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濱江服務

BINJIANG SERVICE

Binjiang Service Group Co. Ltd.

濱江服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3316)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

Financial performance of the Group

— Revenue was RMB509.5 million in 2018, representing an increase of 45.9% as compared with RMB349.3 million in 2017.

— Revenue generated from three business lines are as follows: 1) revenue from property management services was RMB316.4 million in 2018, accounting for 62.1% of total revenue, representing an increase of 45.0% as compared with RMB218.2 million in 2017; 2) revenue from value-added services to non-property owners was RMB155.4 million in 2018, accounting for 30.5% of total revenue, representing an increase of 54.3% as compared with RMB100.7 million in 2017; and 3) revenue from value-added services to property owners was RMB37.7 million in 2018, accounting for 7.4% of total revenue, representing an increase of 24.4% as compared with RMB30.3 million in 2017.

— Gross profit was RMB135.0 million in 2018, representing an increase of 49.8% as compared with RMB90.1 million in 2017. Gross profit margin was 26.5% in 2018, representing an increase of 0.7 percentage point as compared with 25.8% in 2017. Our gross profit margin of three business lines all recorded slight increases compared with the previous year.

- Profit for the year in 2018 was RMB70.4 million, representing an increase of 22.2% as compared with RMB57.6 million in 2017. Net profit attributable to equity shareholders of the Company was RMB70.2 million in 2018, representing an increase of 22.7% as compared with RMB57.2 million in 2017. Excluding listing expenses and after-tax impact of RMB15.2 million (RMB20.2 million before tax), adjusted net profit attributable to equity shareholders of the Company was RMB85.4 million in 2018, representing an increase of 49.3% from 2017.

- As at 31 December 2018, cash and cash equivalents were RMB458.5 million, representing an increase of 50.9% as compared with RMB303.9 million as at 31 December 2017, mainly due to the increase driven by cash inflow from operating activities.

- Basic and diluted earnings per share was RMB0.35 in 2018, representing an increase of RMB0.06 or 20.7% as compared with RMB0.29 in 2017.

- The Board recommends the payment of a final dividend for 2018 of HK$0.10 per share.

The board of directors (the "**Board**") of Binjiang Service Group Co. Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2017. The annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the "**Audit Committee**") and approved by the Board on 29 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*4*	**509,470**	349,264
Cost of sales		**(374,517)**	(259,181)
Gross profit		**134,953**	90,083
Other revenue	*5*	**876**	390
Other net income	*5*	**4,044**	3,254
Selling and marketing expenses		**(1,022)**	(1,066)
Administrative expenses		**(41,611)**	(14,488)
Other expenses		**(1,764)**	(334)
Profit from operations		**95,476**	77,839
Finance income		**600**	131
Finance costs		**(1,387)**	—
Net finance(costs)/income	*6(a)*	**(787)**	131
Share of profits less losses of an associate		**(253)**	(761)
Profit before taxation	*6*	**94,436**	77,209
Income tax	*7*	**(24,013)**	(19,657)
Profit for the year		**70,423**	57,552
Attributable to:			
Equity shareholders of the Company		**70,177**	57,173
Non-controlling interests		**246**	379
		70,423	57,552

	Note	**2018**	2017
		RMB'000	*RMB'000*
Profit for the year		**70,423**	57,552
Other comprehensive income for the year (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		**50**	—
Total comprehensive income for the year		**70,473**	57,552
Attributable to:			
Equity shareholders of the Company		**70,227**	57,173
Non-controlling interests		**246**	379
Total comprehensive income for the year		**70,473**	57,552
Earnings per share	*8*		
Basic and diluted (RMB)		**0.35**	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	Note	**2018**	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**8,491**	8,027
Investment in an associate		**4,986**	5,239
Deferred tax assets		**2,898**	2,573
		16,375	15,839
Current assets			
Inventories		**476**	335
Trade and other receivables	*10*	**44,594**	36,462
Restricted bank balances		**31,107**	32,804
Cash and cash equivalents		**458,543**	303,949
		534,720	373,550
Current liabilities			
Contract liabilities		**128,764**	77,379
Trade and other payables	*11*	**214,960**	178,618
Current taxation		**22,639**	20,917
Provisions		**—**	1,288
		366,363	278,202
Net current assets		**168,357**	95,348
Total assets less current liabilities		**184,732**	111,187
NET ASSETS		**184,732**	111,187
CAPITAL AND RESERVES			
Share capital		**129**	66
Reserves		**181,229**	110,443
Total equity attributable to equity shareholders of the Company		**181,358**	110,509
Non-controlling interests		**3,374**	678
TOTAL EQUITY		**184,732**	111,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements of Binjiang Service Group Co. Ltd. (the "**Company**") and its subsidiaries (together referred to as the "**Group**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries and the Group's interest in an associate.

