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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 2021

The board (the “**Board**”) of directors (the “**Directors**”) 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 2021 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2020. 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 30 August 2021.

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 (“**Shareholders**”).

HIGHLIGHTS

The Group achieved the following results for the six months ended 30 June 2021:

- The Group's revenue was RMB591.2 million, representing an increase of 42.1% as compared with an amount of RMB416.0 million for the corresponding period of 2020.
- The Group's revenue generated from three business lines are as follows:
 - 1) revenue from property management services was RMB364.5 million, accounting for 61.7% of total revenue, representing an increase of 43.2% as compared with an amount of RMB254.5 million for the corresponding period of 2020;
 - 2) revenue from value-added services to non-property owners was RMB161.0 million, accounting for 27.2% of total revenue, representing an increase of 32.6% as compared with an amount of RMB121.4 million for the corresponding period of 2020; and
 - 3) revenue from 5S value-added services (formerly named as "value-added services to property owners") was RMB65.6 million, accounting for 11.1% of total revenue, representing an increase of 63.6% as compared with an amount of RMB40.1 million for the corresponding period of 2020.
- Gross profit was RMB195.2 million, representing an increase of 42.8% as compared with an amount of RMB136.7 million for the corresponding period of 2020. Gross profit margin was 33.0%, representing an increase of 0.1 percentage points as compared with gross profit margin of 32.9% for the corresponding period of 2020.
- Profit for the Period was RMB146.5 million, representing an increase of 41.1% as compared with an amount of RMB103.8 million for the corresponding period of 2020. Profit for the Period attributable to equity shareholders of the Company was RMB145.0 million, representing an increase of 41.3% as compared with amount of RMB102.6 million for the corresponding period of 2020.

- GFA under management of the Group reached 24.9 million sq.m., representing an increase of 48.0% as compared with the corresponding period of last year. Its GFA under management developed by independent third parties was 10.8 million sq.m., accounting for 43.4% of total GFA under management and representing an increase of 8.8 percentage points as compared with the corresponding period of last year. GFA under management acquired in the first half of 2021 was 4.9 million sq.m. Its GFA under management developed by independent third parties accounted for 78.3% of total GFA under management acquired.
- Having considered the positive performance of business development of the Group and returns of shareholders, the Board recommends the payment of an interim dividend for the six months ended 30 June 2021 of HK\$0.379 per share. The dividend ratio of its net profit attributable to equity shareholders of the Company is approximately 60%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi Yuan)

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	3(a)	591,190	415,978
Cost of sales		<u>(395,951)</u>	<u>(279,283)</u>
Gross profit		<u>195,239</u>	<u>136,695</u>
Other revenue	4	3,168	7,713
Other net (loss)/income	4	(276)	118
Selling and marketing expenses		(244)	(183)
Administrative expenses		(18,232)	(12,597)
Impairment losses on trade receivables		(4,239)	(5,992)
Other expenses		<u>(493)</u>	<u>(16)</u>
Profit from operations		<u>174,923</u>	<u>125,738</u>
Finance income		17,699	14,341
Finance costs		<u>(240)</u>	<u>(226)</u>
Net finance income	5(a)	<u>17,459</u>	<u>14,115</u>
Share of profits less losses of associates		<u>985</u>	<u>(921)</u>
Profit before taxation	5	193,367	138,932
Income tax	6	<u>(46,876)</u>	<u>(35,150)</u>
Profit for the period		<u>146,491</u>	<u>103,782</u>
Attributable to:			
Equity shareholders of the Company		145,037	102,649
Non-controlling interests		<u>1,454</u>	<u>1,133</u>
		<u>146,491</u>	<u>103,782</u>

	Six months ended 30 June	
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	146,491	103,782
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	(2,858)	7,896
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	975	—
Total comprehensive income for the period	<u>144,608</u>	<u>111,678</u>
Attributable to:		
Equity shareholders of the Company	143,154	110,545
Non-controlling interests	1,454	1,133
Total comprehensive income for the period	<u>144,608</u>	<u>111,678</u>
Earnings per share	<i>7</i>	
Basic and diluted (<i>RMB</i>)	<u>0.52</u>	<u>0.37</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited
(Expressed in Renminbi Yuan)

	<i>Note</i>	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Non-current assets			
Investment properties		1,699	2,124
Property, plant and equipment		16,515	14,595
Investment in associates		4,917	3,932
Deferred tax assets		16,333	12,520
Time deposits		101,300	101,300
		<u>140,764</u>	<u>134,471</u>
Current assets			
Inventories		80,259	52,044
Trade and other receivables	8	160,990	95,691
Time deposits		345,208	368,528
Restricted bank balances		42,535	46,461
Cash and cash equivalents		802,850	805,394
		<u>1,431,842</u>	<u>1,368,118</u>
Current liabilities			
Contract liabilities		277,702	107,482
Trade and other payables	9	371,760	473,326
Lease liabilities		1,363	1,202
Current taxation		49,813	60,943
		<u>700,638</u>	<u>642,953</u>
Net current assets		<u>731,204</u>	<u>725,165</u>
Total assets less current liabilities		<u>871,968</u>	<u>859,636</u>
Non-current liability			
Lease liabilities		659	1,303
NET ASSETS		<u>871,309</u>	<u>858,333</u>

	<i>Note</i>	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
CAPITAL AND RESERVES			
Share capital		181	181
Reserves		<u>852,966</u>	<u>841,444</u>
Total equity attributable to equity shareholders of the Company		853,147	841,625
Non-controlling interests		<u>18,162</u>	<u>16,708</u>
TOTAL EQUITY		<u>871,309</u>	<u>858,333</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

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 2021 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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 IFRS 16, *COVID-19-related rent concessions*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform Phase 2*

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. 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 5S value-added services (formerly named as "value-added services to property owners"). 5S value-added services include community value-added services, customised interior furnishing services and brokerage services for property sales and leasing.

