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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 2020

The board of directors (the “**Board**”) of Binjiang Service Group Co. Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2019. 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 27 August 2020.

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 despatched to the Company’s shareholders.

HIGHLIGHTS

The Group achieved the following results for the six months ended 30 June 2020:

- The Group's revenue was RMB416.0 million, representing an increase of 31.1% as compared with RMB317.3 million for the corresponding period of 2019.
- The Group's revenue generated from three business lines are as follows:
 - 1) revenue from property management services was RMB254.5 million, accounting for 61.2% of total revenue, representing an increase of 33.0% as compared with RMB191.3 million for the corresponding period of 2019;
 - 2) revenue from value-added services to non-property owners was RMB121.4 million, accounting for 29.2% of total revenue, representing an increase of 9.5% as compared with RMB110.9 million for the corresponding period of 2019; and
 - 3) revenue from value-added services to property owners was RMB40.1 million, accounting for 9.6% of total revenue, representing an increase of 165.6% as compared with RMB15.1 million for the corresponding period of 2019.
- Gross profit was RMB136.7 million, representing an increase of 48.9% as compared with RMB91.8 million for the corresponding period of 2019. Gross profit margin was 32.9%, representing an increase of 4.0 percentage points as compared with 28.9% for the corresponding period of 2019.
- Profit for the Period was RMB103.8 million, representing an increase of 112.3% as compared with RMB48.9 million for the corresponding period of 2019. Profit for the Period attributable to equity shareholders of the Company was RMB102.6 million, representing an increase of 110.7% as compared with RMB48.7 million for the corresponding period of 2019.
- Cash and cash equivalents were RMB684.7 million, representing an increase of 32.5% as compared with RMB516.7 million as at 31 December 2019.
- The Board does not recommend the declaration and payment of any interim dividend for the six months ended 30 June 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue	3(a)	415,978	317,304
Cost of sales		<u>(279,283)</u>	<u>(225,510)</u>
Gross profit		136,695	91,794
Other revenue	4	7,713	1,452
Other net income	4	118	966
Selling and marketing expenses		(183)	(367)
Administrative expenses		(12,597)	(26,555)
Other expenses		<u>(6,008)</u>	<u>(2,334)</u>
Profit from operations		125,738	64,956
Finance income		14,341	3,899
Finance costs		<u>(226)</u>	<u>(958)</u>
Net finance income	5(a)	14,115	2,941
Share of profits less losses of associates		<u>(921)</u>	<u>(1,566)</u>
Profit before taxation	5	138,932	66,331
Income tax	6	<u>(35,150)</u>	<u>(17,440)</u>
Profit for the period		<u>103,782</u>	<u>48,891</u>

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Equity shareholders of the Company		102,649	48,684
Non-controlling interests		1,133	207
		<u>103,782</u>	<u>48,891</u>
Profit for the period		103,782	48,891
Other comprehensive income for the period			
(after tax and reclassification adjustments)			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		7,896	12,238
Total comprehensive income for the period		111,678	61,129
Attributable to:			
Equity shareholders of the Company		110,545	60,922
Non-controlling interests		1,133	207
Total comprehensive income for the period		111,678	61,129
Earnings per share	7		
Basic and diluted (<i>RMB</i>)		0.37	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		11,667	12,904
Investment in associates		2,452	922
Deferred tax assets		8,805	5,316
Time deposits		100,000	100,000
		<u>122,924</u>	<u>119,142</u>
Current assets			
Inventories		32,698	33,379
Trade and other receivables	8	125,410	66,298
Time deposits		344,928	428,514
Restricted bank balances		42,225	39,586
Cash and cash equivalents		684,717	516,707
		<u>1,229,978</u>	<u>1,084,484</u>
Current liabilities			
Contract liabilities		204,284	117,340
Trade and other payables	9	352,799	318,329
Lease liabilities		2,266	2,226
Current taxation		34,880	38,421
		<u>594,229</u>	<u>476,316</u>
Net current assets		<u>635,749</u>	<u>608,168</u>
Total assets less current liabilities		<u>758,673</u>	<u>727,310</u>

	At 30 June 2020	At 31 December 2019
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability		
Lease liabilities	<u>560</u>	<u>762</u>
NET ASSETS	<u>758,113</u>	<u>726,548</u>
CAPITAL AND RESERVES		
Share capital	181	181
Reserves	<u>752,085</u>	<u>721,653</u>
Total equity attributable to equity shareholders of the Company	752,266	721,834
Non-controlling interests	<u>5,847</u>	<u>4,714</u>
TOTAL EQUITY	<u>758,113</u>	<u>726,548</u>

NOTES TO THE CONDENSED 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 2020 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 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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.

2 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

Amendments to <i>References to the Conceptual Framework in IFRS Standards</i>	
Amendments to IFRS 3,	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7,	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8,	<i>Definition of Material</i>

None of these amendments 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.

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 and other comprehensive income are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue recognised over time:		
Property management services	254,451	191,298
Value-added services to non-property owners	121,390	110,889
Value-added services to property owners	13,984	13,098
	<u>389,825</u>	<u>315,285</u>
Revenue recognised at point in time:		
Value-added services to property owners (<i>note</i>)	26,153	2,019
	<u>415,978</u>	<u>317,304</u>

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.

