets		532,747	168,357
Total assets less current liabilities		654,343	184,732

		At 30 June 2019	At 31 December 2018 (Note)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability			
Lease liabilities	2(d)	<u>2,826</u>	<u>—</u>
NET ASSETS		<u>651,517</u>	<u>184,732</u>
CAPITAL AND RESERVES			
Share capital	14(b)	181	129
Reserves		<u>647,755</u>	<u>181,229</u>
Total equity attributable to equity shareholders of the Company		647,936	181,358
Non-controlling interests		<u>3,581</u>	<u>3,374</u>
TOTAL EQUITY		<u>651,517</u>	<u>184,732</u>

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The interim financial report of Binjiang Service Group Co. Ltd. (the “**Company**”) as at and for the six months ended 30 June 2019 comprises the Company and its subsidiaries (together referred to as the “**Group**”). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34 “*Interim Financial Reporting*” adopted by the International Accounting Standards Board (“**IASB**”).

The Company was incorporated in the Cayman Islands on 6 July 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 March 2019 (the “**Listing**”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 21 August 2019. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

2 Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and the initial application has no cumulative effect on the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) *Changes in the accounting policies*

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) *Transitional impact*

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019; and
- (ii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	2,947
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(506)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	3,140
	5,581
Less: total future interest expenses	(411)
	5,170
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	5,170
Total lease liabilities recognised at 1 January 2019	<u>5,170</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 <i>RMB'000</i>	Capitalisation of operating lease contracts <i>RMB'000</i>	Carrying amount at 1 January 2019 <i>RMB'000</i>
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	8,491	5,170	13,661
Total non-current assets	16,375	5,170	21,545
Lease liabilities (current)	—	2,182	2,182
Current liabilities	366,363	2,182	368,545
Net current assets	168,357	(2,182)	166,175
Total assets less current liabilities	184,732	2,988	187,720
Lease liabilities (non-current)	—	2,988	2,988
Total non-current liabilities	—	2,988	2,988
Net assets	184,732	—	184,732

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Included in "Property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	<u>4,058</u>	<u>5,170</u>

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year	<u>2,234</u>	<u>2,419</u>	2,182	2,376
After 1 year but within 2 years	2,226	2,308	2,226	2,373
After 2 years but within 5 years	<u>600</u>	<u>624</u>	<u>762</u>	<u>832</u>
	<u>2,826</u>	<u>2,932</u>	<u>2,988</u>	<u>3,205</u>
	<u>5,060</u>	5,351	<u>5,170</u>	5,581
Less: total future interest expenses		<u>(291)</u>		<u>(411)</u>
Present value of lease liabilities		<u>5,060</u>		<u>5,170</u>

(e) *Impact on the financial result and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

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

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019			2018	
		Add back:	Deduct:	Hypothetical	Compared
	Amounts	IFRS 16	Estimated	amounts for	to amounts
	reported	depreciation	amounts	2019 as if	reported for
	under IFRS	and interest	related to	under IAS 17	2018 under
	16	expense	operating	2019 as if	IAS 17
	(A)	(B)	leases as if	(D=A+B-C)	
	RMB'000	RMB'000	under IAS 17	RMB'000	RMB'000
			(note 1)		
			(C)		
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	64,956	1,112	(1,207)	64,861	47,803
Finance costs	(958)	120	—	(838)	(480)
Share of profits less losses of an associate	(1,566)	3,398	(2,651)	(819)	(19)
Profit before taxation	66,331	4,630	(3,858)	67,103	47,517
Profit for the period	48,891	4,630	(3,858)	49,663	35,507

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the condensed consolidated statement of cash flows for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	67,002	(230)	66,772	118,574
Net cash generated from operating activities	42,092	(230)	41,862	96,814
Capital element of lease rentals paid	(110)	110	—	—
Interest element of lease rentals paid	(120)	120	—	—
Net cash generated from financing activities	405,426	230	405,656	3,072

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

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

3 Revenue and segment reporting

(a) Revenue

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

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised over time:		
Property management services	191,298	145,052
Value-added services to non-property owners	110,889	60,879
Value-added services to property owners	13,098	12,178
	315,285	218,109
Revenue recognised at point in time:		
Value-added services to property owners (<i>note</i>)	2,019	3,433
	317,304	221,542

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

For the six months ended 30 June 2019, the revenue from Hangzhou Binjiang Investment Holding Limited (杭州濱江投資控股有限公司) (“**Binjiang Holding**”) and its subsidiaries (“**Binjiang Group**”) contributed 21% (six months ended 30 June 2018: 13%) of the Group’s revenue. Other than Binjiang Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group’s revenue for the each of the periods presented.