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. Following the completion of a corporate reorganisation as described below, the Company's shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 March 2019 (the "**Listing**").

The principal activites of the Group are the provision of property management services and related services in the People's Republic of China (the "**PRC**").

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Hangzhou Binjiang Property Management Co., Ltd. (杭州濱江物業管理有限公司) ("**Binjiang PM**") and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent a corporate reorganisation (the "**Reorganisation**"). As part of the Reorganisation, the Company, through its wholly-owned subsidiaries, acquired entire equity interests in Binjiang PM. Upon completion of the Reorganisation on 11 February 2018, the Company became the holding company of the Group. As Binjiang PM was ultimately controlled by Mr. Qi Jinxing before and after the Reorganisation and the Reorganisation only involved inserting the Company, Robust Class Limited and Binjiang Service Group (Hong Kong) Co., Limited (the "**Non-operating Companies**"), which are newly formed entities with no substantive operations as holding companies of Binjiang PM, there was no change in the business and operations of Binjiang PM and its subsidiaries before and after the Reorganisation. Accordingly, the Reorganisation has been accounted for using a principle similar to that as a reverse acquisition, with Binjiang PM treated as the acquirer for accounting purposes. The consolidated financial statements has been prepared and presented as a continuation of the financial statements of Binjiang PM with the assets and liabilities of Binjiang PM recognised and measured at their historical carrying amounts prior to the Reorganisation.

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis except for financial assets classified as fair value through profit or loss which are stated at their fair value.

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

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

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

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

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. As disclosed in the listing documents of the Company dated 28 February 2019, the Group has adopted all applicable new IFRSs and amendments to IFRSs effective for the financial year beginning on 1 January 2018, including IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* to the prior accounting periods. All of these effective standards, amendments to the standards and interpretations, which are mandatory for the financial year beginning on 1 January 2018, are consistently applied to all periods presented in the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Accounting judgement and estimates

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

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

(i) Impairment for trade and other receivables

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

(ii) Recognition of deferred tax assets

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

(iii) Impairment of non-current assets

If circumstances indicate that the carrying amounts of property, plant and equipment and investment in an associate may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

3 Segment reporting

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

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

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

4 Revenue

	2018	2017
	RMB'000	*RMB'000*
Revenue recognised over time:		
Property management services	**316,364**	218,246
Value-added services to non-property owners	**155,406**	100,744
Value-added services to property owners	**25,247**	19,281
	497,017	338,271
Revenue recognised at point in time:		
Value-added services to property owners	**12,453**	10,993
	509,470	349,264

5 Other revenue and other net income

	2018	2017
	RMB'000	*RMB'000*
Other revenue		
Government grants	**534**	374
Others	**342**	16
	876	390

	2018	2017
	RMB'000	*RMB'000*
Other net income		
Net loss on disposal of property, plant and equipment	**(59)**	(24)
Net realised gains on fair value through profit or loss	**4,269**	3,278
Net foreign exchange losses	**(166)**	—
	4,044	3,254

6 Profit before taxation

(a) Net finance (costs)/income

	2018	2017
	RMB'000	*RMB'000*
Interest income on bank deposits	**600**	131
Interest expense on advance payments from customers	**(1,387)**	—
Net finance (costs)/income	**(787)**	131

