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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 2022

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 2022 (the “**Period**”), together with the comparative figures for the six months ended 30 June 2021. 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 25 August 2022.

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 2022:

- The Group's revenue was RMB831.5 million, representing an increase of 40.6% as compared with an amount of RMB591.2 million for the corresponding period of 2021.
- The Group's revenue generated from three business lines are as follows:
 - 1) revenue from property management services was RMB535.6 million, accounting for 64.4% of total revenue, representing an increase of 46.9% as compared with an amount of RMB364.5 million for the corresponding period of 2021;
 - 2) revenue from value-added services to non-property owners was RMB234.6 million, accounting for 28.2% of total revenue, representing an increase of 45.7% as compared with an amount of RMB161.0 million for the corresponding period of 2021; and
 - 3) revenue from 5S value-added services was RMB61.3 million, accounting for 7.4% of total revenue, representing a decrease of 6.6% as compared with an amount of RMB65.6 million for the corresponding period of 2021.
- Gross profit was RMB262.2 million, representing an increase of 34.3% as compared with an amount of RMB195.2 million for the corresponding period of 2021. Gross profit margin was 31.5%, representing a decrease of 1.5 percentage points as compared with gross profit margin of 33.0% for the corresponding period of 2021.
- Profit for the Period was RMB192.4 million, representing an increase of 31.4% as compared with an amount of RMB146.5 million for the corresponding period of 2021. The adjusted amount of profit for the Period attributable to the equity shareholders of the Company (excluding the impact of withholding tax provision^{note} deducted in the current year) is RMB202.6 million, an increase of 39.7% compared with the amount of RMB145.0 million in the same period in 2021; profit for the Period attributable to equity shareholders of the Company was RMB190.3 million, representing an increase of 31.2 % as compared with amount of RMB145.0 million for the corresponding period of 2021.

- GFA under management of the Group reached 35.4 million sq.m., representing an increase of 42.4% as compared with the corresponding period of last year. The GFA under management developed by independent third parties was 18.4 million sq.m., accounting for 52.0% of total GFA under management and representing an increase of 8.6 percentage points as compared with the corresponding period of last year. GFA under management acquired in the first half of 2022 was 5.5 million sq.m. The GFA under management developed by independent third parties accounted for 72.7% of total GFA under management acquired.

Note: According to the People's Republic of China (the "PRC") corporate income tax laws and its implementation rules, dividends receivable by non-PRC mainland corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 — unaudited

(Expressed in Renminbi Yuan)

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Revenue	<i>3(a)</i>	831,505	591,190
Cost of sales		<u>(569,263)</u>	<u>(395,951)</u>
Gross profit		262,242	195,239
Other revenue	<i>4</i>	6,571	3,168
Other net income/(loss)	<i>4</i>	269	(276)
Selling and marketing expenses		(2,423)	(244)
Administrative expenses		(22,033)	(18,232)
Impairment losses on trade receivables		(3,854)	(4,239)
Other expenses		<u>(518)</u>	<u>(493)</u>
Profit from operations		<u>240,254</u>	<u>174,923</u>
Finance income		19,506	17,699
Finance costs		<u>(2,002)</u>	<u>(240)</u>
Net finance income	<i>5(a)</i>	<u>17,504</u>	<u>17,459</u>
Share of profits less losses of associates		1,140	985
Share of profits of a joint venture		<u>633</u>	<u>—</u>
Profit before taxation	<i>5</i>	259,531	193,367
Income tax	<i>6</i>	<u>(67,088)</u>	<u>(46,876)</u>
Profit for the period		<u>192,443</u>	<u>146,491</u>

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Equity shareholders of the Company		190,284	145,037
Non-controlling interests		2,159	1,454
		<u>192,443</u>	<u>146,491</u>
Profit for the period		192,443	146,491
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		4,324	(2,858)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>(353)</u>	<u>975</u>
Total comprehensive income for the period		<u>196,414</u>	<u>144,608</u>
Attributable to:			
Equity shareholders of the Company		194,255	143,154
Non-controlling interests		2,159	1,454
Total comprehensive income for the period		<u>196,414</u>	<u>144,608</u>
Earnings per share	7		
Basic and diluted (<i>RMB</i>)		<u>0.69</u>	<u>0.52</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited
(Expressed in Renminbi Yuan)

		At 30 June 2022	At 31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Investment properties		850	1,275
Property, plant and equipment		20,802	19,030
Investment in associates		6,429	5,289
Investment in a joint venture		1,047	414
Deferred tax assets		21,707	18,950
Time deposits		228,218	154,158
Prepayments		7,644	3,270
		<u>286,697</u>	<u>202,386</u>
Current assets			
Inventories		78,566	79,031
Trade and other receivables	8	322,236	173,390
Financial assets at fair value through profit or loss ("FVPL")		—	24,044
Time deposits		310,349	243,019
Restricted bank balances		56,496	57,020
Cash and cash equivalents		1,162,284	905,746
		<u>1,929,931</u>	<u>1,482,250</u>
Current liabilities			
Contract liabilities	9	554,720	143,630
Trade and other payables	10	532,006	495,865
Lease liabilities		1,088	1,586
Current taxation		57,394	69,876
		<u>1,145,208</u>	<u>710,957</u>
Net current assets		<u>784,723</u>	<u>771,293</u>

