



濱江服務

BINJIANG SERVICE

濱江服務集團有限公司

BINJIANG SERVICE GROUP CO. LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3316.HK

Interim Report **2019**

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Corporate Information

Board of Directors

Executive Directors

Mr. ZHU Lidong (*Chairman of the Board and Chief Executive Officer*)
Ms. ZHONG Ruoqin

Non-executive Directors

Mr. MO Jianhua
Mr. CAI Xin

Independent Non-executive Directors

Mr. DING Jiangan
Mr. LI Kunjun
Ms. CAI Haijing

Audit Committee

Ms. CAI Haijing (*Chairman*)
Mr. DING Jiangan
Mr. LI Kunjun

Remuneration Committee

Mr. DING Jiangan (*Chairman*)
Mr. MO Jianhua
Ms. CAI Haijing

Nomination Committee

Mr. ZHU Lidong (*Chairman*)
Mr. DING Jiangan
Mr. LI Kunjun

Strategy Committee

Mr. MO Jianhua (*Chairman*)
Mr. ZHU Lidong
Ms. ZHONG Ruoqin
Mr. CAI Xin
Mr. DING Jiangan
Mr. LI Kunjun

Stock Code

3316

Listing Date

15 March 2019

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office in the PRC

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New Town Times Square
Jiangan District
Hangzhou, China

Principal Place of Business in Hong Kong

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

Principal Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Joint Company Secretaries

Ms. ZHONG Ruoqin
Ms. KO Mei Ying

Authorized Representatives

Ms. ZHONG Ruoqin
Ms. KO Mei Ying

Legal Advisor

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central, Hong Kong

Auditor

KPMG
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Compliance Adviser

Southwest Securities (HK) Capital Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Principal Banks

China Construction Bank Corporation
Agricultural Bank of China Limited

Company's Website

www.hzbjwy.com

Financial Summary

The following is a summary of the results and assets and liabilities of Binjiang Service Group Co. Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) for each of the six months ended 30 June 2019 (the “**Period**”) and 30 June 2018 (the “**Corresponding Period of 2018**”).

Consolidated results

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2018 | 2019 |
| Revenue (<i>RMB'000</i>) | 221,542 | 317,304 |
| Increase/decrease (%) | — | 43.2% |
| Gross profit (<i>RMB'000</i>) | 61,575 | 91,794 |
| Increase/decrease (%) | — | 49.1% |
| Gross profit margin | 27.8% | 28.9% |
| Increase/decrease (%) | | |
| Profit for the period (<i>RMB'000</i>) | 35,507 | 48,891 |
| Increase/decrease (%) | — | 37.7% |
| Profit margin | 16.0% | 15.4% |
| Profit attributable to equity shareholders of the Company (<i>RMB'000</i>) | 35,449 | 48,684 |
| Increase/decrease (%) | — | 37.3% |
| Basic earnings per share | 0.18 | 0.20 |

Financial position

| | At 31 December | At 30 June |
|--|----------------|------------------|
| | 2018 | 2019 |
| Cash and cash equivalents (<i>RMB'000</i>) | 458,543 | 393,978 |
| Current assets (<i>RMB'000</i>) | 534,720 | 969,857 |
| Total assets (<i>RMB'000</i>) | 551,095 | 1,091,453 |
| Current liabilities (<i>RMB'000</i>) | 366,363 | 437,110 |
| Total liabilities (<i>RMB'000</i>) | 366,363 | 439,936 |
| Equity (<i>RMB'000</i>) – parent company | 181,358 | 647,936 |
| Return on equity | 38.7% | N/A |
| Current ratio | 1.46 | 2.22 |
| Gearing ratio | N/A | N/A |

Management Discussion and Analysis

Business Review

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

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

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

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

Note: As at 30 June 2019, the Group had 57 reserve projects with a contracted GFA of 10.3 million sq.m. (as of 30 June 2018: 5.9 million sq.m.). The average property management fee calculated as revenue from property management services for a period divided by the average of the revenue-bearing GFA as of the beginning and end of the same period of the Group during the Period was approximately RMB4.06 per sq.m./month (Corresponding Period of 2018: RMB3.87 sq.m./month).