(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	
	2020	2019
	RMB'000	RMB'000
Other revenue		
Government grants (<i>note (i)</i>)	7,579	1,428
Others	134	24
	7,713	1,452
	7,713	1,452
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Other net income		
Net loss on disposal of property, plant and equipment	(2)	(52)
Net realised gains on FVPL	728	1,810
Net foreign exchange losses	(608)	(792)
	118	966
	118	966

- (i) During the six months ended 30 June 2020, the Group received the subsidy income of RMB 4,880,000 from the relevant government in relation to the impact of the Coronavirus Disease 2019 (“COVID-19”) (six months ended 30 June 2019: Nil).

5 Profit before taxation

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

(a) Net finance income

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest income on time deposits	(14,341)	(3,899)
Interest expense on advance payments from customers	115	838
Interest on lease liabilities	111	120
	<u> </u>	<u> </u>
Net finance income	<u><u>(14,115)</u></u>	<u><u>(2,941)</u></u>

(b) Staff costs

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Salaries and other benefits	161,004	139,180
Contributions to defined contribution scheme	11,971	12,872
	<u> </u>	<u> </u>
	<u><u>172,975</u></u>	<u><u>152,052</u></u>

- (i) Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of contributions to defined contribution scheme of RMB3,588,000 and other social insurance of RMB5,514,000 during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

(c) **Other items**

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
— owned property, plant and equipment	1,623	2,077
— right-of-use assets	1,093	1,112
	<u>2,716</u>	<u>3,189</u>
Impairment losses on trade receivables	5,992	2,269
Listing expenses	—	14,174
Expenses related to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	1,529	1,453
Auditors' remuneration	500	500
Cost of inventories	13,169	802
Outsourcing labor costs	40,866	33,795

6 Income tax

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC corporate income tax	38,639	18,882
Deferred taxation		
Origination and reversal of temporary differences	(3,489)	(1,442)
	<u>35,150</u>	<u>17,440</u>

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB102,649,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB48,684,000) and the weighted average of 276,407,000 ordinary shares (six months ended 30 June 2019: weighted average number of 244,197,000 shares), calculated as follows:

	2020	2019
Issued ordinary shares at 1 January	276,407,000	20
Effect of shares sub-division (<i>note (i)</i>)	—	199,999,980
Effect of issue of 66,700,000 shares upon initial public offering on 15 March 2019	—	39,799,000
Effect of issue of 9,707,000 shares upon exercise of the over-allotment option on 10 April 2019	—	4,398,000
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	<u>276,407,000</u>	<u>244,197,000</u>

- (i) The number of ordinary shares outstanding before the shares sub-division completed on 21 February 2019 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the shares sub-division had occurred at the beginning of the earliest period presented.

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 2020 and 2019.

8 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 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 year	64,089	19,105
1 to 2 years	1,193	1,805
Total trade receivables from third parties, net of loss allowance	65,282	20,910
Deposits and prepayments	22,895	24,785
Amounts due from related parties		
— trade nature	14,427	2,032
— non-trade nature	35	—
Payments on behalf of property owners	4,879	2,861
Advances to employees	5,843	1,077
Interest receivables	10,174	13,095
Other receivables	1,875	1,538
	125,410	66,298

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.

9 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 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month or on demand		23,211	14,202
After 1 month but within 3 months		40	242
After 3 months but within 1 year		1,512	366
Over 1 year		330	624
		<hr/>	<hr/>
Total trade payables from third parties		25,093	15,434
Amounts due to related parties	<i>(i)</i>		
— trade nature		18,418	23,309
— non-trade nature		164	206
Deposits		29,935	22,129
Other taxes and charges payable		9,164	8,530
Accrued payroll and other benefits		69,216	82,085
Cash collected on behalf of the property owners' associations		42,175	39,536
Temporary receipts from property owners		149,173	115,575
Other payables and accruals		9,461	11,525
		<hr/>	<hr/>
		352,799	318,329
		<hr/> <hr/>	<hr/> <hr/>

- (i) The amounts due to related parties are unsecured and interest-free. Among which, RMB16,432,000 (2019: RMB21,323,000) are prepaid consulting services fees received from related parties and expected to be recognised as income within one year.

Chairman’s Statement

To all Shareholders,

Thank you for your trust in and support to the Group. On behalf of the Board, I am pleased to present our interim results for the six months ended 30 June 2020.

2020 has been an extraordinary year. Various industries have been affected by the sudden outbreak of novel coronavirus epidemic (the “**Epidemic**”). Since the Epidemic has been under control in China through the implementation of a series of effective measures for the prevention of the spreading of the Epidemic, production and operation have resumed since March 2020 and the economy has got back on track after the halt. Nonetheless, threats still linger. As property management service industry is closely related to peoples’ daily life and supported by social insurance concession policy and relevant grants, the impact on the industry has been relatively small. In addition to the responsibility of epidemic prevention, the industry also shoulders the heavy responsibility of economic development. As at 30 June 2020, the real estate industry of Zhejiang, the place where we operate, recorded a year-on-year growth of 4%¹. According to 1H20 Hangzhou Property Market White Paper (2020年上半年杭州樓市白皮書) published by the China Index Academy (“**CIA**”), the total land premium of residential-use lands in urban area of Hangzhou reached RMB156.4 billion in the first half of 2020, ranking first among all cities across the China again. Taking advantages on the steady development of the real estate industry, and its important role in social governance, the property management industry has been able to fully demonstrate its value.