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Total assets less current liabilities		1,071,420	973,679
Non-current liabilities			
Lease liabilities		162	119
Deferred tax liabilities	6	12,343	–
		12,505	119
NET ASSETS		1,058,915	973,560
CAPITAL AND RESERVES			
Share capital		181	181
Reserves		1,024,604	941,408
Total equity attributable to equity shareholders of the Company		1,024,785	941,589
Non-controlling interests		34,130	31,971
TOTAL EQUITY		1,058,915	973,560

NOTES:

(Expressed in Renminbi Yuan unless otherwise indicated)

1 Basis of preparation

The interim financial information of Binjiang Service Group Co. Ltd. (the “**Company**”) as at and for the six months ended 30 June 2022 comprises the Company and its subsidiaries (together referred to as the “**Group**”). The interim financial information 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 information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information 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 Group has applied the following amendments to IFRSs issued by the IASB to this interim financial information for the current accounting period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 interim financial information. 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. 5S value-added services include community value-added services, home decoration 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	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Revenue recognised over time:		
Property management services	535,628	364,515
Value-added services to non-property owners	234,585	161,038
5S value-added services	19,759	17,705
	789,972	543,258
Revenue recognised at point in time:		
5S value-added services (<i>note</i>)	40,918	47,313
	830,890	590,571
Revenue from other sources		
5S value-added services		
— Rental income from investment properties	615	619
	831,505	591,190

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 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/(loss)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other revenue		
Government grants (<i>note (i)</i>)	6,374	3,150
Others	197	18
	6,571	3,168

- (i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other net income/(loss)		
Net loss on disposal of property, plant and equipment	(21)	(744)
Net realised gains on FVPL	160	325
Net foreign exchange gains	130	143
	269	(276)

5 Profit before taxation

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

(a) Net finance income

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest income on bank deposits	(19,506)	(17,699)
Interest expense on advance payments from customers	1,954	178
Interest on lease liabilities	48	62
	<u> </u>	<u> </u>
Net finance income	<u>(17,504)</u>	<u>(17,459)</u>

(b) Staff costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries and other benefits	320,184	228,724
Contributions to defined contribution scheme (note (i))	32,237	24,617
	<u> </u>	<u> </u>
	<u>352,421</u>	<u>253,341</u>

- (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.

(c) **Other items**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation		
— Property, plant and equipment	3,290	2,427
— <i>owned property, plant and equipment</i>	2,594	2,166
— <i>right-of-use assets</i>	696	261
— Investment properties	425	425
	3,715	2,852
Impairment losses on trade receivables	3,854	4,239
Expenses related to short-term leases	5,817	3,057
Auditors' remuneration	500	500
Cost of inventories	4,833	7,136
Outsourcing labor costs	105,436	60,488

6 Income tax

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax		
PRC corporate income tax	55,807	50,683
Under-provision in respect of prior years	1,695	6
	57,502	50,689
Deferred taxation		
Origination and reversal of temporary differences	(2,757)	(3,813)
Withholding tax on the profits of the Group's PRC subsidiaries (<i>note iv</i>)	12,343	—
	9,586	(3,813)
	67,088	46,876

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The income tax rate applicable to the Group’s subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting period is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the reporting period (six months ended 30 June 2021: Nil).
- (iii) The Group’s PRC subsidiaries are subject to PRC income tax at 25%. For certain subsidiaries recognised as a small profit enterprise in 2022, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (six months ended 30 June 2021: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2021: 20%). And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 25% (six months ended 30 June 2021: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2021: 20%).
- (iv) According to the PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognised for the dividends that have been declared, and deferred tax liability is recognised for those to be declared in the foreseeable future.

As at 30 June 2022, deferred tax liabilities of RMB12,343,000 were recognised in respect of the 10% PRC dividend withholding tax that would be payable on the distribution of the retained profits of the Group’s PRC subsidiaries (31 December 2021: Nil).

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB190,284,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB145,037,000) and the weighted average of 276,407,000 ordinary shares (six months ended 30 June 2021: 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 2022 and 2021.

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 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	177,290	77,266
1 to 2 years	2,696	1,726
Total trade receivables from third parties, net of loss allowance	179,986	78,992
Deposits and prepayments	23,542	20,545
Amounts due from related parties	97,305	65,231
Payments on behalf of property owners	6,247	5,070
Advances to employees	4,277	1,277
Other receivables	10,879	2,275
	<u>322,236</u>	<u>173,390</u>

Trade receivables are due when the receivables are recognised.