Revenue represents income from property management services, value-added services to non-property owners and 5S value-added services.

The amount of each significant category of revenue are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Revenue recognised over time:		
Property management services	364,515	254,451
Value-added services to non-property owners	161,038	121,390
5S value-added services	17,705	13,984
	543,258	389,825
Revenue recognised at point in time:		
5S value-added services (<i>note</i>)	47,313	26,153
	590,571	415,978
Revenue from other sources		
5S value-added services		
— Rental income from investment properties	619	—
	591,190	415,978

Note: For 5S value-added services 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 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 People's Republic of China (the "PRC") and almost all of carrying values of the Group's assets are situated in the PRC.

4 Other revenue and other net (loss)/income

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Other revenue		
Government grants (<i>note (i)</i>)	3,150	7,579
Others	18	134
	<u>3,168</u>	<u>7,713</u>

- (i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities. During the six months ended 30 June 2021, the Group did not receive any subsidy income from the relevant government in relation to the impact of the Coronavirus Disease 2019 ("COVID-19") (six months ended 30 June 2020: RMB4,880,000).

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Other net (loss)/income		
Net loss on disposal of property, plant and equipment	(744)	(2)
Net realised gains on financial assets classified as fair value through profit or loss	325	728
Net foreign exchange gains/(losses)	143	(608)
	<u>(276)</u>	<u>118</u>

5 Profit before taxation

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

(a) Net finance income

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest income on bank deposits	(17,699)	(14,341)
Interest expense on advance payments from customers	178	115
Interest on lease liabilities	62	111
	<u> </u>	<u> </u>
Net finance income	<u><u>(17,459)</u></u>	<u><u>(14,115)</u></u>

(b) Staff costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries and other benefits	228,724	161,004
Contributions to defined contribution scheme (note i)	24,617	11,971
	<u> </u>	<u> </u>
	<u><u>253,341</u></u>	<u><u>172,975</u></u>

Note:

- (i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Due to the impact of COVID-19 epidemic, 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.

(c) *Other items*

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation		
— Property, plant and equipment	2,427	2,716
— <i>owned property, plant and equipment</i>	2,166	1,623
— <i>right-of-use assets</i>	261	1,093
— investment properties	425	—
	<u>2,852</u>	<u>2,716</u>
Impairment losses on trade receivables	4,239	5,992
Expenses related to short-term leases	3,057	1,529
Auditors' remuneration	500	500
Cost of inventories	7,136	13,169
Outsourcing labor costs	60,488	40,866

6 Income tax

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
PRC corporate income tax	50,683	38,637
Under-provision in respect of prior years	6	2
	<u>50,689</u>	<u>38,639</u>
Deferred taxation		
Origination and reversal of temporary differences	(3,813)	(3,489)
	<u>46,876</u>	<u>35,150</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 RMB145,037,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB102,649,000) and the weighted average of 276,407,000 ordinary shares (six months ended 30 June 2020: weighted average number of 276,407,000 shares) in issue during the period.

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 2021 and 2020.

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 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 1 year	76,256	22,346
1 to 2 years	4,815	1,532
Total trade receivables from third parties, net of loss allowance	81,071	23,878
Deposits and prepayments	11,675	13,834
Amounts due from related parties	41,533	34,436
Payments on behalf of property owners	6,374	4,308
Advances to employees	3,181	1,103
Interest receivables	14,834	16,309
Other receivables	2,322	1,823
	160,990	95,691

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 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month or on demand		28,228	27,500
After 1 month but within 3 months		662	—
After 3 months but within 1 year		—	300
Over 1 year		3,131	3,312
Total trade payables from third parties		32,021	31,112
Amounts due to related parties	<i>(i)</i>	17,647	17,614
Deposits		41,436	32,158
Other taxes and charges payable		2,611	5,141
Accrued payroll and other benefits		115,543	119,755
Cash collected on behalf of the property owners' associations		40,047	46,411
Temporary receipts from property owners		104,976	207,462
Other payables and accruals		17,479	13,673
		<u>371,760</u>	<u>473,326</u>

- (i) The amounts due to related parties are unsecured and interest-free. Among which, RMB17,262,000 (2020: RMB17,221,000) are prepaid consulting services fees received from related parties and expected to be recognised as income within one year.

10. Dividend

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend of HKD0.379 per share proposed after the interim period (six months ended 30 June 2020: Nil)	<u>86,990</u>	<u>—</u>

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

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

During the six months ended 30 June 2021, a final dividend of HKD0.564 per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: final dividend of HKD0.228 per share and special dividend of HKD0.091 per share) was declared and paid to the equity shareholders of the Company. The aggregate amount of the final dividend declared and paid during the six months ended 30 June 2021 amounted to HKD155,894,000 (RMB equivalent 131,632,000) (six months ended 30 June 2020: HKD88,174,000 (RMB equivalent 80,113,000)).