¹ Source: Zhejiang Statistics Bureau

In the face of the sudden outbreak of the Epidemic, property management service providers shoulder the responsibilities for prevention of the spreading of the Epidemic in community. “**Go Where There Is Epidemic, Fight It till It Perishes (疫情就是命令，防控就是責任)**” was a commitment of Xi Jinping to fight the Epidemic, the general secretary of the Chinese Communist Party. As the backbone of community protection, property management service providers played an important role in ensuring the safety and security of community and living environment of property owners during the outbreak of the Epidemic. As the Group stayed alert on the large public health issue and assumed its responsibilities for community security, the management of the Group anticipated the development of the Epidemic and took effective measures for prevention of the spreading of the Epidemic by promptly establishing a task force to coordinate the deployment of staff and procurement of materials. As at 23 August 2020, there were no infections recorded by property owners and staff on properties under our management. Our prompt response, professional management and allocation of resources during the battle against the Epidemic were highly recognized in the Epidemic by property owners and local governments as well as the national and local media such as the People’s Daily and the CCTV, etc.. Golden Jiangnan* (金色江南), Jiangnan Star* (江南之星) and Yuesheng International Community* (悅盛國際中心社區) were awarded “Anti-epidemic Pioneer Property Project (抗疫先鋒物業項目)”. Jiangnan Star* (江南之星), Wanjia Xingcheng* (萬家星城), Wenjing Yuan* (文景苑), Qiandaohu Dongfang Haiian* (千島湖東方海岸) and Daijiang Star* (大江之星) were awarded “Outstanding Property for Effective Epidemic Prevention (防疫得力物業)” by Hangzhou Housing Security and Management Bureau (杭州市住房保障和房產管理局). Pinghu Wanjia Huacheng* (平湖萬家花城) was awarded “Outstanding Unit for Anti-epidemic (抗疫先進單位)” by Pinghu Property Service Industry Association (平湖市物業服務行業協會).

* *for identification purpose only*

The Group continues to adhere to its qualitative development expansion strategy. Leveraging our in-depth knowledge of local market, the Group has established a brand name of property services by providing customized quality property management services, which is highly recognized by the market. The Group ranked 26th among the top 100 property management service brands selected by the CIA. As our quality services are highly recognized in the region, we have established a close business relationship with Hangzhou Binjiang Investment Holdings Co., Ltd., (“**Binjiang Holdings**”) and its subsidiaries (“**Binjiang Group**”, a leading property developer in China), which continuously provide large number of premium properties to us . In the first half of the year, the sales of Binjiang Group amounted to RMB54.7 billion. In respect to the land market, Binjiang Group overcame intense competition and acquired 20 premium lands at a total consideration of RMB52.4 billion². Furthermore, the recognition of our premium brand name helps facilitate our Group in the exploration of business opportunities with other independent third party developers and secure property management contracts for properties managed by property owners’ committees. In the first half of the year, the Group achieved remarkable results in business expansion and the revenue derived and area of properties developed by independent property developers under our management increased by 41.1% and 49.8%, respectively, as compared with the corresponding period of last year. As at 30 June 2020, area of properties developed by independent property developers under our management accounted for 34.6% of the total area under our management, representing an increase of 4.9 percentage points as compared with the corresponding period of last year. The Group maintained its steady growth and qualitative expansion.

In the future, the Group will always adhere to our mission statement of “Make Life Warmer” and further improve the quality of our professional and standardized services with an aim to provide property services with love and care. Great efforts will be put in developing innovative and smart management services. We will also enhance our risk awareness in order to prevent any problem in advance and will be strived to provide property owners with satisfaction, happiness and a safe and secured living environment. We aim to raise the industry value by sharpening the sense of responsibility and mission of the industry and strive to become an industry-leading brand and the benchmark for luxury quality.

² Source: 2020 interim report of Binjiang Group

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2020, the Group maintained steady growth and continued to place emphasis on its development in the Yangtze River Delta. The Group further expanded its operations in the Yangtze River Delta. The Group has 72 subsidiaries and branches covering 20 regions across the Zhejiang Province, as well as in Shanghai, Jiangsu Province and Jiangxi Province in China, providing property management services to approximately 77,000 property units. Moreover, the gross floor area currently being managed by us (“**GFA under management**”) and the combined GFA including those under management and to be managed under signed management contracts (“**contracted GFA**”) of the Group also increased significantly. During the Period, the Group made amendments on the definition of contracted GFA as follows: the GFA managed or to be managed by us under signed property management services contracts. Such amended definition is more consistent with that used within the industry. The Group intends to calculate all contracted GFA thereafter based on the new definition. As at 30 June 2020, the GFA under management was 16.8 million sq.m., representing a year-on-year increase of 28.2%, while the contracted GFA (calculated based on the new definition, similarly hereinafter) was 30.2 million sq.m., representing a year-on-year increase of 29.1%.