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

9 Contract liabilities

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Contract liabilities		
Property management services	320,440	114,717
Value-added services to non-property owners	1,063	3,868
5S value-added services	233,217	25,045
	<u>554,720</u>	<u>143,630</u>

10 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:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month or on demand	64,679	54,511
After 3 months but within 1 year	2,735	28
Over 1 year	626	2,639
	<u>68,040</u>	<u>57,178</u>
Total trade payables from third parties	68,040	57,178
Amounts due to related parties	(i) 25,496	25,946
Deposits	42,999	44,915
Other taxes and charges payable	50,506	14,852
Accrued payroll and other benefits	134,263	165,812
Cash collected on behalf of the property owners' associations	48,450	56,970
Temporary receipts from property owners	156,922	122,304
Other payables and accruals	5,330	7,888
	<u>532,006</u>	<u>495,865</u>

- (i) The amounts due to related parties are unsecured and interest-free. Among which, RMB22,797,000 (31 December 2021: RMB21,887,000) are prepaid property management services fees and value-added services fees received from related parties and expected to be recognised as income within one year.

11 Dividends

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interim dividend of HKD nil per share proposed after the interim period (six months ended 30 June 2021: HKD0.379)	<u> -</u>	<u> 86,990</u>

- (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 2022, a final dividend of HKD0.473 per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: final dividend of HKD0.564 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 2022 amounted to HKD130,740,511 (RMB equivalent 111,059,000) (six months ended 30 June 2021: HKD155,894,000 (RMB equivalent 131,632,000)).

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 unaudited consolidated results for the six months ended 30 June 2022.

In the first half of 2022, various policies were launched to encourage the development of property services and other diversified life services and support the provision of professional services by taking advantage of the proximity to residents. As the service provider for the community, property companies played an important role in promoting intelligent community. In particular, amid the normalization of pandemic control, property service enterprises pushed forward its measures to optimize and upgrade service quality and user experience with a focus on reducing cost and boosting efficiency. In response to the government policy, the Group was committed to providing quality services and proactively supporting the administration of the community.

Quality First

The Group adheres to its mission of providing high-quality services and strives to become a top property management brand in China and a benchmark in Zhejiang. In the first half of 2022, the Group further refined its quality inspection system. A three-level inspection system based on the headquarters, regions and projects was implemented to ensure effective quality inspection. The Group summarized general issues and assigned quality commissioner to constantly pay close attention to project conditions. The Group also carried out interview with property owners and updated questionnaires to conduct data collection and analysis in order to discover any issues in a timely manner. The Group is always humble to keep an eye on details regarding its products, management and teams, so as to secure its brand of quality and enhance its reputation.

The Group attaches great importance to safety issues. Precautious measures are taken to tackle with seasonal safety matters including swimming pool management, extreme weather and safe use of electricity while conducting regular pandemic prevention and control. During the implementation of anti-pandemic measures in Kaixuan Jiayuan (凱旋佳苑項目) in Shanghai, the Group prepared materials for emergency assistance and the property management personnel stationed at the frontline to fight against the pandemic. The Group's efforts received praises from property owners and won the recognition and acknowledgement by the Government of Baoshan District in Shanghai.

Quality Expansion

The Group continues to adhere to its quality expansion strategy, and effectively induces continuous growth in scale with its brand name and explores growth potentials. Under the leadership of the expansion team at the headquarters, the Group proactively promotes market expansion in terms of regions and projects, and improves the internal control system for bidding and tendering. The Group has further streamlined the regulatory process of market expansion and enhanced competitive awareness, and strives to increase expansion efficiency with measures adapting to different local conditions and times. As at 30 June 2022, the gross floor area (“GFA”) currently managed by the Group (“GFA under management”) under signed property management contracts was approximately 35.4 million sq.m., representing an increase of 42.4% as compared with the corresponding period of last year. GFA under management developed by independent third parties reached 18.4 million sq.m., accounting for 52.0% of total GFA under management and representing an increase of 8.6 percentage points as compared with the corresponding period of last year, exceeding GFA under management developed by related parties for the first time. GFA under management acquired during the first half of 2022 reached 5.5 million sq.m., 72.7% of which were independent third party properties. As at 30 June 2022, GFA under the Group's signed management contracts (“contracted GFA”) amounted to 57.4 million sq.m., representing an increase of 41.3% as compared with the corresponding period of last year. Contracted GFA newly acquired was 7.6 million sq.m.. Contracted GFA developed by independent third parties accounted for 49.6% of total contracted GFA. GFA under management developed by independent third parties were mainly distributed in five major regions in Zhejiang, namely Hangzhou, Jinhua, Shaoxing, Jiaxing and Quzhou.

In addition to the existing 13 strategic partners, the Group commenced its cooperation with Wancheng Group (萬城集團) in Haining of Zhejiang province in the first half of 2022 and made its debut in Haining by undertaking the management of a residential project developed by a company under the State-owned Assets Supervision and Administration Commission of Haining City. The Group also expanded to Shenzhen in Guangdong province in the first half of the year, and had contracted projects in 18 cities in total. Leveraging its reputation of quality service, the Group won the bid of a project in Wulin Waitan of Hangzhou, and the monthly property management fee was RMB6.8 per sq.m.. The Group also signed a new contract for Luna Mansion project in Hangzhou and the monthly property management fee was RMB5.95 per sq.m.. In addition, to further diversify its services, the Group started the management of a tertiary rehabilitation hospital jointly built by Zhejiang University and Forchn Holdings Group (富春控股集團) as well as other non-residential projects including Yuhang No.1 Middle School (余杭第一中學), Extremely Weak Magnetic Field Research Institute of Hangzhou (杭州極弱磁場研究院) and the national fitness centre of Shangcheng to provide quality service to suit different needs, laying a foundation for the future expansion of value-added services. The Group will continue to strive for market expansion and enhance its comprehensive services.