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 2021.

With the improvement of the social development level, the property service industry has played an increasingly important role in promoting basic governance, responding to emergencies and the safeguarding of the daily life of people. At the beginning of the year, the Circular on Strengthening and Improving the Administration of Residential Property (《關於加強和改進住宅物業管理工作的通知》) was jointly issued by Ministry of Housing and Urban-Rural Development and ten ministries and commissions, pursuant to which provincial and municipal governments issued new policies on the property management to follow the policy guidance of the Central Government. Furthermore, “property service” was mentioned for six times in the outline of “14th Five-Year Plan”, reflecting that the Central and local governments have been committed to supporting and encouraging the development of the property management industry. On 28 May 2021, the Opinions on Promoting the Construction of a 15-minute Convenient Living Circle in Cities (《關於推進城市一刻鐘便民生活圈建設的意見》) was jointly issued by twelve ministries, including the Ministry of Commerce, to encourage qualified property service companies to extend their business to various sectors. As part of the initiative, the integration of property services and lifestyle services was promoted as the development direction of the property service industry.

With its strategic positioning of becoming an industry-leading brand and the benchmark for luxury quality, the Group further promoted its brand building and increased its management scale in accordance with the strategies formulated by the Board in 2020. Leveraging its professional property products and services as well as renowned quality, the Group developed a value-added services system focusing on 5S. Meanwhile, the Group actively implemented management standardization and product standardization. The Group also improved its operating efficiency through technological means in an effort to provide better service experience for property owners.

Striving to build brand name with quality services

The Group adheres to its mission of providing high-quality service and strives to become a leading property service provider in China and a model company in Hangzhou within one to three years. All service centers conscientiously perform duties in line with the Company's star-rated service standard system. The Group's functional departments has continuously reviewed the quality of its projects on a regular basis by carrying out comprehensive inspections on projects in seven aspects, including safety hazards, internal management, maintenance, cleaning and gardening, civil construction and installation, directories and other details. The quality inspection team, which is supervised by the senior management of the Group and comprised of experts from various areas, is responsible for examining the operation of residential buildings, office buildings and industrial parks with professional insights and providing on-site guidance to project managers for rectification. As such, the awareness of quality service among all project managers was enhanced. The Group has implemented reward and punishment mechanism and established a problem-solving mechanism for sharing solutions based on its management experience in order to enhance its management efficiency.

In addition, attaching great importance to safety, the Group strengthened its fire safety management and took precautionary measures for floods and typhoons in the first half of 2021. Project managers are responsible for the implementation of such measures while professional teams at our headquarters are responsible for verification to effectively prevent accident from occurring.

Committed to expanding business with excellent brand image

The Group continues to adhere to its qualitative development expansion strategy and strives to promote its growth based on its brand name and expanding its business through projects under management. As at 30 June 2021, GFA under management ("**GFA under management**") under signed property management contracts reached 24.9 million sq.m., representing an increase of 48.0% as compared with the corresponding period of last year. GFA under management developed by independent third parties reached 10.8 million sq.m., accounting for 43.4% of total GFA under management and representing an increase of 8.8 percentage points as compared with the corresponding period of last year. GFA under management acquired during the first half of 2021 reached 4.9 million sq.m., 78.3% of which was developed by independent third parties. In the first half of the year, the Group proactively expanded its business into Lishui, Zhejiang, Wenzhou, Zhejiang, and Shangrao, Jiangxi by undertaking management projects and undertook a commercial management project developed by an independent third party in Shanghai for the first time. In the first half of 2021, the Group established cooperation relationships with two new strategic partners, namely Jianhang Real Estate (建杭置業) and Yiwu Construction Investment (義烏建投). In the first half of the year, the Group further expanded its business into the Zhejiang market through establishing a regional operation department in central and southern Zhejiang.

Promoting value-added services by capitalizing on its reputation among property owners

As at 30 June 2021, the GFA under management in Hangzhou of the Group reached 15.4 million sq.m., accounting for 62.0% of the total GFA under management of the Group, which remained relatively stable. Leveraging its excellent brand reputation and concentration advantages, the Group gradually promoted its 5S value-added services based on the needs of property owners and its own resource advantages. 5S value-added services are full-cycle one-stop services covering property management and maintenance. In the first half of 2021, the Group launched Binjiang Youjia (濱江優家), a direct brokerage business platform, and Binjiang Youju (濱江優居), a one-stop home furnishing service platform. The establishment and optimization of the teams responsible for the operation of these platforms are underway. In addition, the Group continued to develop home living services, including lifestyle optimization services (優享生活), so as to provide customers with thoughtful and quality services based on its existing resources and brand image.

Improving management through standardization

The Group has put great efforts in promoting the standardization of management and products. Capitalizing on its advantages of high regional concentration of projects, the Group further optimized its staffing through internal restructuring. The Group has refined gold butler training to build a gold butler team that focuses on “services, quality and operation” and provided clear career and promotion path to its employees, laying a solid foundation for the further enhancement of service quality. Through the promotion of the “Young Eagle Plan” management trainee mechanism, the Company has applied scientific and standardized methods to reserve the workforce for future development of the Company following the process of “setting standards, selecting seedlings and promoting growth”, and has fostered management talents who are able to “understand strategies, emphasize quality, know how to operate, coordinate well, and know how to manage” to provide a solid backbone for sustainable development of the Company through the introduction of the “Pilot Plan” training system.

