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Greentown Service Group Co. Ltd.

綠城服務集團有限公司

(A company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 2869)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Greentown Service Group Co. Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the same period ended 30 June 2021, as follows.

HIGHLIGHTS

The Group’s financial performance:

- Revenue was RMB6,827.8 million, representing an increase of 22.0% year on year (“y/y”) from the same period of 2021 that was RMB5,595.9 million.
- The Group’s revenue arises from four business segments: (i) property services; (ii) community living services; (iii) consulting services and (iv) technology services. During the Period: (i) property services continued to be the largest revenue and earnings contributor for the Group, the revenue from which reached RMB4,360.3 million, accounting for 63.9% of the overall revenue and representing an increase of 20.3% y/y from the same period of 2021 that was RMB3,625.6 million; (ii) as for community living services, the revenue amounted to RMB1,310.1 million, accounting for 19.2% of the overall revenue and representing a y/y increase of 18.7% compared with the same period of 2021 that was RMB1,104.1 million; (iii) as for consulting services, the revenue amounted to RMB957.4 million, accounting for 14.0% of the overall revenue, representing an increase of 17.4% y/y from the same period of 2021 that was RMB815.8 million; (iv) as for technology services, the revenue amounted to RMB200.0 million, accounting for 2.9% of the overall revenue, representing an increase of 296.8% from the same period of 2021 that was RMB50.4 million.

- Gross profit reached RMB1,312.4 million, increasing by 16.9% y/y from the same period of 2021 that was RMB1,122.9 million. Gross profit margin was 19.2%, representing a decrease of 0.9 percentage points from 20.1% for the same period of 2021.
- Core profit for the operations reached RMB590.3 million, which was RMB589.6 million for the same period of 2021. The profitability of the core business of the Company remains stable.
- During the Period, the profit attributable to equity shareholders of the Company was RMB341.1 million, representing a decrease of 37.6% as compared to RMB546.7 million for the same period of 2021. It was mainly due to the corresponding decrease in the fair value of certain financial instruments during the Period, the increase in the provision for asset impairment losses and the staff costs.
- Net profit margin for the Period was 5.4%, with a y/y decrease of 4.5 percentage points from 9.9% for the same period of 2021.
- Basic earnings per share was RMB0.11, based on the weighted average of 3,245,779,000 ordinary shares during the Period.
- The Group's cash and cash equivalents amounted to RMB3,913.6 million as at 30 June 2022, declining by 9.1% from RMB4,306.6 million as at 31 December 2021.
- The Board resolved not to declare any interim dividend for the Period.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

*for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi Yuan)*

| | | Six months ended 30 June | |
|---|-------------|---------------------------------|--------------------|
| | | 2022 | 2021 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Revenue | 3 | 6,827,792 | 5,595,888 |
| Cost of sales | | <u>(5,515,399)</u> | <u>(4,472,980)</u> |
| Gross profit | | 1,312,393 | 1,122,908 |
| Other revenue | 4 | 67,739 | 47,256 |
| Other net income | 4 | 19,549 | 127,829 |
| Selling and marketing expenses | | (119,630) | (84,778) |
| Administrative expenses | | (602,449) | (448,539) |
| Impairment losses on trade and other receivables | | (100,343) | (54,245) |
| Other operating expenses | | <u>(78,814)</u> | <u>(10,477)</u> |
| Profit from operations | | <u>498,445</u> | <u>699,954</u> |
| Finance income | | 23,095 | 38,472 |
| Finance costs | | <u>(33,829)</u> | <u>(32,145)</u> |
| Net finance (costs)/income | 5(a) | <u>(10,734)</u> | <u>6,327</u> |
| Share of profits less losses of associates | | 10,644 | 8,891 |
| Share of profits less losses of joint ventures | | 821 | (551) |
| Gain on disposal of subsidiaries | | <u>—</u> | <u>1,511</u> |
| Profit before taxation | 5 | 499,176 | 716,132 |
| Income tax | 6 | <u>(132,911)</u> | <u>(162,596)</u> |
| Profit for the Period | | <u>366,265</u> | <u>553,536</u> |