(b) Segment reporting

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

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

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

4 Other revenue and other net income

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Other revenue		
Government grants	1,428	354
Others	24	79
	<u>1,452</u>	<u>433</u>
	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Other net income		
Net loss on disposal of property, plant and equipment	(52)	(15)
Net realised gains on financial assets classified as fair value through profit or loss	1,810	2,014
Net foreign exchange losses	(792)	(160)
	<u>966</u>	<u>1,839</u>

5 Profit before taxation

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

(a) Net finance income/(costs)

	Six months ended 30 June	
	2019	2018
		<i>(Note)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	3,899	213
Interest expense on advance payments from customers	(838)	(480)
Interest on lease liabilities	(120)	—
	<hr/>	<hr/>
Net finance income/(costs)	<u>2,941</u>	<u>(267)</u>

(b) Staff costs

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	139,180	95,223
Contributions to defined contribution scheme	12,872	9,282
	<hr/>	<hr/>
	<u>152,052</u>	<u>104,505</u>

(c) Other items

	Six months ended 30 June	
	2019	2018
		<i>(Note)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
— owned property, plant and equipment	2,077	1,959
— right-of-use assets	1,112	—
Impairment losses on trade receivables	2,269	628
Listing expenses	14,174	6,841
Operating lease charges	1,453	1,435
Cost of inventories	802	1,356

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6 Income tax

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC corporate income tax	18,882	12,056
Deferred taxation		
Origination and reversal of temporary differences	<u>(1,442)</u>	<u>(46)</u>
	<u>17,440</u>	<u>12,010</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax rate applicable to the Group’s subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting period is 16.5%. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2019 and 2018 as the Group did not earn any income subject to Hong Kong Profits Tax during the reporting period.

The Group’s PRC subsidiaries are subject to PRC income tax at 25%.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB48,684,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB35,449,000) and the weighted average of 244,197,000 ordinary shares (six months ended 30 June 2018: 200,000,000 shares in issue as if the shares were outstanding during the period, taking into account the share subdivision taken place on 21 February 2019 as disclosed in note 14(b)(i)), calculated as follows:

Weighted average number of ordinary shares

	2019
Issued ordinary shares at 1 January	200,000,000
Effect of issue of 66,700,000 shares upon initial public offering on 15 March 2019 (<i>note 14(b)(ii)</i>)	39,799,000
Effect of issue of 9,707,000 shares upon exercise of the over-allotment option on 10 April 2019 (<i>note 14(b)(iii)</i>)	4,398,000
	<u>244,197,000</u>
Weighted average number of ordinary shares at 30 June	<u>244,197,000</u>

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the six months ended 30 June 2019 and 2018.

8 Property, plant and equipment

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

(b) Acquisition of owned assets

During the six months ended 30 June 2019, the Group acquired items of office equipment and furniture and motor vehicles with a cost of RMB3,416,000 (six months ended 30 June 2018: RMB1,620,000).

9 Inventories

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Properties held for re-sale (<i>note</i>)	22,782	—
Consumables	139	476
	<u>22,921</u>	<u>476</u>

Note: Properties held for re-sale represent storage rooms and parking places purchased by the Group and held by the Group for re-sale.

10 Trade and other receivables

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	40,325	16,121
1 to 2 years	1,556	455
Total trade receivables from third parties, net of loss allowance	41,881	16,576
Deposits and prepayments	17,471	14,211
Amounts due from related parties		
— trade nature	17,043	6,089
— non-trade nature	963	—
Payments on behalf of property owners	5,828	3,957
Advances to employees	3,175	2,528
Interest receivables	3,605	—
Other receivables	1,393	1,233
	<u>91,359</u>	<u>44,594</u>

Trade receivables are due when the receivables are recognised.