In addition, the Group has formulated specific standards for individual projects under management with reference to standardized management manual, which have been reviewed by professional team. The Group has also revised and refined the management manual based on the actual situation of projects, so as to further increase the feasibility of standardized management system.

Enhancing efficiency with information technology

Recognizing the importance of information technology and intelligent development to property service companies, the Group has strived to promote the application of information technology, including upgrading the internal management system of the Group and applying intelligent devices for projects. At present, the applications of the Group have been piloted in individual projects and will be updated and optimized based on the feedback from property owners. Through integration of its online systems and offline devices, the Group is committed to providing property owners with excellent service experience and enhancing its management efficiency.

Placing great emphasis on both achievements and responsibilities

During the Period, the Group ranked 17th among the top 100 property management service brands selected by the China Index Academy (“CIA”) and was honored as “Leader of Excellent Living in Zhejiang for 2021 (2021浙江年度美好生活引領者)” by Zhejiang Quality Habitat Forum* (浙江品質人居論壇). During the Period, the projects under the Group’s management received over 20 awards in total. Some of the awards are as follows: Xingyi Home* (興議家園) was titled as “Governing Unit of the Construction Promotion Association for Property Service Enterprise in Xiaoshan, Hangzhou (杭州市蕭山區物業服務企業建設促進會理事單位)”. Qinghe Garden*(慶和苑) was awarded “Excellent Model Community in Zhejiang (Waste Sorting) (浙江省高標準示範小區 (垃圾分類))”. Xixi Zhixing* (西溪之星), Wenjing Yuan* (文景苑) and Huajiachi Apartment* (華家池公寓) were awarded “Model Community for Waste Sorting in Hangzhou (杭州市垃圾分類示範小區)”. Huajiachi Apartment* (華家池公寓) was awarded “Model Community for Water Conservation in Zhejiang (浙江省節水型小區)”. In respect of individual honors of our employees, Ms. Wang Weifang and Ms. Zhang Xiuying were awarded “Excellent Security Guard in Hangzhou (杭州市治保先進個人)” by Hangzhou Municipal Public Security Bureau* (杭州市公安局). In addition, the Group is also committed to its social responsibilities. In June 2021, the Group organized a charitable activity, “Lighting up the tallest lighthouse by donating a good book (捐一本好書，點亮一座最高燈塔)” in which over a thousand books were donated by property owners and employees of Binjiang in over 10 days. 939 books were selected and delivered to Tibetan children despite 4,000 km travelling distance and altitude of nearly 4,000 meters, so as to help Tibetan children have a better understanding of the world. The Group will continue to assume its social responsibilities in its pursuit of more corporate honors.

** for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Reviewing the first half of 2021, the Group maintained steady growth and continued to place emphasis on the development of the Yangtze River Delta and further expanded its operations within Yangtze River Delta. The Group has 114 subsidiaries and branches across the Zhejiang Province, Shanghai, Jiangsu Province, Jiangxi Province and Hainan Province in China. Moreover, the GFA under management and GFA under signed management contracts (“**contracted GFA**”) of the Group also increased significantly. As at 30 June 2021, the GFA under management was 24.9 million sq.m., representing an increase of 48.0% as compared with the corresponding period of last year, the contracted GFA was 40.6 million sq.m., representing an increase of 34.4% as compared with the corresponding period of last year, which will strongly support the business growth of the Group.

For the six months ended 30 June 2021, the Group’s revenue increased by 42.1% to RMB591.2 million. The Group’s gross profit increased by 42.8% from the corresponding period of 2020 to RMB195.2 million. The Group’s gross profit margin increased by 0.1 percentage points from the corresponding period of 2020 to 33.0%. Revenue generated from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB364.5 million, RMB161.0 million and RMB65.6 million, respectively. In the first half of 2021, the average monthly property management fee of the Group was approximately RMB4.28 per sq.m. (corresponding period of 2020: RMB4.23 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. Leveraging its brand recognition and industry influence, the Group was able to charge relatively high property management fee for its quality property management services.

The Group provides high-quality services that are tailored to its customers’ need and maintains its brand recognition and awareness. Its ranking increased to 17th among the top 100 property management service brands selected by the CIA. The Group was honored as “Leader of Excellent Living in Zhejiang for 2021 (2021浙江年度美好生活引領者)” by Zhejiang Quality Habitat Forum* (浙江品質人居論壇). As our quality services are highly recognized within the region, Hangzhou Binjiang Investment Holdings Co., Ltd., (“**Binjiang Holdings**”) and its subsidiaries (“**Binjiang Group**”), a leading property developer in China, have established close business relationship with the Group and continuously provided a large number of premium properties to us. In the first half of 2021, the sales of Binjiang Group amounted to RMB87.92 billion. In respect of land market, Binjiang Group acquired 21 parcels of high-quality land with a value of RMB85.0 billion.