| | | Six months ended 30 June | |
|--|-------------|---------------------------------|----------------|
| | | 2022 | 2021 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 341,107 | 546,745 |
| Non-controlling interests | | 25,158 | 6,791 |
| | | <u>366,265</u> | <u>553,536</u> |
| Profit for the Period | | | |
| Other comprehensive income for the Period | | | |
| (after tax and reclassification adjustments) | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Share of other comprehensive income of a joint venture | | (29,835) | 25,054 |
| Equity investments at FVOCI — net movement in fair value reserves | | 3,066 | (1,476) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Share of other comprehensive income of a joint venture | | 754 | (5,531) |
| Exchange differences on translation of financial statements of entities outside the mainland of the People's Republic of China (the "PRC") | | 95,544 | (55,234) |
| | | <u>435,794</u> | <u>516,349</u> |
| Total comprehensive income for the Period | | | |
| Attributable to: | | | |
| Equity shareholders of the Company | | 409,711 | 508,818 |
| Non-controlling interests | | 26,083 | 7,531 |
| | | <u>435,794</u> | <u>516,349</u> |
| Total comprehensive income for the Period | | | |
| Earnings per share | | | |
| Basic (RMB) | <i>7(a)</i> | <u>0.11</u> | <u>0.17</u> |
| Diluted (RMB) | <i>7(b)</i> | <u>0.10</u> | <u>0.17</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 — unaudited

(Expressed in Renminbi Yuan)

| | | At 30 June 2022 | At 31 December 2021 |
|-------------------------------|-------------|--------------------|------------------------|
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | | | |
| Investment properties | 9(a) | 326,424 | 244,939 |
| Property, plant and equipment | 9(b) | 830,136 | 772,835 |
| Right-of-use assets | 9(c) | 894,944 | 872,281 |
| Intangible assets | | 459,661 | 430,470 |
| Goodwill | | 627,486 | 450,988 |
| Interest in associates | | 675,732 | 656,002 |
| Interest in joint ventures | | 36,979 | 66,111 |
| Other financial assets | | 699,450 | 877,032 |
| Deferred tax assets | | 319,533 | 236,978 |
| Trade and other receivables | 10 | 136,699 | 63,326 |
| Prepayments | | 55,177 | 46,766 |
| Time deposits | | 115,230 | 378,786 |
| | | <u>5,177,451</u> | <u>5,096,514</u> |
| | | ----- | ----- |
| Current assets | | | |
| Other financial assets | | 1,110,346 | 1,178,642 |
| Inventories | | 515,027 | 434,078 |
| Trade and other receivables | 10 | 4,744,250 | 3,054,668 |
| Restricted bank balances | | 355,317 | 282,903 |
| Time deposits | | 23,522 | 21,327 |
| Cash and cash equivalents | | 3,913,612 | 4,306,619 |
| | | <u>10,662,074</u> | <u>9,278,237</u> |
| | | ----- | ----- |

| | | At 30 June 2022 | At 31 December 2021 |
|--|-------------|--------------------|------------------------|
| | <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Current liabilities | | | |
| Bank loans | | 9,000 | 5,205 |
| Contract liabilities | | 1,869,110 | 1,343,105 |
| Trade and other payables | 11 | 4,215,677 | 3,706,352 |
| Lease liabilities | | 204,020 | 184,745 |
| Current taxation | | 619,907 | 512,094 |
| Provisions | | 40,325 | 37,218 |
| | | <u>6,958,039</u> | <u>5,788,719</u> |
| Net current assets | | <u>3,704,035</u> | <u>3,489,518</u> |
| Total assets less current liabilities | | <u>8,881,486</u> | <u>8,586,032</u> |
| Non-current liabilities | | | |
| Bank loans | | 152,279 | 147,282 |
| Lease liabilities | | 1,019,410 | 965,593 |
| Deferred tax liabilities | | 92,707 | 76,322 |
| Provisions | | 29,466 | 26,573 |
| | | <u>1,293,862</u> | <u>1,215,770</u> |
| Net assets | | <u>7,587,624</u> | <u>7,370,262</u> |
| Capital and reserves | | | |
| Share capital | | 28 | 28 |
| Reserves | | 6,896,745 | 7,019,284 |
| Total equity attributable to equity shareholders of the Company | | 6,896,773 | 7,019,312 |
| Non-controlling interests | | 690,851 | 350,950 |
| Total equity | | <u>7,587,624</u> | <u>7,370,262</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 — unaudited