Value-added Services

Leveraging its excellent brand reputation, the Group continued to promote its 5S value-added services based on the needs of property owners and its own advantages on resources, focusing on providing one-stop management and maintenance services for property assets with high quality.

Youjia (優家) agency business has been operating in an orderly manner. It closely follows up the sales plan and arrangement of relevant developers for primary properties, and focuses on expanding sourcing channels for quality customers of secondary properties. In respect of Youju (優居) services, the business team has further refined and strengthened its professional capabilities and persons-in-charge have extensive experience in relevant fields. Specific business plans will be improved and promoted upon completion of the pilot projects. The Group will formulate organizational structure and procedures with clear duty division and maintain communications with developers, projects and internal contractors, so as to get familiar with all major processes to facilitate smooth operation.

In addition, the Group continued to develop Youxiang living services (優享生活), providing customers with thoughtful and quality services based on its resources and brand image.

Improving Standardization

The Group has put great efforts in promoting the standardization of management and products. In addition to the star-rated management standards, the Group made further improvements based on feedbacks from quality inspections. For example, the Group refined its greening and maintenance standards and organized trainings and assessments for specialized occupational skills to strengthen the professional level. The Group formulated a list of management standards of warehouses for emergency use and refined supplier selection and cost and procurement system based on specific standards for different categories, which provided strong support in maintaining project quality.

The Group further enhanced informatization and intelligentization through the upgrading and enhancing of its internal financial management and human resources systems, updating fire prevention data and implementation of smart systems and light perception control across its projects. The Group's application and online mall have also started pilot operations and will be updated and optimized based on owners' feedback. Merging online systems and offline hardware, the Group is committed to providing property owners with a seamless experience while improving its management efficiency.

In the view of its growth in scale and business expansion, the Group attaches importance on human resources reserve and training. On the one hand, the Group has expanded its campus recruiting channel by establishing strategic cooperation with campuses through signing recruitment channel strategic framework agreements to reduce recruitment cost and improve recruitment efficiency. On the other hand, the Group has optimized the online training system of “Binjiang College” (濱江學堂) by enriching the category and contents of programs and diversifying form of assessment with reference to feedbacks. The Group endeavors to boost the efficiency of human resources operation, refine internal employee management and development system and enhance risk control.

Achievements

Adhering to the service concept of “serving with heart and filling home with love” and based on the outstanding market performance and first class service quality, the Group was ranked 14th among the “2022 TOP 100 Property Management Companies in China” (2022中國物業服務百強企業), and won the titles of “2022 Outstanding Residential Property Service Provider in China” (2022中國住宅物業服務力優秀企業) and “TOP 10 Outstanding Property Service Providers in Hangzhou” (杭州物業服務優秀企業TOP 10) and the “Quality Service Provider for the City” (城市美好服務商) award by Tianmu News. During the Period, the projects under the Group’s management received 47 awards in total. Some of the awards are as follows:

Hangzhou Binjiang Youth Palace (杭州濱江青少年宮項目) was awarded the “Advanced Entity of Hangzhou in Protection of Economic Culture for 2021” (2021年度全市經濟文化保衛工作先進集體). Wulin Maison I (武林壹號公寓項目) was awarded the “2021 Benchmark Unit of Water Saving in Zhejiang Province” (浙江省2021年度節水標桿單位). Wenling Branch of Hangzhou Binjiang Property Management Limited was awarded the “2021 Outstanding Property Service Enterprise in Wenling City” (2021年度溫嶺市優秀物業服務企業) by the Housing and Urban-Rural Development Department of Wenling. Hangzhou Xiaoshan Binhong Property Management Company Limited (杭州蕭山濱弘物業管理有限公司) was awarded the “2021 Advanced Service Provider in the Property Service Industry in Xiaoshan District of Hangzhou City”(2021年度杭州市蕭山區物業行業先進物業服務企業) by the Housing and Urban-Rural Development Department of Xiaoshan and the Construction Promotion Association for Property Service Enterprise in Xiaoshan, Hangzhou (杭州市蕭山區住房和城鄉建設局及杭州市蕭山區物業服務企業建設促進會), and became a member of Hangzhou Property Management Association and the governing unit of the Construction Promotion Association for Property Service Enterprise in Xiaoshan, Hangzhou (杭州市蕭山區物業促進會的理事單位). Pinghu Branch of Hangzhou Binjiang Property Management Company Limited (杭州濱江物業管理有限公司平湖分公司) was awarded the “Outstanding Unit for Construction of Pandemic Prevention and Control System” (建設系統疫情防控工作成績突出集體) and “2021 Advanced Property Service Enterprise in Pinghu” (2021年度平湖市先進物業服務企業).