* for identification purpose only

Management Discussion and Analysis

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

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

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

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

* Hangzhou Binjiang Investment Holding Limited (杭州濱江投資控股有限公司) (“**Binjiang Holding**”) and its subsidiaries (“**Binjiang Group**”).

Prospects

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

Financial Review

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

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

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

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

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

Gross profit and gross profit margin

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

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

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

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

Cost of sales

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

Selling and marketing expenses

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

Administrative expenses

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

Other expenses

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

Net finance income/(costs)

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

Share of profits less losses of an associate

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

Profit before taxation

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

Income tax

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

Profit for the Period

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

Current assets and financial resources

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

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

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

Treasury policies

During the Period, the Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash are invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments, such as the Group placed a certain amount of cash as bank deposits with maturity over three months for higher interest income to secure liquidity mentioned above.

Gearing ratio

Gearing ratio is calculated as total interest-bearing borrowings divided by total equity at the end of the respective period. The Group has no interest-bearing borrowings as at 30 June 2019 and as at 31 December 2018.

Property, plant and equipment

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

Contingent liabilities

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

Pledged assets

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

Trade and other receivables

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

Trade and other payables

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

Human resources

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

Significant investments, material acquisitions and disposal of subsidiaries, associated companies and joint ventures

For the six months ended 30 June 2019, the Group did not have any significant investments, or any material acquisitions and disposals of any subsidiaries, associated companies and joint ventures.

Exposure to foreign exchange risks

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

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

Future plans for substantial investments or capital assets

As stated in the prospectus of the Company dated 28 February 2019 (the "**Prospectus**"), approximately 35% (approximately HK\$136.3 million) of the net proceeds from the Listing is used for acquisition of other property management companies and companies which are engaged in property management related businesses, approximately 20% (approximately HK\$78.0 million) for investment on asset management platform to engage in the operation of and long-term apartment and industrial parks, and approximately 10% (approximately HK\$39.0 million) for establishment of joint companies or platforms. From 15 March 2019 (the "**Listing Date**") to the date of this interim report, the Company has been exploring and tracking potential opportunities in the market in a diligent and cautious manner, however, no suitable investment objective has been found due to the relatively short history of listing.

Employees and remuneration policies

As at 30 June 2019, the Group had a total of 4,033 employees. The staff cost of the Group during the reporting period was RMB152.1 million (2018: RMB104.5 million).

The Group's remuneration packages for employees are determined based on their duties, qualifications, individual performance and current market standards. The discretionary bonus paid to employees is based on the performance of individual employees in recognition of and contribution to their contribution. The Group has implemented and will continue to implement various employee recognition initiatives and rewards. The Group also makes social security contributions (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund contributions for its employees. During the reporting period, the Group also provided its staff with systematical and extensive training plans and promotion and rotation programs.

EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to 30 June 2019.

During the period from the Listing Date to 30 June 2019, the Company has also adopted its own code of conduct regarding employees’ securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company’s securities.

INTERIM DIVIDEND

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

AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) which comprises three members, all being independent non-executive Directors, namely Ms. CAI Haijing (Chairman), Mr. DING Jiangan and Mr. LI Kunjun.

The major duties of the Audit Committee of the Company are as follows:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;
2. to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them; and
3. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee has reviewed with the management of the Company this unaudited consolidated interim results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the Period.

CHANGES OF INFORMATION IN RELATION TO THE DIRECTORS

There was no change to any information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules from the Listing Date to the date of this interim report.