(Expressed in Renminbi Yuan)

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Operating activities | | |
| Cash (used in)/generated from operations | (372,441) | 214,424 |
| Income tax paid | (143,907) | (163,629) |
| Net cash (used in)/generated from operating activities | (516,348) | 50,795 |
| Investing activities | | |
| Payments for the purchase of investment properties, property, plant and equipment, right-of-use assets and intangible assets | (145,333) | (202,929) |
| Proceeds from disposal of property, plant and equipment | 1,521 | 507 |
| Acquisitions of subsidiaries, net of cash acquired | (63,198) | — |
| Disposals of subsidiaries, net of cash disposed | — | (28,209) |
| Payments for purchase of: | | |
| — financial assets classified as fair value through profit or loss (“FVPL”) | (447,926) | (908,410) |
| — listed debt investments | — | (87,115) |
| — time deposits | (270,500) | (971,000) |
| Proceeds from redemption of: | | |
| — financial assets classified as FVPL | 688,809 | 559,660 |
| — listed debt investments | 17,450 | 9,032 |
| — time deposits | 520,000 | 1,385,664 |
| Placement of guarantee deposits for foreign exchange forward contracts, net | — | (161,503) |
| Payment for investment in associates | (22,060) | (3,255) |
| Interest received | 33,762 | 38,472 |
| Dividends received from joint ventures | 1,000 | 32,008 |
| Investment income received from other financial assets | 7,394 | 3,158 |
| Payments for loans and advances | (87,695) | (15,930) |
| Proceeds from repayment of loans and advances | 4,000 | 26,000 |
| Net cash generated from/(used in) investing activities | 237,224 | (323,850) |

| | Six months ended 30 June | |
|--|---------------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Financing activities | | |
| Proceeds from new bank loans and other borrowings | 38,849 | 10,280 |
| Repayment of bank loans | (29,825) | (6,300) |
| Capital injection from non-controlling interests | 17,215 | 8,114 |
| Proceeds from exercise of share options | 16,715 | 127,691 |
| Capital element of lease rentals paid | (95,861) | (62,997) |
| Interest element of lease rentals paid | (26,512) | (29,081) |
| Payment for acquisition of non-controlling interests | (53,250) | (153,750) |
| Dividends paid to non-controlling interests | (4,261) | (16,870) |
| Interest paid | (7,190) | (3,064) |
| | <u>(144,120)</u> | <u>(125,977)</u> |
| Net cash used in financing activities | (144,120) | (125,977) |
| Net decrease in cash and cash equivalents | (423,244) | (399,032) |
| Cash and cash equivalents at 1 January | 4,306,619 | 4,437,192 |
| Effect of foreign exchanges rate changes | <u>30,237</u> | <u>(21,942)</u> |
| Cash and cash equivalents at 30 June | <u>3,913,612</u> | <u>4,016,218</u> |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

Greentown Service Group Co. Ltd. (“**the Company**”) was incorporated in the Cayman Islands on 24 November 2014 as an exempted company with limited liability under the Companies Act (as 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 12 July 2016 (the “**Listing**”).

The interim financial report of the Company as at and for the six months ended 30 June 2022 comprises the Company and its subsidiaries (together referred to as the “**Group**”). The interim financial 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 Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, 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 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report has 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 HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

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

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that the amendment has no significant impact on this interim financial report.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provision of property services, community living services, consulting services and technology services.