The Group has actively organized various festival activities for its properties. On 30 May 2022, the Group and Tianmu Media Co., Ltd. (天目新聞) co-organized a short video filming activity for the owners of the properties managed by the Group, “Find Your Light” (尋找你的光), and received overwhelming responses. As at the deadline of the activity, Tianmu Media’s “Chaoke” (潮客) channel received over 200 short videos under the #findyourlight# (#尋找你的光#) hashtag. The videos covered a wide variety of community activities and the number of likes was over 700,000 times.

There is no limit to serve with quality. The Group will continue to assume its social responsibilities in alignment with its corporate reputation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Reviewing the first half of 2022, 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 a total of 136 subsidiaries and branches across the Zhejiang Province, Shanghai, Jiangsu Province, Jiangxi Province, Hainan Province and Guangdong Province (including Shenzhen City) in China, with contracted projects in 18 cities. As at 30 June 2022, the GFA under management was 35.4 million sq.m., representing an increase of 42.4% as compared with the corresponding period of last year, the contracted GFA was 57.4 million sq.m., representing an increase of 41.3% 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 2022, the Group's revenue increased 40.6% to RMB831.5 million; gross profit was RMB262.2 million, up 34.3% from the same period in 2021; and gross profit margin was 31.5%, down 1.5 percentage points from the same period in 2021. Revenue generated from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB535.6 million, RMB234.6 million and RMB61.3 million, respectively. In the first half of 2022, the average monthly property management fee of the Group was approximately RMB4.28 per sq.m. (corresponding period of 2021: RMB4.28 per sq.m.), calculated by dividing the property management fee income (excluding land management revenue) 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 14th among the top 100 property management service brands selected by the China Index Academy and won the titles of "2022 China Residential Property Service Excellent Enterprise" (2022中國住宅物業服務力優秀企業), "Hangzhou Property Service Excellent Enterprise TOP10" (杭州物業服務優秀企業TOP10), and "Tianmu News City Beautiful Service provider" (天目新聞·城市·美好服務商). As the Group's 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 the Group for property management. In the first half of 2022, the sales of Binjiang Group amounted to RMB68.39 billion (source: CRIC).

* 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 government projects, maintain good relationships with strategic partners and expand its direct sales. As at 30 June 2022, the contracted GFA acquired by the Group from independent third parties during the first half of the year reached 3.8 million sq.m., accounting for 49.6% of the total contracted GFA acquired, and the GFA under management developed by independent third parties newly acquired during the first half of 2022 was 4.0 million sq.m, accounting for 72.7% of the total GFA under management acquired. GFA under management developed by independent third parties reached 18.4 million sq.m., representing a year-on-year increase of 70.7% and accounting for 52.0% of the total GFA under management which is over 50% for the first time. Contracted GFA acquired by the Group were mainly distributed in five major regions in Zhejiang, namely Hangzhou, Jinhua, Shaoxing, Jiaxing and Quzhou. For the six months ended 30 June 2022, revenue generated from property management services provided to projects developed by independent third parties amounted to RMB242.9 million, representing a year-on-year increase of 93.4% and accounting for 45.4% of the total revenue generated from property management services. In the first half of 2022, the Group entered Shenzhen city, Guangdong Province, and added Wancheng Group of Haining City, Zhejiang Province as a strategic partner for the first time. Upon expanding to the Haining city for the first time in 2022, it has undertaken the residential projects developed by the company of Haining State-owned Assets Office. The Group will continue to focus on Hangzhou, deeply cultivate the Yangtze River Delta region, and actively explore new areas that meet the strategic requirements of the Group.

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 standardized management experience. 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 and is committed to becoming a trusted property management and maintenance provider of property owners. 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. In 2021, the Group introduced urban services and land reserve management services, primarily including land management and maintenance, green planting and maintenance, wall and fence painting works, muck removal and transportation, installation and management of monitoring devices, and others.
- **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:** The Group also provides 5S value-added services to property owners. The value-added services to property owners includes three major businesses, namely Youjia services, Youju services and Youxiang living services.

Youjia services include the primary and secondary property sales, leasing agent services and car parking space and storage room services. The Group is committed to providing attentive services for customers with its resources.

Youju services include home decoration services. It adheres to its “Living Home” interior services concept to provide elegant, stylish, modern and customized interior furnishing services and interior design services as well as facility upgrade services and maintenance for its customers.

Youxiang Living services include 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 2022, the revenue of the Group amounted to RMB831.5 million, representing an increase of 40.6% as compared with the amount for the corresponding period of 2021. Gross profit amounted to RMB262.2 million, representing an increase of 34.3% as compared with the amount for the corresponding period of 2021. Gross profit margin was 31.5%, representing a decrease of 1.5 percentage points as compared with the gross profit margin for the corresponding period of 2021. Revenue from property management services, value-added services to non-property owners and 5S value-added services amounted to RMB535.6 million, RMB234.6 million and RMB61.3 million, respectively.