LISTING ON THE STOCK EXCHANGE

On the Listing Date, the ordinary shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange, which marked a significant milestone for the Group. 66,700,000 Ordinary Shares were issued under the global offering at the price of HK\$6.96 per Share, raising net proceeds of approximately HK\$389.8 million (after deducting listing expenses). The net price of the issued Shares was HK\$5.84 per Share. The additional capital raised allows the Group to support its growth and expansion. As at the Listing Date, the share capital of the Company was US\$26,670, divided into 266,700,000 ordinary shares of US\$0.0001 each.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

USE OF PROCEEDS FROM THE LISTING

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.

The Group had utilized approximately HK\$3.2 million of the net proceeds as at 30 June 2019. The unutilized net proceeds of approximately HK\$386.6 million are intended to be applied in the manner consistent with the proposed allocations.

As at 30 June 2019, the net proceeds had been utilized as follows:

| Use of proceeds | Proposed use of proceeds HK\$ million | Utilized HK\$ million | Unutilized HK\$ million |
|---|---|--------------------------|----------------------------|
| 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 | 136.3 | 0.0 | 136.3 |
| Updating the Group’s management service systems and recruiting and nurturing talents ² | 97.5 | 0.7 | 96.8 |
| Investment in the asset management platform to engage in the operation of industrial parks ³ | 78.0 | 0.0 | 78.0 |
| Establishing joint venture companies or platform through the cooperation with local governments and property developers ⁴ | 39.0 | 2.5 | 36.5 |
| As working capital and for other general corporate purposes ⁵ | 39.0 | 0.0 | 39.0 |
| | 389.8 | 3.2 | 386.6 |

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.
2. As at the date of this interim report, the Company has started to update the management service system and is expected to be completed no later than 2021. The proceeds for recruitment and nurture of talents will be used according to the needs of the Group from time to time.
3. The Company expects to invest in relevant platforms in the second half of 2019 or 2020 and complete construction of platforms no later than 2021.
4. As at the date of this interim report, the Company has established two joint venture platforms and the operation of certain projects has been commenced.
5. To be used according to the business needs of the Group from time to time.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As the Company was listed on the Stock Exchange on 15 March 2019, during the period from 1 January 2019 to 14 March 2019, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") and Section 352 of the SFO were not applicable to the Directors or chief executive of the Company.

As of 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, are set out as follows:

| Name | Capacity/Nature of interest | Number of shares | Long/Short position/ Lending pool | Approximate percentage of shareholding in the Company |
|------------------------------|---|------------------------|--------------------------------------|---|
| Mr. MO Jianhua ("Mr. MO") | Settlor of a discretionary trust and interest in controlled corporation | 35,640,000 (Note 1) | Long position | 12.89% |

Note:

- (1) As at 30 June 2019, each of Jovial Success Global Holdings Limited ("Jovial Success") and Haoyu Ventures Limited ("Haoyu") hold 12.89% of issued share capital of the Company, respectively. The entire issued share capital of Jovial Success and Haoyu are held by Infiniti Trust (Asia) Limited (through its nominee companies) as a trustee of each Splendid Force Trust and Great Splendor Trust, respectively. Splendid Force Trust is a discretionary trust set out by Mr. ZHU Huiming ("Mr. ZHU") as settlor on November 19, 2018. The beneficiaries of the Splendid Force Trust include Mr. ZHU and certain family members of Mr. ZHU. Great Splendor Trust is a discretionary trust set out by Mr. MO as settlor on November 19, 2018. The beneficiaries of the Great Splendor Trust include Mr. MO and certain family members of Mr. MO.

Save as disclosed above, as of 30 June 2019, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be maintained pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As the Company was listed on the Stock Exchange on 15 March 2019, during the period from 1 January 2019 to 14 March 2019, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Company.