(b) Staff costs

	2018	2017
	RMB'000	*RMB'000*
Salaries and other benefits	**215,362**	202,196
Contributions to defined contribution scheme	**20,541**	15,015
	235,903	217,211
Included in:		
Cost of sales	**222,486**	207,599
Administrative expenses	**12,678**	8,892
Selling and marketing expenses	**739**	720
	235,903	217,211

(c) Other items

	2018	2017
	RMB'000	*RMB'000*
Depreciation	**2,669**	2,511
Impairment losses on trade receivables	**1,441**	74
Auditors' remuneration	**3,031**	—
Listing expenses	**17,218**	—
Operating lease charges	**3,081**	1,779
Cost of inventories	**7,364**	5,942

7 Income tax

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**24,338**	20,395
Deferred tax		
Origination and reversal of temporary differences	**(325)**	(738)
	24,013	19,657

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB70,177,000 (2017: RMB57,173,000) and 200,000,000 shares (2017: 200,000,000 shares) in issue as if the shares were outstanding during the period presented, taking into account the share subdivision taken place on 21 February 2019 as disclosed in the section headed "**Events after the Reporting Period**" in this results announcement.

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the years ended 31 December 2017 and 2018.

9 Dividends

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

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the consolidated statement of financial position date of HK$0.1 (2017: Nil) per ordinary share	**22,878**	—

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

(ii) There was no dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

10 Trade and other receivables

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**19,794**	9,997
Less: Allowance for impairment of trade receivables	**(3,218)**	(1,777)
	16,576	8,220
Deposits and prepayments	**14,211**	1,399
Amounts due from related parties	**6,089**	18,847
Payments on behalf of property owners	**3,957**	4,082
Advances to employees	**2,528**	2,967
Other receivables	**1,233**	947
	44,594	36,462

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**16,121**	7,647
1 to 2 years	**455**	573
	16,576	8,220

Trade receivables are due when the receivables are recognised.

11 Trade and other payables

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**6,688**	4,472
Amounts due to related parties	**15,116**	3,523
Deposits	**19,811**	10,371
Other taxes and charges payable	**5,124**	10,424
Accrued payroll and other benefits	**59,252**	48,631
Cash collected on behalf of the property owners' associations	**30,907**	32,354
Temporary receipts from property owners	**69,340**	66,123
Other payables and accruals	**8,722**	2,720
	214,960	178,618

As at the end of the reporting period, the aging analysis of trade payables, based on invoice date is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month or on demand	**6,665**	3,656
After 1 month but within 3 months	**—**	385
After 3 months but within 1 year	**—**	431
Over 1 year	**23**	—
	6,688	4,472

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Company was successfully listed on the Main Board of Stock Exchange on 15 March 2019 (the "**Listing Date**"). After deducting the listing expenses, the net proceeds raised on the first day of listing were approximately HK$389.8 million.

The Group is a reputable property management service provider in China with a focus on high-end residential properties. Through our accumulation of industry experience since our establishment in 1995, the Group has grown from a local residential property management service provider in Hangzhou, Zhejiang province, to one of the leading premium property management service providers in the Yangtze River Delta. According to China Index Academy ("**CIA**"), the Group was ranked second in Hangzhou, fifth in Zhejiang province, and tenth in the Yangtze River Delta in terms of gross floor area ("**GFA**") under management for high-end properties in 2017. The Group was awarded the 2018 Leading Brand for Specialized Service Operations of China Property Service Industry (2018中國物業服務專業化運營領先品牌企業) and a Certificate of China Property Management Brand Value of RMB1.886 billion by CIA for our well-established industry recognition and professional service quality. The Group was ranked 32nd among the top 100 property management companies in China in 2018, according to the China Real Estate Top 10 Research Team and CIA.

As at 31 December 2018, we had 40 subsidiaries and branches covering 16 cities across Zhejiang Province, as well as in Shanghai, Jiangsu Province and Jiangxi Province in China, providing property management services to approximately 52,000 property units. As at 31 December 2018, the Group's total GFA under management amounted to 11.6 million sq.m. with a total of 76 managed properties, including 57 residential properties and 19 non-residential properties, and our contracted GFA, excluding GFA under management, amounted to 9.2 million sq.m.