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 2021:

	For the six months ended 30 June			
	2022		2021	
	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	49,783	29,948	35,488	19,955
Addition	7,708	5,618	5,123	4,951
Termination	(127)	(127)	(15)	(15)
At the end of the period	<u>57,364</u>	<u>35,439</u>	<u>40,596</u>	<u>24,891</u>

Note: As at 30 June 2022, the Group had 374 contracted projects and the contracted GFA was 57.4 million sq.m. (as of 30 June 2021: 40.6 million sq.m.).

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 2021:

	For the six months ended 30 June					
	2022			2021		
	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	389,986	27,993	156	292,934	20,940	118
Non-residential	137,051	7,446	81	71,581	3,951	41
Land management	8,591	—	—	—	—	—
Total	<u>535,628</u>	<u>35,439</u>	<u>237</u>	<u>364,515</u>	<u>24,891</u>	<u>159</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 2021:

	For the six months ended 30 June					
	2022			2021		
	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	292,691	17,002	97	238,929	14,090	80
Properties developed by independent property developers	234,346	18,437	140	125,586	10,801	79
Land management	8,591	—	—	—	—	—
Total	<u>535,628</u>	<u>35,439</u>	<u>237</u>	<u>364,515</u>	<u>24,891</u>	<u>159</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 2021:

	For the six months ended 30 June					
	2022			2021		
	Revenue (RMB'000)	GFA under Management ('000 sq.m.)	Number of projects	Revenue (RMB'000)	GFA under Management ('000 sq.m.)	Number of projects
Hangzhou	406,107	22,951	166	262,300	15,435	102
Zhejiang province (excluding Hangzhou)	117,945	11,468	65	95,868	8,941	54
Outside Zhejiang	11,576	1,020	6	6,347	515	3
Total	<u>535,628</u>	<u>35,439</u>	<u>237</u>	<u>364,515</u>	<u>24,891</u>	<u>159</u>

The table below sets forth the distribution of GFA under management of the Group in five major cities as at 30 June 2022:

	Number of projects	GFA under management ('000 sq.m.)	Percentage of the total GFA under management	Developed by the independent third parties
Hangzhou	166	22,951	64.8%	53.2%
Jinhua	24	4,923	13.9%	73.7%
Jiaxing	15	2,093	5.9%	24.8%
Shaoxing	11	1,782	5.0%	63.4%
Quzhou	4	880	2.5%	36.2%

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. 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 on Hangzhou and deeply cultivating the Yangtze River Delta, the Group will focus on the operation in the existing market and radiate to 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 Youjia services, Youju services and Youxiang living services. 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 derived from the existing platform to establish strategic partnerships through various channels and expand its business 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 Group 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 64.4% of total revenue; (ii) value-added services to non-property owners is the second largest source of revenue for the Group, accounting for 28.2% of total revenue.

	For the six months ended 30 June				Changes %
	2022 <i>RMB'000</i>	<i>% of total revenue</i>	2021 <i>RMB'000</i>	<i>% of total revenue</i>	
Property management services	535,628	64.4	364,515	61.7	46.9
Property management services for residential properties	389,986	46.9	292,934	49.5	33.1
Property management services for non-residential properties	137,051	16.5	71,581	12.2	91.5
Land management	8,591	1.0	—	—	—
Value-added services to non-property owners	234,585	28.2	161,038	27.2	45.7
Pre-delivery services	219,343	26.4	145,974	24.7	50.3
Consulting services	10,091	1.2	9,578	1.6	5.4
Community space services	5,151	0.6	5,486	0.9	-6.1
5S value-added services	61,292	7.4	65,637	11.1	-6.6
Youjia services	39,118	4.7	46,739	7.9	-16.3
Youju services	6,473	0.8	1,193	0.2	442.6
Youxiang living services	15,701	1.9	17,705	3.0	-11.3
Total	<u>831,505</u>	<u>100</u>	<u>591,190</u>	<u>100.0</u>	<u>40.6</u>

Property management services consist of security, cleaning, gardening, repair, maintenance, land management and ancillary services. Revenue generated amounted to RMB535.6 million, representing an increase of 46.9% as compared with RMB364.5 million for the corresponding period of 2021. It was the Group's main source of revenue and accounted for 64.4% of total revenue for the six months ended 30 June 2022. The increase in revenue was mainly because of the increase in the number of projects. Revenue generated from the provision of property management services to properties developed by Binjiang Group was RMB292.7 million as compared with RMB238.9 million for the corresponding period of 2021, and accounted for 54.6% of revenue from property management services during the Period, representing a year-on-year decrease of 10.9 percentage points.

Value-added services to non-property owners mainly include pre-delivery services, consulting services and community space services. Revenue generated from the services amounted to RMB234.6 million, representing an increase of 45.7% as compared with RMB161.0 million for the corresponding period of 2021, and accounted for approximately 28.2% of the Group's total revenue. The increase of revenue was mainly due to the increase in number of projects undertaken during the Period.

5S Value-added services mainly composed of Youjia services, Youju services and Youxiang living services. Revenue generated amounted to RMB61.3 million, representing a decrease of 6.6% as compared with RMB65.6 million for the corresponding period of 2021, and accounted for approximately 7.4% of the Group's total revenue. The decrease of revenue was mainly because of the fall in the sales of parking space and storage rooms during the Period.