As of 30 June 2019, to the knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register of the Company required to be maintained pursuant to section 336 of the SFO:

| Names | Capacity/Nature of interest | Number of shares | Long/Short position/ Lending pool | Approximate percentage of shareholding in the Company |
|--|---|------------------|--------------------------------------|---|
| Mr. QI Jinxing ("Mr. QI") (Note 1) | Settlor of a discretionary trust and interest in controlled corporation | 126,720,000 | Long position | 45.85% |
| Great Dragon Ventures Limited ("Great Dragon") (Note 1) | Beneficial owner | 126,720,000 | Long position | 45.85% |
| Bright Cloud Holding Limited (Note 1) | Interest in controlled corporation | 126,720,000 | Long position | 45.85% |
| Cantrust (Far East) Limited (Note 1) | Trustee and interest in controlled corporation | 126,720,000 | Long position | 45.85% |
| Mr. ZHU Huiming (Note 2) | Settlor of a discretionary trust and interest in controlled corporation | 35,640,000 | Long position | 12.89% |
| Jovial Success (Note 2) | Beneficial owner | 35,640,000 | Long position | 12.89% |
| Splendid Force Holding Limited (Note 2) | Interest in controlled corporation | 35,640,000 | Long position | 12.89% |
| Haoyu (Note 2) | Beneficial owner | 35,640,000 | Long position | 12.89% |
| Great Splendor Holding Limited (Note 2) | Interest in controlled corporation | 35,640,000 | Long position | 12.89% |
| Infiniti Trust (Asia) Limited (Note 2) | Trustee and interest in controlled corporation | 71,280,000 | Long position | 25.79% |

Note:

- As of 30 June 2019, Great Dragon holds 45.85% of issued share capital of the Company. The entire issued share capital of Great Dragon is held by Cantrust (Far East) Limited (through its nominee company) as trustee of Bright Cloud Trust. Bright Cloud Trust is a discretionary trust set up by Mr. QI as settlor on November 19, 2018. The beneficiaries of the Bright Cloud Trust include Mr. QI and certain family members of Mr. QI.
- As of 30 June 2019, each of Jovial Success and Haoyu hold 12.89% of issued share capital of the Company, respectively. The entire issued share capital of Jovial Success and Haoyu are held by Infiniti Trust (Asia) Limited (through its nominee companies) as trustee of each Splendid Force Trust and Great Splendor Trust, respectively. Splendid Force Trust is a discretionary trust set up by Mr. ZHU as settlor on November 19, 2018. The beneficiaries of the Splendid Force Trust include Mr. ZHU and certain family members of Mr. ZHU. Great Splendor Trust is a discretionary trust set out by Mr. MO as settlor on November 19, 2018. The beneficiaries of the Great Splendor Trust include Mr. MO and certain family members of Mr. MO.

Save as disclosed above, as of 30 June 2019, to the knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

SHARE OPTION SCHEME

For the six months ended 30 June 2019, no share option scheme has been adopted, granted, exercised or cancelled by the Company.

Review Report to the Board of Directors



Review report to the board of directors of Binjiang Service Group Co. Ltd.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 20 to 48 which comprises the consolidated statement of financial position of Binjiang Service Group Co. Ltd. as of 30 June 2019 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi Yuan)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|---------------------------|
| | | 2019 RMB'000 | 2018 (Note) RMB'000 |
| Revenue | 3(a) | 317,304 | 221,542 |
| Cost of sales | | (225,510) | (159,967) |
| Gross profit | | 91,794 | 61,575 |
| Other revenue | 4 | 1,452 | 433 |
| Other net income | 4 | 966 | 1,839 |
| Selling and marketing expenses | | (367) | (638) |
| Administrative expenses | | (26,555) | (14,638) |
| Other expenses | | (2,334) | (768) |
| Profit from operations | | 64,956 | 47,803 |
| Finance income | | 3,899 | 213 |
| Finance costs | | (958) | (480) |
| Net finance income/(costs) | 5(a) | 2,941 | (267) |
| Share of profits less losses of an associate | | (1,566) | (19) |
| Profit before taxation | 5 | 66,331 | 47,517 |
| Income tax | 6 | (17,440) | (12,010) |
| Profit for the period | | 48,891 | 35,507 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 48,684 | 35,449 |
| Non-controlling interests | | 207 | 58 |
| | | 48,891 | 35,507 |

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi Yuan)

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

Note:

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

The notes on pages 27 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 14(a).