Disaggregation of revenue by major service lines is as follows:

| | Six months ended 30 June | |
|--|---------------------------------|-----------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Revenue from contracts with customers | | |
| within the scope of HKFRS 15 | | |
| <i>Disaggregated by major service lines</i> | | |
| Property services | 4,360,349 | 3,625,611 |
| Community living services | 1,298,045 | 1,104,091 |
| Consulting services | 957,353 | 790,202 |
| Technology services (<i>Note</i>) | 199,992 | 50,392 |
| | 6,815,739 | 5,570,296 |
| Revenue from other sources | | |
| Gross rentals from investment properties | | |
| — Community living services | 12,053 | — |
| — Consulting services | — | 25,592 |
| | 6,827,792 | 5,595,888 |

Note: Technology services mainly represented software development services, information technology services and intelligent lighting engineering and design services provided to customers.

Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 by timing of revenue recognition are as follows:

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue recognised over time: | | |
| Property services | | |
| Property services | 4,360,349 | 3,625,611 |
| Community living services | | |
| Community products and services | 14,189 | 550 |
| Home living services | 98,876 | 82,458 |
| Community space services | 118,932 | 99,889 |
| Property asset management services | 25,548 | 26,804 |
| Cultural & education services | 253,707 | 232,653 |
| | <u>511,252</u> | <u>442,354</u> |
| Consulting services | | |
| Property under construction services | 832,736 | 641,702 |
| Management consulting services | 124,617 | 148,500 |
| | <u>957,353</u> | <u>790,202</u> |
| Technology services | | |
| Technology services | 157,261 | 50,392 |
| | <u>5,986,215</u> | <u>4,908,559</u> |
| Revenue recognised at point in time: | | |
| Community living services | | |
| Community products and services | 509,882 | 387,282 |
| Property asset management services | 276,911 | 274,455 |
| | <u>786,793</u> | <u>661,737</u> |
| Technology services | | |
| Technology services | 42,731 | – |
| | <u>6,815,739</u> | <u>5,570,296</u> |

Disaggregation of revenue from contracts with customers by geographical location is disclosed in notes 3(b)(i).

No revenue from transaction with single external customer is amounted around 10% or more of the Group's revenue for each of the periods presented.

(b) Segment reporting

The Group manages its businesses by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following seven reportable segments.

- Region 1: Hangzhou (include Yuhang)
- Region 2: Yangtze River Delta Region (include Ningbo)
- Region 3: Pearl River Delta Region
- Region 4: Bohai Economic Rim Region
- Region 5: Australia
- Region 6: Other overseas and Hong Kong Regions
- Region 7: Other Mainland China Regions

(i) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

| | Six months ended 30 June 2022 | | | | | | | | | |
|--|---------------------------------|------------------|---|------------------|-----------------------------------|------------------------------------|----------------|--|---------------------------------------|------------------|
| | Hangzhou | | Yangtze River Delta Region | | | | | Other overseas and Hong Kong Regions | Other Mainland China Regions | |
| | Hangzhou (exclude Yuhang) | Yuhang Region | Yangtze River Region (exclude Ningbo) | Ningbo Region | Pearl River Delta Region | Bohai Economic Rim Region | Australia | | | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue from external customers | 2,071,135 | 297,989 | 1,958,391 | 364,830 | 447,714 | 839,315 | 208,003 | - | 640,415 | 6,827,792 |
| Inter-segment revenue | 37,532 | 6,682 | 58,319 | 38 | 2,543 | 2,074 | - | - | 4,757 | 111,945 |
| Reportable segment revenue | 2,108,667 | 304,671 | 2,016,710 | 364,868 | 450,257 | 841,389 | 208,003 | - | 645,172 | 6,939,737 |
| Reportable segment profit | 94,721 | 11,886 | 214,494 | 67,525 | 58,433 | 15,799 | 3,202 | (37,971) | 71,087 | 499,176 |
| As at 30 June 2022 Reportable segment assets | 17,765,900 | 480,292 | 5,595,283 | 1,465,871 | 940,475 | 1,582,232 | 1,443,565 | 2,992,238 | 1,853,911 | 34,119,767 |
| As at 30 June 2022 Reportable segment liabilities | 17,257,240 | 246,053 | 3,727,212 | 786,088 | 525,859 | 862,382 | 1,141,954 | 618,867 | 1,052,392 | 26,218,047 |