* for identification purpose only

Leveraging its high-quality services, the Group was able to expand its business through various channels and undertake a wide range of projects, including but not limited to undertaking government projects, maintaining good relationships with strategic partners and expanding its direct sales. As at 30 June 2021, the contracted GFA acquired by the Group from independent third parties during the first half of the year reached 3.3 million sq.m., accounting for 64.2% of the total contracted GFA acquired. GFA under management developed by independent third parties reached 10.8 million sq.m., representing a year-on-year increase of 85.5% and accounting for 43.4% of the total GFA under management. For the six months period ended 30 June 2021, revenue generated from property management services provided to projects developed by independent third parties amounted to RMB125.6 million, representing a year-on-year increase of 55.6% and accounting for 34.5% of the total revenue generated from property management services. As at 30 June 2021, the Group further upgraded the geographic coverage and staffing of its expansion teams. In the first half of 2021, the Group further expanded its business into the Zhejiang market through establishing a regional operation department in central and southern Zhejiang. 54 projects under our management were located in regions other than Hangzhou in Zhejiang with GFA under management of 8.9 million sq.m., representing a year-on-year increase of 44.7%. In response to the policies of China, the Group launched the first property management project for resettlement housing and formulated property service standards for the resettlement housing project to improve the housing support system. In addition, the Group further expanded the coverage of its services by acquiring management projects outside Zhejiang, including projects located in Jiangxi and Shanghai.

In view of the rapid development of the overall property services industry in recent years, the Group has focused on expanding its scale and increasing its profit while maintaining its service quality. The Group will regard its services quality as its core competitiveness and will raise the standard of specialized services by leveraging 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 equipments 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 achieve synergetic development of quality, scale and profitability.

Business models of the Group

Due to the expansion of services, the Group positioned its 5S value-added services as a driver of future profit growth in strict accordance with the strategic deployment of the Board. As such, the value-added services to property owners are renamed as 5S value-added services and re-categorised into three major business. The management classified business segments into property management services, value-added services to non-property owners and 5S value-added services, forming an entire value chain of comprehensive services within property management.

- Property management services. The Group provides a series of high-quality property management services, including security, cleaning, gardening, repair, maintenance and ancillary services to our property owners, 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 and display units and providing property sales venue management services to property developers during the pre-delivery stage of property sales. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.
- 5S value-added services (formerly known as “value-added services to property owners”). The Group also provides 5S value-added services to property owners. The value-added services to property owners are renamed as 5S value-added services, including three major businesses, namely home optimization services, living optimization services and lifestyle optimization services.

Home optimization services include the existing property agent services and car parking space and storage room services, and the new sales agency business. The Group is committed to providing attentive services for customers with its resources.

Living optimization services include the existing customized interior furnishing services. It adheres to its “Living Home” interior services concept to provide elegant, stylish, modern and customized interior furnishing services for its customers.

Lifestyle optimization services include the existing home living services. In view of the different functions in residential and non-residential properties, the Group provides additional services that are tailored to its customers' need.

- As at 30 June 2021, the revenue of the Group amounted to RMB591.2 million, representing an increase of 42.1% as compared with the amount for the corresponding period of 2020. Gross profit amounted to RMB195.2 million, representing an increase of 42.8% as compared with the amount for the corresponding period of 2020. Gross profit margin was 33.0%, representing an increase of 0.1 percentage point as compared with the gross profit margin for the corresponding period of 2020. Revenue from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB364.5 million, RMB161.0 million and RMB65.6 million, respectively.

In the first half of 2021, the average monthly property management fee of the Group was approximately RMB4.28 per sq.m. (the corresponding period of 2020: RMB4.23 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 its 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 2020:

	For the six months ended 30 June			
	2021		2020	
	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	35,488	19,955	26,804	14,369
Addition	5,123	4,951	3,551	2,605
Termination	15	15	159	159
At the end of the period	<u>40,596</u>	<u>24,891</u>	<u>30,196</u>	<u>16,815</u>

Note: As at 30 June 2021, the Group had 261 contracted projects and the contracted GFA was 40.6 million sq.m. (as of 30 June 2020: 30.2 million sq.m.). During the Period, the average monthly property management fee of the Group was approximately RMB4.28 per sq.m. (the corresponding period of 2020: RMB4.23 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 2020:

	For the six months ended 30 June					
	2021			2020		
	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	292,934	20,940	118	210,881	14,489	84
Non-residential	71,581	3,951	41	43,570	2,326	31
Total	<u>364,515</u>	<u>24,891</u>	<u>159</u>	<u>254,451</u>	<u>16,815</u>	<u>115</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 2020:

	For the six months ended 30 June					
	2021			2020		
	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	238,929	14,090	80	173,718	10,992	63
Properties developed by independent property developers	125,586	10,801	79	80,733	5,823	52
Total	<u>364,515</u>	<u>24,891</u>	<u>159</u>	<u>254,451</u>	<u>16,815</u>	<u>115</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 2020:

	For the six months ended 30 June					
	2021			2020		
	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	262,300	15,435	102	191,884	10,446	78
Zhejiang province (excluding Hangzhou)	95,868	8,941	54	55,392	6,178	36
Outside Zhejiang	6,347	515	3	7,175	191	1
Total	<u>364,515</u>	<u>24,891</u>	<u>159</u>	<u>254,451</u>	<u>16,815</u>	<u>115</u>

Future Prospects

Further promotion of quality brand building

The Group will further raise its service standard and develop customized services in order to become a leading property service provider in China and a model company in Hangzhou within one to three years and an industry-leading brand and the benchmark for luxury quality. Through providing effective and consistent services, the Group will gain higher brand value and sustainable market competitiveness. The Group will improve its regular quality inspections and enhance and expand the monitoring of its daily quality control through unannounced inspections, project safety inspections and daily inspections by regional property departments. In addition, the Group will redesign its high-end butler service team, so as to ensure the long-lasting quality of projects under management with up-to-date service standards.