Except for certain prepayments which will be offset against future payment of expenses or transferred to the relevant asset category upon receipt of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year.

11 Bank deposits, restricted bank balances and cash and cash equivalents

(a) Bank deposits

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Fixed deposits held at the bank with original maturity over three months	523,046	—
Less: Amount included under “current assets”	<u>(423,046)</u>	<u>—</u>
	<u>100,000</u>	<u>—</u>

As at 30 June 2019, the fixed deposits held at the bank with original maturity over three months have annual interest rates ranging from 2.25% to 4.13%. As at 30 June 2019, the fair value of the deposits approximate their carrying amounts.

(b) Restricted bank balances

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Cash collected on behalf of the owners' associations	38,103	30,907
Restricted deposits	<u>450</u>	<u>200</u>
	<u>38,553</u>	<u>31,107</u>

(c) Cash and cash equivalents

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Cash on hand	197	165
Cash at bank	345,894	489,485
Fixed deposits held at the bank with original maturity within three months	<u>86,440</u>	<u>—</u>
	432,531	489,650
Less: Restricted bank balances	<u>(38,553)</u>	<u>(31,107)</u>
	<u>393,978</u>	<u>458,543</u>

12 Contract liabilities

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Contract liabilities		
Property management services	140,339	72,710
Value-added services to non-property owners	7,742	9,038
Value-added services to property owners	<u>46,905</u>	<u>47,016</u>
	<u>194,986</u>	<u>128,764</u>

13 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade payables from third parties, based on the invoice date, is as follows:

	<i>Note</i>	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Within 1 month or on demand		8,369	6,665
After 1 month but within 3 months		291	—
After 3 months but within 1 year		379	—
Over 1 year		—	23
		<hr/>	<hr/>
Total trade payables from third parties		9,039	6,688
Amounts due to related parties	(i)		
— trade nature		11,770	14,826
— non-trade nature		—	290
Deposits		21,366	19,811
Other taxes and charges payable		8,736	5,124
Accrued payroll and other benefits		48,772	59,252
Cash collected on behalf of the property owners' associations		38,103	30,907
Temporary receipts from property owners		81,870	69,340
Other payables and accruals		3,623	8,722
		<hr/>	<hr/>
		<u>223,279</u>	<u>214,960</u>

- (i) The amounts due to related parties are unsecured and interest-free. Among which, RMB9,784,000 (2018: RMB12,839,000) are prepaid consulting services fees received from related parties and expected to be recognised as income within one year.

14 Capital, reserves and dividends

(a) Dividends

During the six months ended 30 June 2019, a final dividend of HKD0.1 per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: Nil) was declared and paid to the equity shareholders of the Company. The aggregate amount of the final dividend declared and paid during the six months ended 30 June 2019 amounted to HKD27,641,000 (RMB equivalent 24,235,000) (six months ended 30 June 2018: Nil).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019.

(b) Share capital

Issued share capital

	2019	
	<i>No. of shares</i>	
Ordinary shares, issued and fully paid:	<i>('000)</i>	<i>RMB'000</i>
At 1 January 2019	20	129
Share subdivision (<i>note (i)</i>)	199,980	—
Issuance of ordinary shares upon initial public offering (<i>note (ii)</i>)	66,700	45
Partial exercise of over-allotment option (<i>note (iii)</i>)	9,707	7
	<hr/>	<hr/>
At 30 June 2019	<u>276,407</u>	<u>181</u>

(i) *Share subdivision*

In accordance with the shareholders' resolution of the Company dated 21 February 2019, the Company's every issued and unissued share with par value of US\$1.00 each was subdivided into 10,000 shares with par value of US\$0.0001 each. In addition, the authorised share capital of the Company increased from US\$50,000 divided into 50,000 shares with par value of US\$1.00 each to US\$100,000 divided into 1,000,000,000 shares with par value of US\$0.0001 each by the creation of an additional 500,000,000 shares with par value of US\$0.0001 each.

Accordingly, the issued 20,000 shares of the Company as at 1 January 2019 with par value of US\$1.00 each were subdivided into 200,000,000 share with par value of US\$0.0001 each thereafter.