Consolidated Statement of Financial Position

At 30 June 2019 — unaudited
(Expressed in Renminbi Yuan)

| | <i>Note</i> | At 30 June 2019 <i>RMB'000</i> | At 31 December 2018 <i>(Note)</i> <i>RMB'000</i> |
|--|-------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 13,835 | 8,491 |
| Investment in an associate | | 3,421 | 4,986 |
| Deferred tax assets | | 4,340 | 2,898 |
| Time deposits | 11(a) | 100,000 | — |
| | | 121,596 | 16,375 |
| Current assets | | | |
| Inventories | 9 | 22,921 | 476 |
| Trade and other receivables | 10 | 91,359 | 44,594 |
| Time deposits | 11(a) | 423,046 | — |
| Restricted bank balances | 11(b) | 38,553 | 31,107 |
| Cash and cash equivalents | 11(c) | 393,978 | 458,543 |
| | | 969,857 | 534,720 |
| Current liabilities | | | |
| Contract liabilities | 12 | 194,986 | 128,764 |
| Trade and other payables | 13 | 223,279 | 214,960 |
| Lease liabilities | 2(d) | 2,234 | — |
| Current taxation | | 16,611 | 22,639 |
| | | 437,110 | 366,363 |
| Net current assets | | 532,747 | 168,357 |
| Total assets less current liabilities | | 654,343 | 184,732 |
| Non-current liability | | | |
| Lease liabilities | 2(d) | 2,826 | — |
| NET ASSETS | | 651,517 | 184,732 |

Consolidated Statement of Financial Position

At 30 June 2019 — unaudited
(Expressed in Renminbi Yuan)

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

Note:

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

Approved and authorised for issue by the board of directors on 21 August 2019.

| | | |
|---------------------|---|-----------|
| Zhu Lidong |) | |
| |) | |
| |) | |
| |) | Directors |
| Zhong Ruoqin |) | |
| |) | |
| |) | |

The notes on pages 27 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi Yuan)

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|--|--------------------------|--------------------------|----------------------------|---|--------------------------------|--------------------------------|------------------|---|----------------------------|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | The People's Republic of China ("PRC") | Exchange reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non- controlling interests RMB'000 | Total equity RMB'000 |
| | | | | | statutory reserve RMB'000 | | | | | |
| Balance at 1 January 2018 | | 66 | — | 20,000 | 8,112 | — | 82,331 | 110,509 | 678 | 111,187 |
| Changes in equity for the six months ended 30 June 2018: | | | | | | | | | | |
| Total profit and comprehensive income for the period | | — | — | — | — | 20 | 35,449 | 35,469 | 58 | 35,527 |
| Issue of shares | 63 | 87,043 | — | — | — | — | — | 87,106 | — | 87,106 |
| Deemed distribution arising from reorganisation | | — | — | (86,484) | — | — | — | (86,484) | — | (86,484) |
| Capital injection from non-controlling shareholders | | — | — | — | — | — | — | — | 2,450 | 2,450 |
| Balance at 30 June 2018 and 1 July 2018 | | 129 | 87,043 | (66,484) | 8,112 | 20 | 117,780 | 146,600 | 3,186 | 149,786 |
| Changes in equity for the six months ended 31 December 2018: | | | | | | | | | | |
| Total profit and comprehensive income for the period | | — | — | — | — | 30 | 34,728 | 34,758 | 188 | 34,946 |
| Appropriation to statutory reserve | | — | — | — | 1,888 | — | (1,888) | — | — | — |
| Balance at 31 December 2018 (Note) | | 129 | 87,043 | (66,484) | 10,000 | 50 | 150,620 | 181,358 | 3,374 | 184,732 |