Six months ended 30 June 2021

| | Hangzhou | | Yangtze River Delta Region | | | | Australia RMB'000 | Other overseas and Hong Kong Regions RMB'000 | Other Mainland China Regions RMB'000 | Total RMB'000 |
|-----------------------------------|--|-----------------------------|--|-----------------------------|--|---|----------------------|---|--|------------------|
| | Hangzhou (exclude Yuhang) RMB'000 | Yuhang Region RMB'000 | Yangtze River Region (exclude Ningbo) RMB'000 | Ningbo Region RMB'000 | Pearl River Delta Region RMB'000 | Bohai Economic Rim Region RMB'000 | | | | |
| Revenue from external customers | 1,640,470 | 250,966 | 1,701,999 | 284,802 | 347,268 | 695,536 | 196,209 | – | 478,638 | 5,595,888 |
| Inter-segment revenue | 23,003 | 1,445 | 1,537 | 100 | 503 | 948 | – | – | 2,656 | 30,192 |
| Reportable segment revenue | 1,663,473 | 252,411 | 1,703,536 | 284,902 | 347,771 | 696,484 | 196,209 | – | 481,294 | 5,626,080 |
| Reportable segment profit | 73,239 | 14,761 | 253,353 | 52,603 | 68,514 | 34,103 | (4,449) | 129,526 | 94,482 | 716,132 |
| As at 31 December 2021 | | | | | | | | | | |
| Reportable segment assets | 18,838,178 | 474,013 | 4,756,015 | 1,055,950 | 827,835 | 1,578,562 | 1,354,268 | 2,708,185 | 1,264,489 | 32,857,495 |
| As at 31 December 2021 | | | | | | | | | | |
| Reportable segment liabilities | 18,112,926 | 214,506 | 3,096,669 | 655,146 | 474,923 | 866,487 | 966,722 | 60,027 | 688,389 | 25,135,795 |

(ii) Reconciliation of reportable segment profit or loss

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Reportable segment profits | 499,176 | 716,132 |
| Elimination of inter-segment profits | – | – |
| Reportable segment profit derived from the Group's external customers | 499,176 | 716,132 |
| Consolidated profit before taxation | 499,176 | 716,132 |

4. OTHER REVENUE AND OTHER NET INCOME

| | Six months ended 30 June | |
|---------------------------------------|--------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Other revenue | | |
| Government grants (<i>note (i)</i>) | 62,295 | 44,501 |
| Others | 5,444 | 2,755 |
| | <u>67,739</u> | <u>47,256</u> |

- (i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities. During the six months ended 30 June 2022, the Group received the additional deduction of input VAT of RMB21,466,000 (six months ended 30 June 2021: RMB16,858,000).

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Other net income | | |
| Net loss on sale of property, plant and equipment | (847) | (325) |
| Net realised and unrealised gains/(losses) on FVPL | | |
| — Listed equity securities | 24,266 | 145,705 |
| — Unlisted equity investments | 4,433 | (17,084) |
| — Treasury products | 3,403 | 1,166 |
| Net foreign exchange losses | (11,706) | (1,633) |
| | <u>19,549</u> | <u>127,829</u> |

5. PROFIT BEFORE TAXATION

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

(a) Net finance costs/(income)

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Interest income on listed debt instruments | (5,412) | (1,939) |
| Interest income on bank deposits | (17,683) | (36,533) |
| Interest expense on bank loans | 7,190 | 3,064 |
| Interest expense on lease liabilities | 30,967 | 36,645 |
| Less: interest expense capitalised into assets under construction | (4,328) | (7,564) |
| | <u>10,734</u> | <u>(6,327)</u> |

(b) Staff costs

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Salaries and other benefits | 2,020,355 | 1,567,358 |
| Equity settled share-based payment expenses | 20,895 | 25,239 |
| Contributions to defined contribution scheme (note (i)) | 289,257 | 214,894 |
| | <u>2,330,507</u> | <u>1,807,491</u> |