(ii) Issuance of ordinary shares upon initial public offering

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

(iii) Partial exercise of the over-allotment option

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

(c) Share premium

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2019, the Group maintained steady growth and continued to place emphasis on its development in the Yangtze River Delta. The Group further expanded the geographical scope of operations in Yangtze River Delta. The Group has 45 subsidiaries and branches covering 20 cities across Zhejiang Province, as well as in Shanghai, Jiangsu Province and Jiangxi Province in China, providing property management services to approximately 62,000 property units. Moreover, the gross floor area (“GFA”) currently being managed by us under signed property management service contracts (“GFA under management”) and GFA managed or to be managed by us under signed property management service contracts (“contracted GFA”) of the Group also increased significantly. As at 30 June 2019, the GFA under management was 13.1 million sq.m., representing a year-on-year increase of 24.9%, while the contracted GFA was 10.3 million sq.m., representing a year-on-year increase of 74.6%. The increase will lay a solid foundation for the business growth of the Group.

The Group is committed to the corporate tenet of “Property Owners First, Service First, Quality First” through providing standardised and specialised services. In the first half of 2019, Golden Jiangnan* (金色江南) and Binjiang Noble Lake* (濱江華家池), properties that the Group served, were named as “2019 China 5-star property service project” by China Index Academy, reflecting recognition from property owners and the industry on the service standardisation effort of the Group. In addition, in response to government policies on environmental protection and corporate social responsibilities, the Group promoted water saving and waste sorting. The One* (武林壹號) was awarded “water-saving residential area in Zhejiang province” by Zhejiang Province Housing and Construction Department, Quzhou Chunjiangyue* (衢州春江月) was awarded “2018 high-standard domestic waste sorting model community in Zhejiang province” by the leading group of domestic waste sorting in Zhejiang province, and Pinghu Wanjia Huacheng Jiaheyuan* (平湖萬家花城家和苑) was awarded “property service model community in Jiaxing” by Jiaxing Housing and Construction Department. These awards demonstrated our social responsibilities and continuously motivated us to provide quality services. Based on its philosophy of “thinking and acting for the property owners”, the Group took initiatives to provide services that cater to the property owners’ needs to allow them to feel the warmth and care in our services.

* *for identification purpose only*

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by type of properties during the Period and the corresponding period of 2018:

	For the six months ended 30 June					
	2019 Revenue (RMB'000)	2019 GFA under Management ('000 sq.m.)	Number of Projects	2018 Revenue (RMB'000)	2018 GFA under Management ('000 sq.m.)	Number of Projects
Residential	157,770	11,413	66	123,910	9,307	50
Non-residential	33,528	1,685	22	21,142	1,177	15
Total	<u>191,298</u>	<u>13,098</u>	<u>88</u>	<u>145,052</u>	<u>10,484</u>	<u>65</u>

Note: As at 30 June 2019, contracted GFA of properties that have not been delivered was 10.3 million sq.m. (as of 30 June 2018: 5.9 million sq.m.). The average property management fee calculated as revenue from property management services for a period divided by the average of the revenue-bearing GFA as of the beginning and end of the same period of the Group during the Period was approximately RMB4.06 per sq.m./month (corresponding period of 2018: RMB3.87 sq.m./month).

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by type of developers during the Period and the corresponding period of 2018:

	For the six months ended 30 June					
	2019 Revenue (RMB'000)	2019 GFA under Management ('000 sq.m.)	Number of Projects	2018 Revenue (RMB'000)	2018 GFA under Management ('000 sq.m.)	Number of Projects
Properties developed by Binjiang Group	134,091	9,210	53	110,781	7,826	45
Properties developed by independent property developers	57,207	3,888	35	34,271	2,658	20
Total	<u>191,298</u>	<u>13,098</u>	<u>88</u>	<u>145,052</u>	<u>10,484</u>	<u>65</u>

The table below sets forth the breakdown of total property management services revenue, GFA under management and number of projects by geographic region during the Period and the corresponding period of 2018:

	For the six months ended 30 June					
	2019 Revenue (RMB'000)	2019 GFA under Management ('000 sq.m.)	Number of Projects	2018 Revenue (RMB'000)	2018 GFA under Management ('000 sq.m.)	Number of Projects
Hangzhou	152,127	8,540	61	117,248	7,229	48
Zhejiang province (excluding Hangzhou)	39,171	4,367	26	27,804	3,255	17
Outside Zhejiang province	—	191	1	—	—	—
Total	191,298	13,098	88	145,052	10,484	65

Prospects

As a reputable property management service provider in China with a focus on high-end residential properties, the Group intends to further strengthen and position itself as a leading comprehensive property management service provider in China. The Group intends to further expand its business scale in the high-end market through multiple channels. These efforts include further leveraging its existing business relationship with Binjiang Group and seeking new business opportunities from independent third party property developers. In addition, the Group also plans to continue its provision of diversified and differentiated value-added services tailored to the needs of its customers. Further efforts will be made to optimize its management centralisation and standardisation. Advanced technologies will also be adopted for enhancing operation efficiency and ensuring service quality to attain the Group's goals.

Financial Review

The Group's revenue was generated from three main business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) value-added services to property owners. During the Period, (i) the property management services is the largest source of revenue and profit for the Group, accounting for 60.3% of total revenue; (ii) value-added services to non-property owners is the second largest source of revenue for the Group, accounting for 34.9% of total revenue.

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	191,298	145,052
<i>Property management services</i>	191,298	145,052
Value-added services to non-property owners	110,889	60,879
<i>Pre-delivery services</i>	92,641	51,806
<i>Consulting services</i>	8,253	4,336
<i>Community space services</i>	9,995	4,737
Value-added services to property owners	15,117	15,611
<i>Home living services</i>	13,098	12,177
<i>Customized home furnishing services</i>	1,020	2,324
<i>Property agent services</i>	999	1,110
	<hr/>	<hr/>
Total	<u>317,304</u>	<u>221,542</u>

Property management services consist of security, cleaning, gardening, repair, maintenance and ancillary services. Revenue generated amounted to RMB191.3 million, representing an increase of 31.9% as compared with RMB145.0 million for the corresponding period of 2018. It was the Group's main source of revenue and accounted for 60.3% of total revenue for the six months ended 30 June 2019. The increase of revenue was mainly due to the significant increase in the number of property management projects in the first half of 2019 as compared with the corresponding period of 2018. Revenue generated from the provision of property management services to properties developed by Binjiang Group was RMB134.1 million as compared with RMB110.8 million for the corresponding period of 2018, accounted for 70.1% of revenue from property management services during the Period.

Value-added services to non-property owners mainly include pre-delivery services, consulting services and community space services. Revenue generated amounted to RMB110.9 million, representing an increase of 82.1% as compared with RMB60.9 million for the corresponding period of 2018, and accounted for approximately 34.9% of the Group's total revenue. The increase of revenue was mainly due to the significant increase in the number of projects of value-added services to non-property owners projects in the first half of 2019 as compared with the corresponding period of 2018.

Value-added services to property owners are mainly composed of home living services, customized home furnishing services and property agent services. Revenue generated amounted to RMB15.1 million, representing a decrease of 3.2% as compared with RMB15.6 million for the corresponding period of 2018, and accounted for approximately 4.8% of the Group's total revenue. The decrease revenue was mainly due to the decrease in revenue from home furniture in 2019 as compared with the corresponding period of 2018 as the majority of the revenue from home furniture is expected to be realised in the second half year of 2019.

Gross profit and gross profit margin

Based on the above factors, during the Period, the Group's gross profit increased by 49.3% from RMB61.5 million for the six months ended 30 June 2018 to RMB91.8 million for the six months ended 30 June 2019. The Group's gross profit margin increased by 1.1 percentage points from 27.8% for the six months ended 30 June 2018 to 28.9% for the six months ended 30 June 2019, mainly due to the growth in value-added services to non-property owners with higher gross profit margin.

Gross profit of property management services increased by 31.7% from RMB23.0 million for the six months ended 30 June 2018 to RMB30.3 million for the six months ended 30 June 2019, and gross profit margin for the six months ended 30 June 2018 and the six months ended 30 June 2019 remained the same at 15.9%.