Further expansion of business scale and market share

The property management service industry in China is becoming concentrated. The Group intends to leverage its success in the high-end market in the Yangtze River Delta and its existing service management systems and standards to expand its current market share and to further penetrate new markets. Focusing in Hangzhou and the Yangtze River Delta, the Group will focus on the operation in the existing market and strategically expand the business coverage in eastern China. The Group will also explore opportunities in Greater Bay Area and mid-west China. Once the Group has established a presence in a new regional market, the Group plans to grow its presence in the market to enhance its economies of scale.

In addition, the Group will actively grasp opportunities to expand its business into healthcare, schools, urban services and other industries to strengthen its comprehensive service capabilities.

Providing diversified services

Based on the demand of property owners, the Group strives to become a trustworthy property manager and caretaker for property owners by leveraging its professional property products and services. The Group will develop value-added services system focusing on 5S, which includes furnishing services, interior design services, agency services, leasing services, repair and maintenance and upgrades and replacements of intelligent facilities and devices. All business lines of 5S value-added services will provide business opportunities to other business segments and complement services provided by such segments, becoming a new driver for profit growth within the Company. 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 continue to maintain and actively seek for additional partnership opportunities with well-known enterprises in the industry, promoting and replicating its successful partnership model.

Further improvement of management and operation systems

The Group puts great efforts in upgrading its internal management system and smart management platform, while adhering to its principles and maintaining a degree of flexibility to prepare for future development. The Company aims to boost its development through optimizing its management structure, setting up standardized operation procedures, developing human resources and strengthening the procurement control to refine its internal control mechanism. In addition, the Group strives to enhance its management efficiency by using smart approaches. The Group aims to provide property owners with comprehensive and convenient services in a timely and safe manner through integrating internal and external resources. Leveraging its management experience, the Group intends to accelerate the arrangement for the application of smart technologies and the construction of its informationalized platforms and ecosystems, creating a digital management system platform.

Financial Review

The Group's revenue was generated from three main business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) 5S value-added services. During the Period, (i) the property management services is the largest source of revenue and profit for the Group, accounting for 61.7% of total revenue; (ii) value-added services to non-property owners is the second largest source of revenue for the Group, accounting for 27.2% of total revenue.

	For the six months ended 30 June				Changes %
	2021		2020		
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	
Property management services	364,515	61.7	254,451	61.2	43.3
Property management services for residential properties	292,934	49.5	210,881	50.7	38.9
Property management services for non-residential properties	71,581	12.2	43,570	10.5	64.3
Value-added services to non-property owners	161,038	27.2	121,390	29.2	32.7
Pre-delivery services	145,974	24.7	107,477	25.8	35.8
Consulting services	9,578	1.6	7,461	1.8	28.4
Community space services	5,486	0.9	6,452	1.6	-15.0
5S value-added services	65,637	11.1	40,137	9.6	63.5
Home optimization services	46,739	7.9	14,236	3.4	228.3
Living optimization services	1,193	0.2	12,746	3.0	-90.6
Lifestyle optimization services	17,705	3.0	13,155	3.2	34.6
Total	<u>591,190</u>	<u>100.0</u>	<u>415,978</u>	<u>100.0</u>	<u>42.1</u>

Property management services consist of security, cleaning, gardening, repair, maintenance and ancillary services. Revenue generated amounted to RMB364.5 million, representing an increase of 43.3% as compared with RMB254.5 million for the corresponding period of 2020. It was the Group's main source of revenue and accounted for 61.7% of total revenue for the six months ended 30 June 2021. The increase of revenue was mainly because the Group strived to improve its quality based on the advantages of traditional management services. Revenue generated from the provision of property management services to properties developed by Binjiang Group was RMB238.9 million as compared with RMB173.7 million for the corresponding period of 2020, and accounted for 65.5% of revenue from property management services during the Period, representing a year-on-year decrease of 2.8 percentage points.

Value-added services to non-property owners mainly include pre-delivery services, consulting services and community space services. Revenue generated amounted to RMB161.0 million, representing an increase of 32.6% as compared with RMB121.4 million for the corresponding period of 2020, and accounted for approximately 27.2% of the Group's total revenue. The increase of revenue was mainly due to the stable growth in the number of projects undertaken by the Group.

5S Value-added services are mainly composed of home optimization services, living optimization services, lifestyle optimization services. Revenue generated amounted to RMB65.6 million, representing an increase of 63.6% as compared with RMB40.1 million for the corresponding period of 2020, and accounted for approximately 11.1% of the Group's total revenue. The increase of revenue was mainly because the Group developed new value-added services such as brokerage services for property transactions in addition to the existing value-added services to property owners during the Period.