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

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

(c) **Other items**

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Impairment losses | | |
| — trade and other receivables | 100,343 | 54,245 |
| — listed debt investments | 51,062 | — |
| — Interest in an associate | 22,500 | — |
| | <u>173,905</u> | <u>54,245</u> |
| Depreciation | | |
| — property, plant and equipment | 68,843 | 59,297 |
| — right-of-use assets | 97,331 | 97,202 |
| Amortisation of intangible assets | 23,336 | 20,094 |
| Expense relating to short-term leases and other leases | 73,527 | 58,765 |
| Cost of inventories | 407,744 | 260,030 |
| Outsourcing labor costs | 2,110,313 | 1,827,440 |

6. INCOME TAX

Taxation in profit or loss represents:

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Current tax — PRC corporate income tax | | |
| Provision for the period | 220,234 | 183,604 |
| Under-provision in respect of prior years | 3,562 | 2,149 |
| | <u>223,796</u> | <u>185,753</u> |
| Current tax — Overseas corporate income tax | | |
| Provision for the period | 5,104 | 8,915 |
| Deferred taxation | | |
| Origination and reversal of temporary differences | (95,989) | (32,072) |
| | <u>132,911</u> | <u>162,596</u> |

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

The income tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the six months ended 30 June 2022 and 2021.

The income tax rate applicable to group entities incorporated in Australia for the income subject to Income Tax Assessment Act 1997 during the reporting period is 30%.

(ii) **PRC Corporate Income Tax**

The Group’s PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified.

- For certain subsidiaries recognised as a small profit enterprise in 2022, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (six months ended 30 June 2021: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2021: 20%). And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 25% (six months ended 30 June 2021: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2021: 20%).
- Pursuant to Chapter 28 of the Law of the People’s Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise.

The Group’s subsidiary, Hangzhou Greentown Information and Technology Company Limited (「杭州綠城信息技術有限公司」) (“**Greentown IT**”) has obtained a high and new technology enterprise certification in 2018 and renewed the qualification in 2021. It is entitled to a preferential income tax rate of 15% from 2021 to 2023.

The Group’s subsidiary, Lvman Technology Company Limited (「綠漫科技有限公司」) (“**Lvman Technology**”) obtained a high and new technology enterprise certification in 2016 and renewed the qualification in 2019. It is entitled to a preferential income tax rate of 15% from 2019 to 2021. Lvman Technology were in the renewal approval process during the six months ended 30 June, and management believe that it could continue to be qualified as high and new technology enterprise in 2022, and accordingly, it could continue to be entitled to a preferential income tax rate of 15% from 2022 to 2024.

The Group’s subsidiary, Zhejiang Huixiang Information and Technology Company Limited (「浙江慧享信息科技有限公司」) (“**Huixiang IT**”) obtained a high and new technology enterprise certification in 2020 and is entitled to a preferential income tax rate of 15% from 2020 to 2022.

The Group’s subsidiary, Zhejiang Greentown Architectural Technology Co., Ltd. (「浙江綠城建築科技有限公司」) (“**Zhejiang Lvke**”) has obtained a high and new technology enterprise certification in 2020 and is entitled to a preferential income tax rate of 15% from 2021 to 2023.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB341,107,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB546,745,000) and the weighted average number of 3,245,779,000 ordinary shares (six months ended 30 June 2021: 3,232,657,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

| | 2022 | 2021 |
|---|-------------------------|------------------|
| | '000 | '000 |
| Issued ordinary shares at 1 January | 3,245,296 | 3,220,086 |
| Effect of share options exercised | 483 | 12,571 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares at 30 June | <u>3,245,779</u> | <u>3,232,657</u> |