Focusing on its operation in Hangzhou with its strong base in Zhejiang, the Group has gained great advantages brought by high regional concentration. According to the statistics data of National Bureau of Statistics of China in 2019, disposal income per capita in Zhejiang amounted to RMB49,899, representing 1.6 times the national average (RMB30,733) and ranked third nationally (Shanghai and Beijing ranked the first and the second, respectively) and first within the province. Due to the nature of the industry, the development of the Group is closely related to the supply of commercial housing. In the first half of 2020, the area of newly supplied commercial housing (excluding affordable housing) in Hangzhou was 1.526 million sq.m., representing an increase of 79.6% as compared with the corresponding period of last year. It is worth noting that the turnover of properties in Hangzhou sold at RMB5 million or above accounted for 16.8% of the total property turnover, representing a year-on-year increase of 3.2 percentage points. Of which, the percentage of turnover of properties sold at RMB10 million or above grew by 0.8 percentage points as compared with the corresponding period of last year¹. Leveraging on its brand recognition among high-end properties, the Group has benefited from the high-end consumption trend in Hangzhou market. The Group’s main business focus is in Hangzhou and Zhejiang, with GFA within, accounting for 62.1% and 98.9% respectively in the first half of 2020. The Group was named as one of the “Top Ten Property Management Service Companies in Hangzhou (杭州物業服務優勢企業 TOP 10)” by the CIA.

¹ Source: China Index Academy

In the first half of 2020, the Group was awarded the “2020 China Excellent Listed Property Management Company by Investment Value (2020中國上市物業服務投資價值優秀企業)” by CIA. Below are some of the individual awards that properties under our management received during the first half of 2020. The phase I of Binjiang Wanjia Xincheng* (濱江萬家星城) and Qingtang Yingxiang Community* (錢塘印象社區) were awarded “2020 China 5-star Property Service Project (2020中國五星級物業服務項目)”. Hangzhou Wanjia Xingcheng Phase II* (杭州萬家星城二期), Shaoxing Golden Home* (紹興金色家園) and Quzhou Moon Bay* (衢州月亮灣) were awarded “Waste Sorting High Standard Model Community in Zhejiang (浙江省生活垃圾分類高標準示範社區)”. Wanjia Xingcheng* (萬家星城), Binjiang City Star* (濱江城市之星), Dawn City* (曙光之城), Daijiang Star* (大江之星), Golden Home* (金色家園) were named as “Beautiful Home (美好家園)” in Hangzhou. Quzhou Chunjiangyue* (衢州春江月), Lvgn Yunxi* (綠谷雲溪), Puyuang One* (浦陽壹號) were awarded “Garden Model Community in Zhejiang (浙江省園林示範社區)”. Quzhou Chunjiangyue* (衢州春江月) was awarded “Red Property Alliance Model Community in Quzhou (衢州市紅色物業聯盟示範引領社區)” and “Excellent Property Management Model Residential Community in Quzhou (衢州市物業管理優秀示範住宅小區)”. Jinhua Binjiang Jinse Lanting* (金華濱江金色藍庭) was awarded “Model Property Management Project in Jinhua (金華市物業管理示範項目)”. Nanxiaobu Wenjing Garden* (南肖埠文景苑) and Nanxiaobu Qinghe Garden* (南肖埠慶和苑) were awarded “Five-star Property Management Project (物業管理工作五星級物業)”. Puyuang One* (浦陽壹號) was awarded “Excellent Property Project in Jinhua (金華市優秀物業項目)”. Quzhou Moon Bay* (衢州月亮灣) was awarded “Excellent Unit for Community Coordination and Disaster Prevention and Mitigation (社區聯動、防災減災優秀組織單位)” and “Excellent Property Management Model Residential Community in Quzhou (衢州市物業管理優秀示範住宅小區)”. Dawn City* (曙光之城) was awarded “Excellent Community for Waste Sorting (垃圾分類工作優勝小區)”. Wanjia Mingcheng Phase II* (萬家名城二期) was awarded “Outstanding Property Security Unit (優秀物業保安從業單位)”. Golden Dawn Phase I* (金色黎明一期) was awarded “Outstanding Fire Station of Community (星級社區消防站)” and “Model Community for Waste Sorting in Hangzhou (杭州市垃圾分類示範小區)”. Golden Jiangnan* (金色江南) was awarded “First Prize of Excellent Project in Qianjiang Century City (錢江世紀城優秀項目一等獎)”, “Five-star Property Service Project in Xiaoshan (蕭山區五星級物業服務項目)” and “Model Community for Waste Sorting in Hangzhou (杭州市垃圾分類示範小區)”. Xiaoshan Branch in Hangzhou was awarded “Outstanding Security Unit (優秀保安從業單位)” by Xiaoshan Branch of Hangzhou Public Security Authorities. Our Jinhua Branch was awarded “Outstanding Company in Building National Civilized Cities in Jinhua (金華市創建全國文明城市成績突出集體)”. The Group is committed to the corporate tenet of “Property Owners First, Service First, Quality First” through providing standardized and specialized services.