Note:

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

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi Yuan)

| Note | Attributable to equity shareholders of the Company | | | | | | | | Total equity RMB'000 |
|--|--|---------------|-----------------|-----------------------|------------------|------------------|----------------|---------------------------|-------------------------|
| | Share capital | Share premium | Capital reserve | PRC statutory reserve | Exchange reserve | Retained profits | Total | Non-controlling interests | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Balance at 1 January 2019 | 129 | 87,043 | (66,484) | 10,000 | 50 | 150,620 | 181,358 | 3,374 | 184,732 |
| Changes in equity for the six months ended 30 June 2019: | | | | | | | | | |
| Total profit and comprehensive income for the period | — | — | — | — | 12,238 | 48,684 | 60,922 | 207 | 61,129 |
| Issue of ordinary shares upon initial public offering, net of issuing costs | 14(b)(ii) | 45 | 373,738 | — | — | — | 373,783 | — | 373,783 |
| Issue of ordinary shares upon exercise of the over-allotment option in connection with initial public offering, net of issuing costs | 14(b)(iii) | 7 | 56,101 | — | — | — | 56,108 | — | 56,108 |
| Dividends declared in respect of the previous year | 14(a) | — | (24,235) | — | — | — | (24,235) | — | (24,235) |
| Balance at 30 June 2019 | | 181 | 492,647 | (66,484) | 10,000 | 12,288 | 647,936 | 3,581 | 651,517 |

The notes on pages 27 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi Yuan)

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-------------------|
| | | 2019 | 2018 |
| | | RMB'000 | (Note) RMB'000 |
| Operating activities | | | |
| Cash generated from operations | | 67,002 | 118,574 |
| PRC Corporate Income tax paid | | (24,910) | (21,760) |
| Net cash generated from operating activities | | 42,092 | 96,814 |
| Investing activities | | | |
| Payments for the purchase of property, plant and equipment | | (3,416) | (1,620) |
| Payments for purchase of financial assets classified as fair value through profit or loss ("FVPL") | | (587,000) | (380,000) |
| Proceeds from redemption of financial assets classified as FVPL | | 588,810 | 382,014 |
| Increase in time deposits with maturity over three months | | (523,046) | — |
| Other cash flows arising from investing activities | | 331 | 169 |
| Net cash (used in)/generated from investing activities | | (524,321) | 563 |
| Financing activities | | | |
| Capital contribution from non-controlling interests | | — | 2,450 |
| Proceeds from issue of shares, net of issuing costs | | 429,891 | 87,106 |
| Deemed distribution arising from the reorganisation | | — | (86,484) |
| Capital element of lease rentals paid | | (110) | — |
| Interest element of lease rentals paid | | (120) | — |
| Dividends paid | | (24,235) | — |
| Net cash generated from financing activities | | 405,426 | 3,072 |
| Net (decrease)/increase in cash and cash equivalents | | (76,803) | 100,449 |
| Cash and cash equivalents at 1 January | 11 | 458,543 | 303,949 |
| Effect of foreign exchanges rate changes | | 12,238 | 20 |
| Cash and cash equivalents at 30 June | 11 | 393,978 | 404,418 |

Note:

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

The notes on pages 27 to 48 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

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

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

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

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

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

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 21 August 2019. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 19.

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies

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

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

IFRS 16, *Leases*

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

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

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

(a) *Changes in the accounting policies*

(i) *New definition of a lease*

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting

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

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

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

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies (Continued)

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

Determining the lease term

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

(c) Transitional impact

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies (Continued)**(c) Transitional impact** (Continued)

The following table reconciles the operating lease commitments as disclosed in note 15 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies (Continued)

(c) Transitional impact (Continued)

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

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies (Continued)**(d) Lease liabilities**