Gross profit and gross profit margin

Based on the above factors, during the Period, the Group's gross profit increased by 42.8% from RMB136.7 million for the six months ended 30 June 2020 to RMB195.2 million for the six months ended 30 June 2021. The Group's gross profit margin increased by 0.1 percentage points from 32.9% for the six months ended 30 June 2020 to 33.0% for the six months ended 30 June 2021, mainly because the increase in the 5S value-added services, which had a higher gross profit margin.

	For the six months ended 30 June					
	2021			2020		
	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	75,564	20.7	38.7	55,873	22.0	40.9
Value-added services to non-property owners	72,729	45.2	37.3	59,758	49.2	43.7
5S value-added services	46,946	71.5	24.0	21,064	52.5	15.4
Total	<u>195,239</u>	33.0	<u>100.0</u>	<u>136,695</u>	32.9	<u>100.0</u>

Gross profit of property management services increased by 35.2% from restated amount of RMB55.9 million for the six months ended 30 June 2020 to RMB75.6 million for the six months ended 30 June 2021. Gross profit margin decreased by 1.3 percentage points from 22.0% for the six months ended 30 June 2020 to 20.7% for the six months ended 30 June 2021, which was mainly due to the absence of the social insurance concession policy for the pandemic during the Period.

Gross profit of value-added services to non-property owners increased by 21.6% from RMB59.8 million for the six months ended 30 June 2020 to RMB72.7 million for the six months ended 30 June 2021. Gross profit margin decreased by 4 percentage points from 49.2% for the six months ended 30 June 2020 to 45.2% for the six months ended 30 June 2021, which was mainly due to the absence of the social insurance concession policy for the pandemic during the Period.

Gross profit of 5S value-added services increased by 122.3% from RMB21.1 million for the six months ended 30 June 2020 to RMB46.9 million for the six months ended 30 June 2021. Gross profit margin increased from 52.5% for the six months ended 30 June 2020 to 71.5% for the six months ended 30 June 2021, which was mainly because the Group developed new value-added services such as long-term rental apartments and brokerage services for one-hand property sales in addition to the existing value-added services to property owners during the Period.

Cost of sales

During the Period, the Group's cost of sales increased by 41.8% from RMB279.3 million for the six months ended 30 June 2020 to RMB396.0 million for the six months ended 30 June 2021, mainly due to the increase in cost of sales as a result of the growth of business during the Period.

Selling and marketing expenses

During the Period, the Group's selling and marketing expenses were RMB0.2 million for the six months ended 30 June 2021, as compared to RMB0.2 million for the corresponding period of 2020, which remained basically the same.

Administrative expenses

During the Period, the Group's administrative expenses increased by 44.4% from RMB12.6 million for the six months ended 30 June 2020 to RMB18.2 million for the six months ended 30 June 2021, mainly due to an increase in office expenses in line with the expansion of business scale during the Period.

Impairment losses on trade receivables

During the Period, the Group's impairment losses on trade receivables decreased from RMB6.0 million for the six months ended 30 June 2020 to RMB4.2 million for the six months ended 30 June 2021, mainly due to the increased effort on the property management fee collection from property owners and property developers.

Net finance income/(costs)

During the Period, the Group's finance income represented interest income on bank deposits. The finance income increased from RMB14.3 million for the six months ended 30 June 2020 to RMB17.7 million for the six months ended 30 June 2021. The increase was mainly attributable to an increase in interest income from high-yield deposit products as a result of the centralized capital management of the Group. Finance costs represent interest expenses on lease liabilities and prepaid customized home furnishing service fees received from property owners categorized as contract liabilities. The finance costs were RMB0.2 million for the six months ended 30 June 2021, as compared to RMB0.2 million for the corresponding period of 2020, which remained basically the same.

Share of profits less losses of associates

During the Period, the Group's share of profits less losses of associates changed from a loss of RMB0.9 million for the six months ended 30 June 2020 to a profit of RMB1.0 million for the six months ended 30 June 2021, mainly because the associates turned losses into profits during the Period.

Profit before taxation

During the Period, the Group's profit before taxation was RMB193.4 million, representing an increase of 39.2% as compared with RMB138.9 million for the corresponding period of 2020, mainly because the Company actively expanded basic property services and developed various new value-added services during the Period.

Income tax

During the Period, the Group's income tax expenses were RMB46.9 million, representing an increase of 33.2% as compared with RMB35.2 million for the corresponding period of 2020, mainly due to the growth of business of the Group during the Period and a year-on-year increase in income tax expenses as a result of an increase in gross profit.

Profit for the Period

During the Period, the Group's profit was RMB146.5 million, representing an increase of 41.1% as compared with restated amount of RMB103.8 million for the corresponding period of 2020, mainly due to the growth of business. Profit attributable to equity shareholders of the Company was RMB145.0 million, representing an increase of 41.3% as compared with RMB102.6 million for the corresponding period of 2020. Net profit margin was 24.8%, representing a decrease of 0.1 percentage points as compared with net profit margin of 24.9% for the corresponding period of last year, mainly because the Group covered the effect of the social insurance concession policy in 2020 and active promotion of value-added services during the Period.

Current assets, financial resources and gearing ratio

The Group maintained good financial performance during the Period. As at 30 June 2021, current assets were RMB1,431.8 million, representing an increase of 4.7% as compared with RMB1,368.1 million as at 31 December 2020.