* for identification purpose only

Leveraging on its high-quality service, the Group has been managed to expand its business through various ways and undertake a wide range of projects. In addition to undertaking government projects and maintaining good relationship with strategic partners, the Group also achieved remarkable results in bidding. The Group has undertaken Yun He Ting Phase I (雲荷廷一期) project since January 2020 and has been highly recognized by property owners with its quality services in only half year. With such recognition, we successfully attracted property owners in surrounding communities and won the bidding for Yun He Ting Phase II (雲荷廷二期) project in June 2020, demonstrated that the Group attracts potential customers with its high-quality services and grasp such opportunities to expand its business. In addition, Yinxing Hui (銀杏匯), a super high-rise and high-end residential building with a landmark height of 150 meters by the Qiantang River, became one of the projects managed by us in the first half of the year, reflecting that the service quality of the Group is well-recognized by high-end market.

In view of the rapid development of the overall property services industry in recent years, the Group shall expand its scale and increase its profit while maintaining its service quality. The Group will regard its service quality as its core competitiveness and will raise the standard of specialized services by leveraging on its effective and flat structure management. The Group will increase its investment in technologies to enhance the efficiency of its management and operation. Through strengthening staff management, monitoring facilities and equipment and upgrading internal systems, the operation procedures will be streamlined and the quality assurance system will be optimized to further improve its service capabilities. The Group will be able to expand its scale and increase its profits while maintaining its service quality.

Business models of the Group

The Group has three major business lines, namely property management services, value-added services to non-property owners and value-added services to property owners, together they form an entire value chain of comprehensive services covering all kinds of property management business.

- Property management services. The Group provides a series of high-quality property management services, including security, cleaning, gardening, repair, maintenance and ancillary services and charges service fee from residents and property owners or real estate developers of such properties under our management for property management services.
- Value-added services to non-property owners. The Group provides value-added services to non-property owners, mainly to property developers. These services refer to pre-delivery services, consulting services and community space services. Pre-delivery services include cleaning, assisting with quality check and security services for completed properties, displaying units and providing property sales venues management services to property developers at the pre-delivery state of a sale of property. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.
- Value-added services to property owners. The Group also provides value-added services to property owners. These services include home living services, customized home furnishing services, property agent business as well as car park space and store room sales. For home living services, in view of the different functions in residential and non-residential properties, the Group provided additional services that are tailored to our customers' need. In addition, seeing the growth potential of high-end customized home furnishing service market, the Group leverages our service concept "Living Home" to provide elegant, stylish, modern and customized home furnishing services to our customers.

For the six months ended 30 June 2020, the Group's revenue increased by 31.1% from the corresponding period of last year to RMB416.0 million. The Group's gross profit increased by 48.9% from the corresponding period of last year to RMB136.7 million. The Group's gross profit margin increased by 4 percentage points from the corresponding period of last year to 32.9%. The increase was mainly due to the growth in property management services and value-added services to property owners and decrease in costs as a result of the social insurance concession policy in view of the outbreak of Epidemic. Revenue generated from property management services were RMB254.5 million, revenue generated from value-added services to non-property owners were RMB121.4 million, and revenue generated from value-added services to property owners were RMB40.1 million.

In the first half of 2020, the average monthly property management fee of the Group was approximately RMB4.23 per sq.m. (the corresponding period of 2019: RMB4.06 per sq.m.), calculated by dividing the property management fee income for the period by the average chargeable GFA at the beginning and the end of the period.

It has been the strategic objective of the Group to expand our managed area. The Group seeks to maintain steady increase in contracted GFA and GFA under management through various channels.

The table below sets out the contracted GFA and GFA under management of the Group for the Period and the corresponding period of 2019:

	For the six months ended 30 June			
	2020		2019	
	Contracted GFA (<i>'000 sq.m.</i>)	GFA under Management (<i>'000 sq.m.</i>)	Contracted GFA (<i>'000 sq.m.</i>)	GFA under Management (<i>'000 sq.m.</i>)
At the beginning of the period	26,804	14,369	20,785	11,633
Addition	3,551	2,605	2,566	1,465
Termination	159	159	—	—
At the end of the period	<u>30,196</u>	<u>16,815</u>	<u>23,351</u>	<u>13,098</u>

Note: As at 30 June 2020, the Group had 196 contracted projects and the contracted GFA was 30.2 million sq.m. (as of 30 June 2019: 23.4 million sq.m.). During the Period, the average monthly property management fee of the Group was approximately RMB4.23 per sq.m. (the corresponding period of 2019: RMB4.06 per sq.m.) calculated by dividing the property management fee income for the period by the average chargeable GFA at the beginning and the end of the period.

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 2019:

	For the six months ended 30 June					
	2020			2019		
	Revenue (RMB'000)	GFA under Management ('000 sq.m.)	Number of projects	Revenue (RMB'000)	GFA under Management ('000 sq.m.)	Number of projects
Residential	210,881	14,489	84	157,770	11,413	66
Non-residential	43,570	2,326	31	33,528	1,685	22
Total	<u>254,451</u>	<u>16,815</u>	<u>115</u>	<u>191,298</u>	<u>13,098</u>	<u>88</u>

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 2019:

	For the six months ended 30 June					
	2020			2019		
	Revenue (RMB'000)	GFA under Management ('000 sq.m.)	Number of projects	Revenue (RMB'000)	GFA under Management ('000 sq.m.)	Number of projects
Properties developed by Binjiang Group	173,718	10,992	63	134,091	9,210	53
Properties developed by independent property developers	80,733	5,823	52	57,207	3,888	35
Total	<u>254,451</u>	<u>16,815</u>	<u>115</u>	<u>191,298</u>	<u>13,098</u>	<u>88</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 2019:

	For the six months ended 30 June					
	2020			2019		
	Revenue	GFA under	Number of	Revenue	GFA under	Number of
	(RMB'000)	Management	projects	(RMB'000)	Management	projects
		('000 sq.m.)			('000 sq.m.)	
Hangzhou	191,884	10,446	78	152,127	8,540	61
Zhejiang province (excluding Hangzhou)	55,392	6,178	36	39,171	4,367	26
Outside Zhejiang	7,175	191	1	—	191	1
Total	<u>254,451</u>	<u>16,815</u>	<u>115</u>	<u>191,298</u>	<u>13,098</u>	<u>88</u>

Prospects

Further promotion of quality brand building

The Group will further raise its service standard and develop tailor-made services in order to become a leading property service provider and a model company in Hangzhou and gain brand recognition by leveraging on the quality and brand recognition of Binjiang Real Estate. Through providing effective and consistent services, the Group will gain higher brand value and sustainable market competitiveness. Aiming to become an industry-leading brand and the benchmark for luxury quality, the Group will upgrade its existing service system, strictly and closely monitor its daily quality control and optimize its service system of the customer service butler team, so as to ensure the long-lasting quality of external projects and delivered property projects.

Further expansion of business scale and market share

According to CIA, the property management service industry in China is highly fragmented. The Group intends to leverage on our successful experience in the high-end market in the Yangtze River Delta and our existing service management system and standard to expand the business coverage in eastern China, focusing on Hangzhou and the Yangtze River Delta. The Group will also explore the opportunities in Guangdong, Hong Kong, Macau and the mid-west China. Once we have established a presence in a new regional market, we plan to grow our presence rate in the market with a view to enhance our economies of scale.

Introduction of various services

Based on the demands of property owners, the Group will refine the concept of “Living Home” service by leveraging on its professional property products and services, so as to expand its leasing service, renovation, repair and maintenance, existing household furnishing upgrades and replacements, sales of real estate and other businesses. In addition, the Group will capitalize its advantages of the existing platform to establish strategic partnerships through various channels and expand its service coverage. The Group will maintain and seek for more opportunities for cooperating with well-known enterprises in the industry, and will promote and replicate its successful cooperation model.

Further improvement of management and operation systems

To sustain our growth, the Group has established a talent development system covering both internal training, promotion and external recruitment. The Group's internal training features differentiated employee cultivation, performance assessment and incentive schemes which tailor to the needs of different positions from entry-level staff to senior management. The Group also focuses on external recruitment to expand our talent pool and nurture management for the future. The Group will also seek to reduce labour cost, improve the motivation of employees and improve management efficiency by using technology, introducing intelligent management system through various channels and rearranging business processes.

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 61.2% of total revenue; (ii) value-added services to non-property owners is the second largest source of revenue for the Group, accounting for 29.2% of total revenue.

	For the six months ended 30 June				Changes %
	2020		2019		
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	
Property management services	254,451	61.2	191,298	60.3	33.0
Property management services for residential properties	210,881	50.7	157,770	49.7	33.7
Property management services for non-residential properties	43,570	10.5	33,528	10.6	30.0
Value-added services to non-property owners	121,390	29.2	110,889	34.9	9.5
Pre-delivery services	107,477	25.8	92,641	29.2	16.0
Consulting services	7,461	1.8	8,253	2.6	(9.6)
Community space services	6,452	1.6	9,995	3.1	(35.4)
Value-added services to property owners	40,137	9.6	15,117	4.8	165.6
Home living services	13,984	3.3	13,098	4.2	6.8
Customized home furnishing services	11,913	2.9	1,020	0.3	1067.9
Property agent services	833	0.2	999	0.3	(16.6)
Sales of car park space and store room	13,407	3.2	—	—	—
Total	<u>415,978</u>	<u>100.0</u>	<u>317,304</u>	<u>100.0</u>	31.1

Property management services consist of security, cleaning, gardening, repair, maintenance and ancillary services. Revenue generated amounted to RMB254.5 million, representing an increase of 33.0% as compared with RMB191.3 million for the corresponding period of 2019. It was the Group's main source of revenue and accounted for 61.2% of total revenue for the six months ended 30 June 2020. The increase of revenue was mainly because the number of projects under management increased by 27 over the corresponding period of the last year. Revenue generated from the provision of property management services to properties developed by Binjiang Group was RMB173.7 million as compared with RMB134.1 million for the corresponding period of 2019, accounted for 68.3% 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 RMB121.4 million, representing an increase of 9.5% as compared with RMB110.9 million for the corresponding period of 2019, and accounted for approximately 29.2% 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.

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 RMB40.1 million, representing an increase of 165.6% as compared with RMB15.1 million for the corresponding period of 2019, and accounted for approximately 9.6% of the Group's total revenue. The increase of revenue was mainly due to the growth in customized home furnishing services and sales of car park space.