Gross profit and gross profit margin

Based on the above factors, during the Period, the Group's gross profit increased by 34.3% from RMB195.2 million for the six months ended 30 June 2021 to RMB262.2 million for the six months ended 30 June 2022. The Group's gross profit margin decreased by 1.5 percentage points from 33.0% for the six months ended 30 June 2021 to 31.5% for the six months ended 30 June 2022, mainly because the sales of parking space in 5S value-added services fell.

	For the six months ended 30 June					
	2022			2021		
	Gross profit	% of gross profit	Gross profit	Gross profit	% of gross profit	% of gross profit
	RMB'000	%	%	RMB'000	%	%
Property management services	110,841	20.7	42.3	75,564	20.7	38.7
Value-added services to non-property owners	107,576	45.9	41.0	72,729	45.2	37.3
5S value-added services	43,825	71.5	16.7	46,946	71.5	24.0
Total	<u>262,242</u>	31.5	<u>100.0</u>	<u>195,239</u>	33.0	<u>100.0</u>

Gross profit of property management services increased by 46.7% from amount of RMB75.6 million for the six months ended 30 June 2021 to RMB110.8 million for the six months ended 30 June 2022. Gross profit margin was essentially unchanged from 20.7% for the six months ended 30 June 2021.

Gross profit of value-added services to non-property owners increased by 48.0% from RMB72.7 million for the six months ended 30 June 2021 to RMB107.6 million for the six months ended 30 June 2022. Gross profit margin slightly increased by 0.7 percentage points from 45.2% for the six months ended 30 June 2021 to 45.9% for the six months ended 30 June 2022.

Gross profit of 5S value-added services decreased by 6.6% from RMB46.9 million for the six months ended 30 June 2021 to RMB43.8 million for the six months ended 30 June 2022. Gross profit margin was essentially unchanged from 71.5% for the six months ended 30 June 2021.

Cost of sales

During the Period, the Group's cost of sales increased by 43.8% from RMB396.0 million for the six months ended 30 June 2021 to RMB569.3 million for the six months ended 30 June 2022, mainly due to the increase in cost of sales as a result of the growth in business.

Selling and marketing expenses

During the Period, the Group's sales and marketing expenses increased from RMB0.2 million for the six months ended 30 June 2021 to RMB2.4 million for the six months ended 30 June 2022, mainly due to the increase in advertising expenses as a result of the growth in sales business during the Period.

Administrative expenses

During the Period, the Group's administrative expenses increased by 20.9% from RMB18.2 million for the six months ended 30 June 2021 to RMB22.0 million for the six months ended 30 June 2022, mainly due to the increase in administrative expenses as a result of the increases in the number of administrative staff and the expenses for informatization during the Period.

Impairment losses on trade receivables

During the Period, the impairment loss of the Group's trade receivables decreased from RMB4.2 million for the six months ended 30 June 2021 to RMB3.9 million for the six months ended 30 June 2022, mainly due to the reversal of allowance on bad debts as a result of the collection of part of accounts receivable from previous years during the Period.

Net finance income/(costs)

During the Period, the Group's finance income represented interest income on bank deposits. The finance income increased from RMB17.7 million for the six months ended 30 June 2021 to RMB19.5 million for the six months ended 30 June 2022. 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. The finance costs increased from RMB0.2 million for the six months ended 30 June 2021 to RMB2.0 million for the six months ended 30 June 2022, mainly due to the increase in interest expense arising from the advance receipts of home decoration service fees.

Share of profits less losses of associates and share of profits of a joint venture

During the Period, the Group's share of profits less losses of associates and share of profits of a joint venture increased from a profit of RMB1.0 million for the six months ended 30 June 2021 to a profit of RMB1.8 million for the six months ended 30 June 2022, mainly because of the increase in the number of projects managed by associates during the Period.

Profit before taxation

During the Period, the Group's profit before taxation was RMB259.5 million, representing an increase of 34.2% as compared with RMB193.4 million for the corresponding period of 2021, mainly due to the increase in gross profit during the Period.

Income tax

During the Period, the Group's income tax expenses were RMB67.1 million, representing an increase of 43.1% as compared with RMB46.9 million for the corresponding period of 2021, mainly due to the growth of business and the withholding tax provision.

Profit for the Period

During the Period, the Group's profit was RMB192.4 million, representing an increase of 31.4% as compared with amount of RMB146.5 million for the corresponding period of 2021, mainly due to the growth of business. The adjusted amount of profit attributable to the equity shareholders of the Company (excluding the impact of withholding tax provision deducted in the current year) is RMB202.6 million, an increase of 39.7% compared with the amount of RMB145.0 million in the same period in 2021. Profit attributable to equity shareholders of the Company was RMB190.3 million, representing an increase of 31.2% as compared with RMB145.0 million for the corresponding period of 2021. Net profit margin was 23.1%, representing a decrease of 1.7 percentage points as compared with net profit margin of 24.8% for the corresponding period of last year, mainly due to the increase in income tax expenses during the Period as a result of withholding tax provision.