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

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

2 Changes in accounting policies (Continued)

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

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

| | 2019 | | | 2018 | |
|--|--------------------------------|---|---|--|--|
| | Amounts reported under IFRS 16 | Add back: IFRS 16 depreciation and interest expense | Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) | Hypothetical amounts for 2019 as if under IAS 17 | Compared to amounts reported for 2018 under IAS 17 |
| | (A) | (B) | (C) | (D=A+B-C) | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16: | | | | | |
| Profit from operations | 64,956 | 1,112 | (1,207) | 64,861 | 47,803 |
| Finance costs | (958) | 120 | — | (838) | (480) |
| Share of profits less losses of an associate | (1,566) | 3,398 | (2,651) | (819) | (19) |
| Profit before taxation | 66,331 | 4,630 | (3,858) | 67,103 | 47,517 |
| Profit for the period | 48,891 | 4,630 | (3,858) | 449,663 | 35,507 |

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2 Changes in accounting policies (Continued)

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Revenue and segment reporting

(a) Revenue

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

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

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

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

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

(Expressed in Renminbi Yuan unless otherwise indicated)

3 Revenue and segment reporting (Continued)**(b) Segment reporting**

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

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

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

4 Other revenue and other net income

| | Six months ended 30 June | |
|---|---------------------------------|----------------|
| | 2019 | 2018 |
| | RMB'000 | <i>RMB'000</i> |
| <hr/> | | |
| Other revenue | | |
| Government grants | 1,428 | 354 |
| Others | 24 | 79 |
| | <hr/> 1,452 | <hr/> 433 |
| <hr/> | | |
| | Six months ended 30 June | |
| | 2019 | 2018 |
| | RMB'000 | <i>RMB'000</i> |
| <hr/> | | |
| Other net income | | |
| Net loss on disposal of property, plant and equipment | (52) | (15) |
| Net realised gains on FVPL | 1,810 | 2,014 |
| Net foreign exchange losses | (792) | (160) |
| | <hr/> 966 | <hr/> 1,839 |

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

5 Profit before taxation

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

(a) Net finance income/(costs)

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

(b) Staff costs

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

(c) Other items

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

Note:

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

6 Income tax

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

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

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

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

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

7 Earnings per share

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

Weighted average number of ordinary shares

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

8 Property, plant and equipment

(a) Right-of-use assets

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

(b) Acquisition of owned assets

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

9 Inventories

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

10 Trade and other receivables

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

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

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

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

(a) Time deposits

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

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

(b) Restricted bank balances

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

(c) Cash and cash equivalents

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

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(Expressed in Renminbi Yuan unless otherwise indicated)

12 Contract liabilities

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

13 Trade and other payables

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

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

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

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14 Capital, reserves and dividends

(a) Dividends

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

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

(b) Share capital

Issued share capital

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

(i) *Share subdivision*

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

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

(ii) *Issuance of ordinary shares upon initial public offering*

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

(iii) *Partial exercise of the over-allotment option*

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

(Expressed in Renminbi Yuan unless otherwise indicated)

14 Capital, reserves and dividends (Continued)**(c) Share premium**

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

15 Commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

| | Properties RMB'000 |
|---------------------------------|-------------------------------------|
| Within 1 year | 2,882 |
| After 1 year but within 5 years | <u>65</u> |
| | <u>2,947</u> |

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

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16 Material related party transactions