Gross profit and gross profit margin

Based on the above factors, during the Period, the Group's gross profit increased by 48.9% from RMB91.8 million for the six months ended 30 June 2019 to RMB136.7 million for the six months ended 30 June 2020. The Group's gross profit margin increased by 4.0 percentage points from 28.9% for the six months ended 30 June 2019 to 32.9% for the six months ended 30 June 2020, mainly due to significant increase in gross profit from property management services and significant growth in value-added services to property owners with higher gross profit margin.

	For the six months ended 30 June						
	2020			Change in gross profit margin Percentage points	2019		
	Gross profit	Gross profit margin	% of gross profit		Gross profit	Gross profit margin	% of gross profit
	<i>RMB'000</i>	%	%		<i>RMB'000</i>	%	%
Property management services	55,873	22.0	40.9	6.1	30,346	15.9	33.1
Value-added services to non-property owners	59,758	49.2	43.7	2.1	52,241	47.1	56.9
Value-added services to property owners	21,064	52.5	15.4	(8.4)	9,207	60.9	10.0
Total	<u>136,695</u>	32.9	<u>100.0</u>	4.0	<u>91,794</u>	28.9	<u>100.0</u>

Gross profit of property management services increased by 84.5% from RMB30.3 million for the six months ended 30 June 2019 to RMB55.9 million for the six months ended 30 June 2020, and gross profit margin increased by 6.1 percentage points from 15.9% for the six months ended 30 June 2019 to 22.0% for the six months ended 30 June 2020, mainly due to the increase in gross profit margin from newly delivered projects and decrease in costs as a result of the social insurance concession policy during the outbreak of Epidemic.

Gross profit of value-added services to non-property owners increased by 14.3% from RMB52.3 million for the six months ended 30 June 2019 to RMB59.8 million for the six months ended 30 June 2020, and gross profit margin increased by 2.1 percentage points from 47.1% for the six months ended 30 June 2019 to 49.2% for the six months ended 30 June 2020, mainly due to the decrease in costs as a result of the social insurance concession policy during the outbreak of Epidemic.

Gross profit of value-added services to property owners increased by 129.3% from RMB9.2 million for the six months ended 30 June 2019 to RMB21.1 million for the six months ended 30 June 2020, and gross profit margin decreased from 60.9% for the six months ended 30 June 2019 to 52.5% for the six months ended 30 June 2020. The decrease was mainly due to the decrease in overall gross profit margin resulted from the significant growth in customized home furnishing services.

Cost of sales

During the Period, the Group's cost of sales increased by 23.8% from RMB225.5 million for the six months ended 30 June 2019 to RMB279.3 million for the six months ended 30 June 2020, mainly due to the 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 50.0% from RMB0.4 million for the six months ended 30 June 2019 to RMB0.2 million for the six months ended 30 June 2020.

Administrative expenses

During the Period, the Group's administrative expenses decreased by 52.6% from RMB26.6 million for the six months ended 30 June 2019 to RMB12.6 million for the six months ended 30 June 2020, mainly due to the listing expenses of RMB14.2 million incurred in the corresponding period of 2019, which we did not incur in the Period.

Other expenses

During the Period, the Group's other expenses increased from RMB2.3 million for the six months ended 30 June 2019 to RMB6.0 million for the six months ended 30 June 2020, mainly due to the increase in impairment losses on trade receivables as a result of the increase in credit risks.

Net finance income/(costs)

During the Period, the Group's finance income represents interest income on bank deposits, the finance income increased from RMB3.9 million for the six months ended 30 June 2019 to RMB14.3 million for the six months ended 30 June 2020. The increase was mainly because the Group 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 home furnishing service fees received from property owners categorized as contract liabilities. The finance costs decreased from RMB1.0 million for the six months ended 30 June 2019 to RMB0.2 million for the six months ended 30 June 2020, mainly due to the decrease in 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 RMB1.6 million for the six months ended 30 June 2019 to a loss of RMB0.9 million for the six months ended 30 June 2020, mainly because the results for this year was not improved as the business of the Group's share of an associate were under expansion.

Profit before taxation

During the Period, profit before taxation was RMB138.9 million, representing an increase of 109.5% as compared with RMB66.3 million for the corresponding period of 2019, mainly due to the growth in business and gross profit margins in the current period. In addition, the increase was also because we did not incur any listing expenses and recorded an increase in interest income.

Income tax

During the Period, income tax expenses were RMB35.2 million, representing an increase of 102.3% as compared with RMB17.4 million for the corresponding period of 2019, mainly due to the increase in the profit before taxation for the Period.

Profit for the Period

During the Period, the Group's profit was RMB103.8 million, representing an increase of 112.3% as compared with RMB48.9 million for the corresponding period of 2019, mainly due to increased business scale and sales income. Profit attributable to equity shareholders of the Company was RMB102.6 million, representing an increase of 110.7% as compared with RMB48.7 million for the corresponding period of 2019. Net profit margin (profit attributable to equity shareholders of the Company divided by revenue) was 24.7%, representing an increase of 9.4 percentage points as compared with 15.3% for the corresponding period of the last year, mainly because we recorded an increase in profit and did not incur any listing expenses in the Period.

Current assets, financial resources

The Group maintained good financial performance during the Period. As at 30 June 2020, current assets were RMB1,230.0 million, representing an increase of 13.4% as compared with RMB1,084.5 million as at 31 December 2019.