Current assets, financial resources and current ratio

The Group maintained good financial performance during the Period. As at 30 June 2022, current assets were RMB1,929.9 million, representing an increase of 30.2% as compared with RMB1,482.3 million as at 31 December 2021.

The Group's cash and cash equivalents during the Period were RMB1,162.3 million, representing an increase of 28.3% as compared with RMB905.7 million as at 31 December 2021. This was mainly due to an increase of net cash inflow from operating activities of RMB471.0 million driven by the growth of business. Current ratio during the Period was 1.69 times, representing a decrease as compared with 2.08 times as at 31 December 2021.

As of 30 June 2022, the Group had no loans or loans available (30 June 2021: Nil).

As at 30 June 2022, the total equity of the Group was RMB1,058.9 million, representing an increase of 8.8% as compared with RMB973.6 million as at 31 December 2021. This was mainly due to the growth of business and an increase in operating profit during the Period.

Investment in a joint venture

As at 30 June 2022, the Group's investment in a joint venture amounted to RMB1.04 million, representing an increase of 152.9% as compared with RMB0.4 million as at 31 December 2021, mainly due to the increase in the investment gains recognized as a result of the profitability of the joint venture of the Group during the Period.

Prepayments

As at 30 June 2022, the prepayments of the Group amounted to RMB7.6 million, representing an increase of 133.8% as compared with RMB3.3 million as at 31 December 2021, mainly due to the increase in prepayments for the Group's software development services during the Period.

Financial assets at fair value through profit or loss

Financial assets at FVPL represent treasury products (demand wealth management products of banks) issued by financial institutions that were purchased by the Group at the end of 2021. As at 30 June 2022, the Group had redeemed all the above related products.

Contract liabilities

As at 30 June 2022, the contract liabilities of the Group amounted to RMB554.7 million, representing an increase of 286.2% as compared with RMB143.6 million as at 31 December 2021, mainly due to an increase of 179.3% in the property services contract liabilities of the Group from 114.7 million as at 31 December 2021 to RMB320.4 million as at the end of the Period, and the addition of new contract liabilities of the home decoration services of Youju services of RMB205.9 million during the Period.

Investment properties, property, plant and equipment

As at 30 June 2022, the investment properties, property, plant and equipment of the Group amounted to RMB21.7 million, representing an increase of 6.9% as compared with RMB20.3 million as at 31 December 2021, mainly due to the increase in property, plant and equipment as a result of the growth of business.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2022 and 31 December 2021.

Pledged assets

The Group did not have any pledged assets as at 30 June 2022 and 31 December 2021.

Trade and other receivables

As at 30 June 2022, trade and other receivables amounted to RMB322.2 million, representing an increase of RMB148.8 million or 85.8% as compared with RMB173.4 million as at 31 December 2021 and a year-on-year increase of 100.1% as compared with RMB161.0 million as at 30 June 2021, mainly due to the increases in property management fee receivables and value-added services to non-property owners fee receivables as a result of the growth of business.

Trade and other payables

As at 30 June 2022, trade and other payables amounted to RMB532.0 million, representing an increase of RMB36.1 million or 7.3% as compared with RMB495.9 million as at 31 December 2021, mainly due to the increases in line with the growth of business.

Human resources

As at 30 June 2022, the Group employed a total of 8,833 employees (as at 31 December 2021: 7,225). During the Period, the staff costs of the Group was RMB352.4 million (six months ended 30 June 2021: RMB253.3 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

After considering the needs of the Group's business development and shareholder returns, the Board does not recommend declaring an interim dividend for the six months ended 30 June 2022.

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 2022, the Company has adopted and complied with all applicable code provisions under Part 2 of 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 C.2.1 of the CG 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 eight 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 CG Code during the Period. The Company will continue to strictly abide by the corporate governance requirements under the CG 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 chairperson 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 condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

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 2022.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company during the six months ended 30 June 2022.

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 2022.

EVENTS AFTER THE PERIOD

There have been no events that would materially affect the Group since the end of the Period.

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\$204.8 million of the net proceeds as at 30 June 2022. The unutilized net proceeds of approximately HK\$250.5 million are intended to be applied in the manner consistent with the proposed allocations. As at 30 June 2022, the net proceeds had been utilized as follows:

Use of proceeds	Intended use of proceeds	Unutilized amount as at 1 January 2022	Utilized amount during the Period	Unutilized amount as at 30 June 2022
	<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	—	—	—
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	—	—	—
As working capital and for other general corporate purposes	45.5	—	—	—
	<u>455.3</u>	<u>250.5</u>	<u>—</u>	<u>250.5</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 expects that this portion of proceeds will be fully utilized by 31 December 2023.
2. The Group expects that this portion of proceeds will be fully utilized by 31 December 2023.
3. As of 30 June 2022, 22 cooperative company platforms have been established.

Any changes in the aforesaid plans of the use of proceeds will be published via an announcement in due course or updated in the 2022 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
25 August 2022

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