For the year ended 31 December 2018, the Group's revenue increased by 45.9% to RMB509.5 million, among which, property management services were RMB316.4 million, value-added services to non-property owners were RMB155.4 million, and value-added services to property owners were RMB37.7 million.

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 ourselves as a leading comprehensive property management service provider based in China. The Group plans to continue to expand our business scale in high-end market through multiple channels, including continuing to leverage our existing business relationship with Hangzhou Binjiang Investment Holding Limited and its subsidiaries ("**Binjiang Group**") and proactively pursue new engagements from independent third party property developers. In addition, the Group plans to continue to deliver diversified and differentiated value-added services tailored to the needs of our customers, and continue to optimize management centralization and standardization and adopt advanced technologies to enhance our operating efficiency and ensure service quality, so as to achieve 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.

	2018	2017
	RMB'000	*RMB'000*
Property management services	**316,364**	218,246
Value-added services to non-property owners	**155,406**	100,744
Value-added services to property owners	**37,700**	30,274
Total	**509,470**	349,264

Property management services consist of security, cleaning, gardening, repair, maintenance and ancillary services. Revenue generated amounted to RMB316.4 million, representing an increase of 45.0% as compared with RMB218.2 million in 2017. It was the Group's main source of revenue, accounted for 62.1% of total revenue in 2018. The increase of revenue was mainly due to the growth of the Group's projects under management and GFA under management. Revenue generated from the provision of property management services to properties developed solely or co-developed with other parties by subsidiaries or associates of Binjiang Group was RMB233.6 million, accounted for 73.8% of revenue from property management services in 2018.

Value-added services to non-property owners mainly include pre-delivery services, consulting services and community space services. Revenue generated amounted to RMB155.4 million, representing an increase of 54.3% as compared with RMB100.7 million in 2017, and accounted for approximately 30.5% of the Group's total revenue in 2018. The increase of revenue was mainly due to our new engagements especially for pre-delivery services.

Value-added services to property owners are mainly composed of community value-added services, customized interior furnishing services and property agent services. Revenue generated amounted to RMB37.7 million, representing an increase of 24.4% as compared with RMB30.3 million in 2017, and accounted for approximately 7.4% of the Group's total revenue in 2018. The increase of revenue was mainly due to the increase of the Group's projects under management and property owners, resulting in revenue growth.

Other net income

During the year, the Group's other net income was RMB4.0 million, representing an increase of 21.2% as compared with RMB3.3 million in 2017, mainly due to the increase in net realized gain on wealth management products.

Cost of sales

During the year, the Group's cost of sales increased by 44.5% from RMB259.2 million in 2017 to RMB374.5 million in 2018, mainly due to costs growth as a result of the increase in projects under management and service personnel.

Gross profit and gross profit margin

Based on the above factors, during the year, the Group's gross profit increased by 49.8% from RMB90.1 million in 2017 to RMB135.0 million in 2018. The Group's gross profit margin increased by 0.7 percentage point from 25.8% in 2017 to 26.5% in 2018, mainly due to further increase of yield rates in value-added services to non-property owners and value-added services to property owners.

Gross profit of property management services increased by 46.6% from RMB33.7 million in 2017 to RMB49.4 million in 2018, and gross profit margin increased from 15.5% in 2017 to 15.6% in 2018.

Gross profit of value-added services to non-property owners increased by 57.8% from RMB42.4 million in 2017 to RMB66.9 million in 2018, and gross profit margin increased from 42.1% in 2017 to 43.1% in 2018. The increase was mainly due to that the new high-end projects of the Group maintained good returns.

Gross profit of value-added services to property owners increased by 33.6% from RMB14.0 million in 2017 to RMB18.7 million in 2018, and gross profit margin increased from 46.1% in 2017 to 49.5% in 2018. The increase was mainly due to the further expansion of housekeeping services, which had a high gross margin.