Gross profit of value-added services to non-property owners increased by 76.7% from RMB29.6 million for the six months ended 30 June 2018 to RMB52.3 million for the six months ended 30 June 2019, and gross profit margin decreased from 48.6% for the six months ended 30 June 2018 to 47.1% for the six months ended 30 June 2019. The decrease was mainly due to the slight increase in labour costs as compared with the corresponding period of 2018.

Gross profit of value-added services to property owners increased by 3.4% from RMB8.9 million for the six months ended 30 June 2018 to RMB9.2 million for the six months ended 30 June 2019, and gross profit margin increased from 56.9% for the six months ended 30 June 2018 to 60.9% for the six months ended 30 June 2019. The increase was mainly due to the growth in home living services with higher gross profit margin.

Cost of sales

During the Period, the Group's cost of sales increased by 40.9% from RMB160.0 million for the six months ended 30 June 2018 to RMB225.5 million for the six months ended 30 June 2019, mainly due to the increased in services personnel and other costs and expenses as a result of increase in number of projects and growth of business scale.

Selling and marketing expenses

During the Period, the Group's selling and marketing expenses decreased by 33.3% from RMB0.6 million for the six months ended 30 June 2018 to RMB0.4 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in selling and marketing expenses of home furniture during the Period as compared with the corresponding period of 2018.

Administrative expenses

During the Period, the Group's administrative expenses increased by 82.2% from RMB14.6 million for the six months ended 30 June 2018 to RMB26.6 million for the six months ended 30 June 2019, mainly due to the increase in listing expenses. Excluding the listing expenses, adjusted administrative expenses for the six months ended 30 June 2019 were RMB12.4 million, representing an increase of 59.0% as compared with RMB7.8 million (excluding the listing expenses) for the corresponding period of 2018, mainly due to the increase of high quality staff with higher employee remuneration.

Other expenses

During the Period, the Group's other expenses increased from RMB0.8 million for the six months ended 30 June 2018 to RMB2.3 million for the six months ended 30 June 2019, mainly due to the increase in impairment losses on trade receivables as a result of growth of business scale and income increase of the Group.

Net finance income/(costs)

During the Period, the Group's finance income represents interest income on bank deposits, the finance income increased from RMB0.2 million for the six months ended 30 June 2018 to RMB3.9 million for the six months ended 30 June 2019. The increase was mainly because the Company placed a certain amount of cash as fixed deposits held at the bank for higher interest income to secure liquidity. Finance costs represent interest expenses on lease liabilities and repaid customized interior furnishing services fees received from property owners categorized as contract liabilities, the finance costs increased from RMB0.5 million for the six months ended 30 June 2018 to RMB1.0 million for the six months ended 30 June 2019, mainly due to interest expenses on advance payments from customers.

Share of profits less losses of an associate

During the Period, the Group's share of profits less losses of an associate changed from a loss of RMB0.02 million for the six months ended 30 June 2018 to a loss of RMB1.6 million for the six months ended 30 June 2019, mainly due to increased depreciation of right of use assets and interest expenses on lease liabilities after the adoption of new lease standard.

Profit before taxation

During the Period, profit before taxation was RMB66.3 million, representing an increase of 39.6% as compared with RMB47.5 million for the corresponding period of 2018, mainly due to the combined effects of increased gross profit by RMB30 million and increased listing expenses by RMB7.3 million.

Income tax

During the Period, income tax expenses were RMB17.4 million, representing an increase of 45.0% as compared with RMB12.0 million for the corresponding period of 2018, mainly due to the increase in the profit before taxation.

Profit for the Period

During the Period, the Group's profit was RMB48.9 million, representing an increase of 37.7% as compared with RMB35.5 million for the corresponding period of 2018, mainly due to increased business scale and sales income. Profit attributable to equity shareholders of the Company was RMB48.7 million, representing an increase of 37.6% as compared with RMB35.4 million for the corresponding period of 2018. Net profit margin (profit attributable to equity shareholders of the Company divided by revenue) was 15.3%, representing a decrease of 0.7 percentage points as compared with 16.0% for the corresponding period of the previous year, mainly due to the increase in listing expenses for the Period as compared with the same period of the previous year. Excluding listing expenses and after-tax impact of RMB10.7 million (RMB14.2 million before tax), adjusted profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 was RMB59.4 million, representing an increase of 46.7% as compared with RMB40.5 million (excluding listing expenses and after-tax impact of RMB5.1 million) for the corresponding period of 2018. Adjusted net profit margin (profit attributable to equity shareholders of the Company divided by revenue) was 18.7%, representing an increase of 0.4 percentage points as compared with 18.3% for the corresponding period of 2018.