The Group's cash and cash equivalents were RMB684.7 million, representing an increase of 32.5% as compared with RMB516.7 million as at 31 December 2019. This was mainly due to the growth in results of the Group. Current ratio during the Period was 2.07 times, representing a decrease as compared with 2.28 times as at 31 December 2019.

As at 30 June 2020, the total equity of the Group was RMB758.1 million, representing an increase of 4.3% as compared with RMB726.6 million as at 31 December 2019. This was mainly due to the increase in profit.

Property, plant and equipment

As at 30 June 2020, the property, plant and equipment of the Group amounted to RMB11.7 million, representing a decrease of 9.6% as compared with RMB12.9 million as at 31 December 2019, mainly due to the decrease in right of use assets for the Period.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2020.

Pledged assets

The Group did not have any pledged assets as at 30 June 2020.

Trade and other receivables

As at 30 June 2020, trade and other receivables amounted to RMB125.4 million, representing an increase of RMB59.1 million or 89.1% as compared with RMB66.3 million as at 31 December 2019, 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 2020, trade and other payables amounted to RMB352.8 million, representing an increase of RMB34.5 million or 10.8% as compared with RMB318.3 million as at 31 December 2019. 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 2020, the Group employed a total of 4,836 employees (as at 31 December 2019: 4,280). During the Period, the staff costs of the Group were RMB173.0 million (for the six months ended 30 June 2019: RMB152.1 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

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities.

The Company, the British Virgin Islands subsidiary and the Hong Kong subsidiary's functional currency is HKD. Their businesses are principally conducted in HKD. In addition, as the HKD is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

The functional currency of the Group's subsidiaries in the PRC is RMB and their businesses are principally conducted in RMB. Therefore, the Group considers the currency risk to be insignificant. Currently, the Group has not entered into any hedging transactions.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020.

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. Throughout the six months ended 30 June 2020, 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 2020.

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 throughout the six months ended 30 June 2020.

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 for the six months ended 30 June 2020.

EVENTS AFTER THE PERIOD

The Group had no subsequent event after 30 June 2020 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The total proceeds from the Listing and Over-allotment amounted to HK\$455.3 million. The net proceeds from the Listing were approximately HK\$389.8 million (after deducting listing expenses), which are intended to be utilized in the manner as disclosed in the section headed “**Future Plans and Use of Proceeds**” in the Prospectus of the Company dated 28 February 2019. The net proceeds from the Over-allotment were approximately HK\$65.5 million (after deducting over-allotment expenses), which are intended to be utilized pro-rata in accordance with the purposes described in the section headed “**Future Plans and Use of Proceeds**” in the Prospectus.

The Group had utilized approximately HK\$59.7 million of the net proceeds as at 30 June 2020. The unutilized net proceeds of approximately HK\$395.6 million are intended to be applied in the manner consistent with the proposed allocations. As at 30 June 2020, the net proceeds had been utilized as follows:

Use of proceeds	Amount of net proceeds <i>HK\$ million</i>	Unutilized amount as at 1 January 2020 <i>HK\$ million</i>	Utilized amount during the Period <i>HK\$ million</i>	Unutilized amount as at 30 June 2020 <i>HK\$ million</i>
Acquisition of property management companies located in major cities in the Yangtze River Delta to further increase the Group’s market share in the existing market, and also in new cities such as Shenzhen to expand the Group’s geographical coverage ¹	159.4	159.4	—	159.4
Updating the Group’s management service systems and recruiting and nurturing talents ²	113.8	103.7	24.3	79.4
Investment in the asset management platform to engage in the operation of industrial parks ³	91.1	91.1	—	91.1
Establishing joint venture companies or platform through the cooperation with local governments and property developers ⁴	45.5	36.2	7.0	29.2
As working capital and for other general corporate purposes ⁵	45.5	43.8	7.3	36.5
	<u>455.3</u>	<u>434.2</u>	<u>38.6</u>	<u>395.6</u>

The use or proposed use of proceeds from the Listing is in compliance with the plans previously disclosed in the section headed “**Future Plans and Use of Proceeds**” in the Prospectus and there have been no material changes or delays.

1. The Group is actively identifying acquisition targets, and this portion of proceeds will be used after the acquisition targets are determined. It is expected that this portion of proceeds will be completely utilized by 2022.
2. The Group has started to update the management service system in 2019, which is expected to be completed by 2021. The proceeds for recruitment and nurture of talents will be used according to the needs of the Group from time to time.
3. The Group expects that investment in the platform will be made in 2020 and the establishment of the platform will be completed by 2021. The Group actively explored a platform for investment for the six months ended 30 June 2020. The proceeds will be used when a suitable platform is identified.
4. The Group has launched the cooperation projects and established joint venture companies in the second half of 2019. The projects will be completed by 2021. As at 30 June 2020, 4 joint ventures had been established to manage 7 existing management projects and 1 pre-delivery project.
5. To be used according to the business needs of the Group from time to time. It is expected that this portion of proceeds will be completely utilized by 2022.

Any changes in the aforesaid plans of the use of proceeds will be published via an announcement in due course or updated in the annual report for 2020 of the Company.

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 despatched 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
27 August 2020

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.