Selling and marketing expenses

During the year, the Group's selling and marketing expenses remained stable in both 2017 and 2018.

Administrative expenses

During the year, the Group's administrative expenses increased by 186.9% from RMB14.5 million in 2017 to RMB41.6 million in 2018, mainly due to the impact of listing expenses of RMB20.2 million in 2018. Excluding the listing expenses, administrative expenses in 2018 were RMB21.4 million, representing an increase of 47.6% from 2017, mainly due to the growth of related labor costs and office expenses as a result of business expansion and increase of personnel.

Other expenses

During the year, the Group's other expenses increased from RMB0.3 million in 2017 to RMB1.8 million in 2018, mainly due to the impact of increase in impairment losses on trade receivables.

Net finance income/(costs)

During the year, the change of the Group's net finance income/(costs) was primarily due to interest expenses on prepaid customised interior furnishing services fees categorized as contract liabilities received from property owners.

Share of profits and losses of an associate

During the year, the Group's share of profits less losses of an associate decreased from RMB0.8 million in 2017 to RMB0.3 million in 2018, mainly due to the decrease of the Company's recognised investment losses as a result of the associate's losses decreasing in 2018 as compared with 2017.

Income tax

During the year, the Group's income tax expenses increased by 21.8% from RMB19.7 million in 2017 to RMB24.0 million in 2018, mainly due to the increase of the Group's total profit before taxation for the year, leading to corresponding increase in income tax.

Profit for the year

During the year, the Group's profit for the year was RMB70.4 million, representing an increase of 22.2% as compared with RMB57.6 million in 2017, mainly due to the increase in the Group's operating profit for the year. Net profit attributable to equity shareholders of the Company was RMB70.2 million, representing an increase of 22.7% as compared with RMB57.2 million in 2017. Net profit margin (net profit attributable to equity shareholders of the Company divided by revenue) was 13.8%, representing a decrease of 2.6 percentage points as compared with 16.4% in the previous year, mainly due to the fact that listing expenses of RMB20.2 million in 2018 led to a decrease in overall net profit margin. Excluding listing fees and after-tax impact of RMB15.2 million (RMB20.2 million before tax), adjusted net profit attributable to equity shareholders of the Company was RMB85.4 million in 2018, representing an increase of 49.3% from 2017. Adjusted net profit margin (adjusted net profit attributable to equity shareholders of the Company divided by revenue) was 16.8%, representing an increase of 0.4 percentage point as compared with 16.4% in the previous year.

Current assets, financial resources and gearing ratio

The Group maintained a well financial performance in 2018. As at 31 December 2018, current assets were RMB534.7 million, representing an increase of 43.1% as compared with RMB373.6 million in 2017.

As at 31 December 2018, the Group's cash and cash equivalents were RMB458.5 million, representing an increase of 50.9% as compared with RMB303.9 million for the same period of 2017. This was mainly due to the increase of net cash inflow from operating activities. As at 31 December 2018, current ratio was 1.46, representing an increase as compared with 1.34 in 2017.

As at 31 December 2018, the total equity of the Group was RMB184.7 million, representing an increase of 66.1% as compared with RMB111.2 million for the same period of 2017. This was mainly due to the growth in net profit and retained earnings. The Group had no interest-bearing liabilities as at the end of 2018 and 2017.

Property, plant and equipment

For the year ended 31 December 2018, the property, plant and equipment of the Group amounted to RMB8.5 million, representing an increase of 6.3% as compared with RMB8.0 million in 2017, mainly due to growth in business scale and increase in purchase of related equipments.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2018 and 2017.

Pledged assets

The Group did not have any pledged assets as at 31 December 2018 and 2017.

Trade and other receivables

As at 31 December 2018, trade and other receivables amounted to RMB44.6 million, representing an increase of RMB8.1 million or 22.2% as compared with RMB36.5 million in 2017, mainly due to business expansion and increase of revenue, leading to increase in corresponding trade receivables.