The Group's cash and cash equivalents remained stable at RMB802.9 million, as compared to RMB805.4 million as of 31 December 2020. Current ratio during the Period was 2.04 times, representing a decrease as compared with 2.13 times as at 31 December 2020.

As at 30 June 2021, the total equity of the Group was RMB871.3 million, representing an increase of 1.5% as compared with RMB858.3 million as at 31 December 2020. This was mainly due to the growth of business and an increase in operating profit during the Period.

Investment properties, property, plant and equipment

As at 30 June 2021, the investment properties, property, plant and equipment of the Group amounted to RMB18.2 million, representing an increase of 9.0% as compared with RMB16.7 million as at 31 December 2020, mainly due to the growth of property, plant and equipment for business development in line with the expansion of business.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2021.

Pledged assets

The Group did not have any pledged assets as at 30 June 2021.

Trade and other receivables

As at 30 June 2021, trade and other receivables amounted to RMB161.0 million, representing an increase of RMB65.3 million or 68.2% as compared with RMB95.7 million as at 31 December 2020 and a year-on-year increase of 28.4% as compared with RMB125.4 million as at 30 June 2020, mainly due to the increases in receivables as a result of expansion of business scale of the Group.

Trade and other payables

As at 30 June 2021, trade and other payables amounted to RMB371.8 million, representing a decrease of RMB101.5 million or 21.4% as compared with RMB473.3 million as at 31 December 2020, mainly due to the decrease in the temporary receipts from property owners.

Human resources

As at 30 June 2021, the Group employed a total of 6,186 employees (as at 31 December 2020: 5,507). During the Period, the staff costs of the Group was RMB253.1 million (six months ended 30 June 2020: RMB173.0 million).

Significant investments

The Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the Period.

Details about significant acquisitions and disposals of subsidiaries, associates and joint ventures

During the Period, the Group did not have any significant acquisitions and disposals of subsidiaries, associates and joint ventures.

Exposure to foreign exchange risks

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

The Company's, the British Virgin Islands subsidiary's 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 primary functional currency and primary operating currency of the Group are RMB. Therefore, the Group considers the exposure to foreign exchange risks to be insignificant. Currently, the Group has not entered into any hedging transaction agreements.

INTERIM DIVIDEND

Having considered the needs of business development of the Group and returns of shareholders, the Board recommends the payment of an interim dividend for the six months ended 30 June 2021 of HK\$0.379 per share and no withholding of any tax will be made by the Company. Shareholders are required to deal with the filing and payment of tax with the relevant tax authority. The dividend ratio of its net profit attributable to equity shareholders of the Company is approximately 60%. The proposed interim dividend amounted to approximately HK\$104.8 million in total. The interim dividend are expected to be paid on or before Monday, 8 November 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to the right of the interim dividend, the register of members of the Company will be closed from Thursday, 7 October 2021 to Friday, 8 October 2021 (both days inclusive). Only those shareholders whose names appear on the register of members of the Company on Friday, 8 October 2021 will be entitled to the right of the interim dividend. In order to qualify for receiving the interim dividend, 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 Wednesday, 6 October 2021.

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 2021, 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, the 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 the interim results for the Period 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 2021.

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 2021.

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 2021.

EVENTS AFTER THE PERIOD

Subsequent to the end of the Period, the Directors proposed an interim dividend. Further details are disclosed in Note 10 to the unaudited consolidated financial statements.

USE OF PROCEEDS FROM THE LISTING

The total proceeds from the Listing and the exercise of the Over-allotment option 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 exercise of the Over-allotment option 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\$200.7 million of the net proceeds as at 30 June 2021. The unutilized net proceeds of approximately HK\$254.6 million are intended to be applied in the manner consistent with the proposed allocations. As at 30 June 2021, the net proceeds had been utilized as follows:

Use of proceeds	Intended use of proceeds	Unutilized amount as at 1 January 2021	Utilized amount during the Period	Unutilized amount as at 30 June 2021
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<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	113.8	6.6	6.6	—
Investment in the asset management platform to engage in the operation of industrial parks ²	91.1	91.1	—	91.1
Establishing joint venture companies or platform through the cooperation with local governments and property developers ³	45.5	16.5	12.4	4.1
As working capital and for other general corporate purposes	45.5	—	—	—
	<u>455.3</u>	<u>273.6</u>	<u>19</u>	<u>254.6</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. The Group will select suitable acquisition targets in a prudent manner. It is expected that this portion of proceeds will be fully utilized by 31 December 2023.
2. The Group expects to invest in the platform in 2021. The Group actively explored a platform for investment in a prudent manner during the Period. This portion of proceeds will be used when a suitable platform is identified. It is expected that this portion of proceeds will be fully utilized by 31 December 2023.
3. The Group has launched the cooperation projects and established joint venture companies from the second half of 2019. The projects will be completed by 2021. As at 30 June 2021, 9 joint ventures had been established to manage 16 existing management projects and one pre-delivery project.

Any changes in the aforesaid plans of the use of proceeds will be published via an announcement in due course or updated in the 2021 annual report 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>), respectively. The interim report of the Company for the Period, which contains all information required by the Listing Rules, will be despatched to the 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
30 August 2021

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.