Current assets, financial resources and gearing ratio

The Group maintained good financial performance during the Period. As at 30 June 2019, current assets were RMB969.9 million, representing an increase of 81.4% as compared with RMB534.7 million as at 31 December 2018.

The Group's cash and cash equivalents were RMB394.0 million, representing a decrease of 14.1% as compared with RMB458.5 million as at 31 December 2018. This was mainly because the Group placed a certain amount of cash as bank deposits with maturity over three months for higher interest income to secure liquidity. Current ratio during the Period was 2.22 times, representing an increase as compared with 1.46 times as at 31 December 2018.

As at 30 June 2019, the total equity of the Group was RMB651.5 million, representing an increase of 252.7% as compared with RMB184.7 million as at 31 December 2018. This was mainly due to the growth resulting from the listing and operating profit of the Group. The Group had no interest-bearing borrowings as at 30 June 2019 and 31 December 2018.

Property, plant and equipment

As at 30 June 2019, the property, plant and equipment of the Group amounted to RMB13.8 million, representing an increase of 62.4% as compared with RMB8.5 million as at 31 December 2018, mainly due to the growth resulting from the capitalisation of right-of-use of rented buildings and parking spaces of the Group according to the applicable new lease standard. Moreover, with increase in number of projects and growth of business scale, fixed assets purchased for the development of equipment business also increased.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2019.

Pledged assets

The Group did not have any pledged assets as at 30 June 2019.

Trade and other receivables

As at 30 June 2019, trade and other receivables amounted to RMB91.4 million, representing an increase of RMB46.8 million or 104.9% as compared with RMB44.6 million as at 31 December 2018, mainly due to seasonality because the Group usually enhances trade receivables collection at the year-end and the increased business scale and income of the Group.

Trade and other payables

As at 30 June 2019, trade and other payables amounted to RMB223.3 million, representing an increase of RMB8.3 million or 3.9% as compared with RMB215.0 million as at 31 December 2018. This was mainly due to an increase in business scale resulting in the increase in payments received on behalf of property owners.

Human resources

As at 30 June 2019, the Group employed a total of 4,033 employees as compared to 3,776 employees as at 31 December 2018. During the Period, the staff costs of the Group were RMB152.1 million (as at 30 June 2018: RMB104.5 million).

Significant investments, acquisitions and disposals

The Company did not have any significant investments, acquisitions or disposals during the Period.

Exposure to foreign exchange risks

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are dominated in a currency that is not the Group entities' functional currency. The Group mainly operates in the PRC, the net proceeds from the listing of the Company on the Main Board of the Stock Exchange and any dividends to be paid will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us.

Currently, the Group have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. In addition, conversion and remittance of foreign currencies are subject to the foreign exchange regulations of the PRC. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange currencies to meet our foreign exchange needs.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. The Company was not a listed company during the period from 1 January 2019 to 14 March 2019 and hence, it did not follow the requirements in the code provisions related to corporate governance. During the period from 15 March 2019 (the “**Listing Date**”) to 30 June 2019, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code (“**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”), except for the following deviation:

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

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The audit committee has reviewed with the management of the Company this interim results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the six months ended 30 June 2019.

MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors and employees (the “**Securities Transactions Code**”). The Company has made specific enquiry with all Directors whether they have complied with the required standards set out in the Model Code and all Directors confirmed that they have complied with the Model Code and the Securities Transactions Code during the period from the Listing Date to 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

On 4 April 2019, the over-allotment option described in the prospectus of the Company dated 28 February 2019 was partially exercised by the sole global coordinator in respect of an aggregate of 9,707,000 shares of the Company, representing 14.55% of the offer shares initially available under the listing of the Company on the Main Board of the Stock Exchange. Apart from the over-allotment option exercised on 4 April 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

The Group had no subsequent event after 30 June 2019 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY

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

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

Hangzhou, PRC
21 August 2019

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