Trade and other payables

As at 31 December 2018, trade and other payables amounted to RMB215.0 million, representing an increase of RMB36.4 million or 20.4% as compared with RMB178.6 million in 2017. This was mainly due to the impact of the growth in employee remuneration payable and provision of some listing expenses, as well as the impact to some extent of increase in receipts in advance from related parties.

Human resources

As at 31 December 2018, the Group employed a total of 3,776 employees. During the Reporting Period, the staff costs of the Group were RMB235.9 million (2017: RMB217.2 million).

Significant investments, acquisitions and disposals

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

FINAL DIVIDEND

The Board recommends the payment of dividend at HK$0.10 per share (the "**Final Dividend**") totaling HK$26.67 million for the year ended 31 December 2018. The Final Dividend to be distributed is subject to approval by shareholders at the forthcoming annual general meeting of shareholders (the "**AGM**"). The Final Dividend is expected to be paid on or around 28 June 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 24 May 2019.

For the purpose of determining the shareholders who are entitled to the right of the Final Dividend, the register of members of the Company will be closed from Wednesday, 5 June 2019 to Monday, 10 June 2019 (both days inclusive). Only those shareholders whose names appear on the register of members of the Company on Monday, 10 June 2019 will be entitled to the right of the Final Dividend. In order to qualify for receiving the Final Dividend, which must be approved by shareholders in the AGM, all completed transfer documents together with the relevant share certificates must be returned to the Company's Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 4 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 for the year ended December 31, 2018 and hence, it did not follow the requirements in the code provisions related to corporate governance. From the Listing Date to the date of this announcement, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**"), except for the following deviations:

Pursuant to code provision 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. Our Board believes that vesting the responsibilities of both chairman and president in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of seven Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and president of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Company complied with the Corporate Governance Code from the Listing Date to the date of this announcement. The Company will continue to strictly abide by the corporate governance requirements under the Corporate Governance Code and Listing Rules.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the audit committee in compliance with the Listing Rules to fulfil 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 annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors and employees (the "**Securities Transactions Code**"). The Company had made specific enquiry with all Directors whether they have complied with the required standard set out in the Model Code and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code from the Listing Date to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

The following events happened subsequent to the end of the Reporting Period:

(i) In accordance with the shareholders' resolution of the Company dated 21 February 2019, the Company's 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.

(ii) The directors proposed a final dividend. Further details are disclosed in "Final dividend" and Note 9(i) to the consolidation financial statements of the Group for the year ended 31 December 2018.

(iii) On 15 March 2019, the Company issued the 66,700,000 shares with par value of US$0.0001, at a price of HK$6.96 per share by initial public offering. Gross proceeds from such issue amounted to HK$464,232,000, before deducting underwriting fees, commissions and related expenses.

USE OF PROCEEDS FROM THE LISTING

Listing proceeds will be applied in accordance with the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated on 28 February 2019 and set out as follow:

— 35% will be used to acquire property management companies located in major cities in the Yangtze River Delta to further increase our market share in the existing market, and also in new cities such as Shenzhen to expand our geographical coverage. As of the date of this announcement, this amount has not been utilized yet;

— 25% will be used to update our management service systems, and recruit and nurture talents. As of the date of this announcement, this amount has not been utilized yet;

— 20% will be used to invest in the asset management platform to engage in the operation of industrial parks. As of the date of this announcement, this amount has not been utilized yet;

— 10% will be used to establish joint venture companies or platform through the cooperation with local governments and property developers. As of the date of this announcement, 0.4% of the amount has been used;

— 10% will be used to provide funding for our working capital and general corporate purposes. As of the date of this announcement, this amount has not been utilized yet.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

The annual results announcement has been published on the websites of the Stock Exchange at ***(www.hkexnews.com.hk)*** and our Company at ***(http://www.hzbjwy.com)***. The annual report of the Company for the Reporting 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.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 30 May 2019, while the notice and circular convening the AGM will be published and dispatched to the Company's shareholders in the form required in the Listing Rules in due course.

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

Hangzhou, PRC
29 March 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.