(a) Name of and relationship with related parties

| Name of party | Relationship with the Group |
|---|--|
| Mr. Qi Jinxing 戚金興先生 | Controlling shareholder of the Company |
| Binjiang Holding and its subsidiaries 杭州濱江投資控股有限公司及其子公司 | Binjiang Holding is controlled by Mr. Qi Jinxing |
| Hangzhou Binbao Real Estate Development Co., Ltd. 杭州濱保房地產開發有限公司 | Associate of Binjiang Holding |
| Yueqing Liangrong Real Estate Co., Ltd. 樂清市梁榮置業有限公司 | Associate of Binjiang Holding |
| Hangzhou Wanjia Star Real Estate Development Co., Ltd. 杭州萬家之星房地產開發有限公司 | Associate of Binjiang Holding |
| Ningbo Binjiang Weibao Real Estate Co., Ltd. 寧波濱江維堡置業有限公司 | Associate of Binjiang Holding |
| Wenzhou Zhetong Real Estate Co., Ltd. 溫州浙同置業有限公司 | Associate of Binjiang Holding |
| Ningbo Jinhai Investment Management Co., Ltd. 寧波京海投資管理有限公司 | Associate of Binjiang Holding |
| Shanghai Binan Real Estate Development Co., Ltd. 上海濱安房地產開發有限公司 | Associate of Binjiang Holding |
| Zhejiang Yaohua Construction Technology Co., Ltd. 浙江耀華建設構件科技有限公司 | Associate of Binjiang Holding |
| Hangzhou Xinda Real Estate Co., Ltd. 杭州信達地產有限公司 | Associate of Binjiang Holding |
| Hangzhou Xinda Aoti Real Estate Co., Ltd. 杭州信達奧體置業有限公司 | Associate of Binjiang Holding |
| Hangzhou Tongda Real Estate Co., Ltd. 杭州同達置業有限公司 | Associate of Binjiang Holding |

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Material related party transactions (Continued)**(a) Name of and relationship with related parties** (Continued)

| Name of party | Relationship with the Group |
|---|-------------------------------|
| Deqing Jinsheng Real Estate Co., Ltd. 德清京盛房地產開發有限公司 | Associate of Binjiang Holding |
| Hangzhou Xinrui Real Estate Co., Ltd. 杭州星悦房地產開發有限公司 | Associate of Binjiang Holding |
| Hangzhou Baohong Real Estate Co., Ltd. 杭州保泓房地產開發有限公司 | Associate of Binjiang Holding |

The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

(b) Particulars of significant transactions between the Group and related parties are as follows:

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Property management services and consulting services income from: | | |
| — Binjiang Holding and its subsidiaries | 65,544 | 29,537 |
| — Associates of Binjiang Holding | 24,205 | 17,270 |
| Receiving other services from: | | |
| — Binjiang Holding and its subsidiaries | 138 | 118 |
| Lease contract arrangements (note (i)): | | |
| — Binjiang Holding and its subsidiaries | | |
| — Depreciation on right-of-use assets | 1,091 | — |
| — Interest expense paid/payable on lease liabilities | 119 | — |
| — Operating lease charges | — | 1,213 |
| Purchasing goods from: | | |
| — Binjiang Holding and its subsidiaries | 21,697 | — |

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi Yuan unless otherwise indicated)

16 Material related party transactions (Continued)

(c) Balances with related parties

| | At 30 June 2019 <i>RMB'000</i> | At 31 December 2018 (Note) <i>RMB'000</i> |
|--|---|---|
| Amounts due from: | | |
| Binjiang Holding and its subsidiaries: | | |
| — Trade nature | 12,947 | 4,774 |
| — Non-trade nature | 500 | — |
| Associates of Binjiang Holding: | | |
| — Trade nature | 4,096 | 1,315 |
| — Non-trade nature | 463 | — |
| Amounts due to: | | |
| Binjiang Holding and its subsidiaries: | | |
| — Trade nature | 10,355 | 14,826 |
| — Non-trade nature | — | 290 |
| Associates of Binjiang Holding: | | |
| — Trade nature | 1,415 | — |
| — Non-trade nature | — | — |
| Lease liabilities: | | |
| Binjiang Holding and its subsidiaries | 5,015 | — |

- (i) The Group entered into lease contracts in respect of certain office building and car parking places from Binjiang Holding. As at 1 January 2019, the Group recognised right-of-use assets and lease liabilities of RMB5,104,000. The amount of rent paid/payable by the Group under the lease is RMB1,186,000 for the six months ended 30 June 2019, which were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

Note:

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

17 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.