(b) Diluted earnings per share

For the six months period ended 30 June 2022, the Company has one category of dilutive potential ordinary shares, which is the share options granted to certain directors and employees of the Group which were vested at 30 June 2022.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from these equities settled share-based transactions.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB341,107,000 (six months ended 30 June 2021: RMB546,745,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 3,256,417,000 ordinary shares (six months ended 30 June 2021: 3,239,940,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

| | 2022 | 2021 |
|--|-------------------------|------------------|
| | '000 | '000 |
| Weighted average number of ordinary shares at 30 June | 3,245,779 | 3,232,657 |
| Effect of equity settled share-based transactions | 10,638 | 7,283 |
| | <hr/> | <hr/> |
| Weighted average number of ordinary shares (diluted) at 30 June | <u>3,256,417</u> | <u>3,239,940</u> |

8. DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Additions of investment properties

During the six months ended 30 June 2022, the Group acquired items of leased properties and leasehold improvements with a cost of RMB49,380,000 (six months ended 30 June 2021: RMB25,615,000). The Group acquired items of leased properties of RMB54,235,000 through acquisition of subsidiaries.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of office equipment and furniture, motor vehicles, leasehold improvement and construction in progress with a cost of RMB119,780,000 (six months ended 30 June 2021: RMB116,662,000). The Group acquired items of office equipment and furniture, leasehold improvement of RMB9,763,000 through acquisition of subsidiaries.

Items of office equipment and furniture and motor vehicles with a net book value of RMB2,368,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB832,000), resulting in a loss on disposal of RMB847,000 (six months ended 30 June 2021: RMB325,000).

(c) Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for use of office spaces, teaching buildings, service apartments, carparks and retail stores, and therefore recognised the additions to right-of-use assets of RMB111,721,000 (six months ended 30 June 2021: RMB174,748,000). The Group acquired items of right-of-use assets of RMB10,006,000 through acquisition of subsidiaries.

During the six months ended 30 June 2022, the Group disposed of right-of-use assets with a net book value of RMB1,132,000 (six months ended 30 June 2021: RMB37,818,000) when the Group terminated the lease of certain properties as its office spaces and service apartments, resulting in a loss on disposal of RMB219,000 (six months ended 30 June 2021: RMB1,646,000).

10. TRADE AND OTHER RECEIVABLES

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

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Within 1 year | 3,214,397 | 1,997,311 |
| 1 to 2 years | 303,773 | 170,468 |
| 2 to 3 years | 41,748 | 17,993 |
| 3 to 4 years | 6,011 | 1,801 |
| 4 to 5 years | 489 | 325 |
| | <hr/> | <hr/> |
| Total trade and bills receivable from third parties, net of loss allowance | 3,566,418 | 2,187,898 |
| Less: trade receivables due after one year, net of loss allowance | (39,504) | (63,326) |
| | <hr/> | <hr/> |
| | 3,526,914 | 2,124,572 |
| Other receivables, net of loss allowance | 727,140 | 417,393 |
| Amounts due from related parties | | |
| — trade nature | 17,977 | 20,201 |
| — non-trade nature | 38,594 | 55,687 |
| Amounts due from other staff | 23,164 | 15,702 |
| | <hr/> | <hr/> |
| Total other receivables, net of loss allowance | 806,875 | 508,983 |
| Less: other receivables due after one year, net of loss allowance | (97,195) | – |
| | <hr/> | <hr/> |
| | 709,680 | 508,983 |
| Financial assets measured at amortised cost | 4,236,594 | 2,633,555 |
| Deposits and prepayments | 507,656 | 421,113 |
| | <hr/> | <hr/> |
| | 4,744,250 | 3,054,668 |
| | <hr/> <hr/> | <hr/> <hr/> |

Trade receivables are primarily related to revenue recognised from the provision of property services, community living services, consulting services and technology services.

11. TRADE AND OTHER PAYABLES

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Trade payables | 1,103,473 | 1,191,547 |
| — <i>Billed trade payables</i> | 956,500 | 1,070,337 |
| — <i>Accrued trade payables</i> | 146,973 | 121,210 |
| Bills payable | 42,381 | 58,771 |
| | <hr/> | <hr/> |
| Trade payables | 1,145,854 | 1,250,318 |
| Refundable deposits | 495,699 | 431,971 |
| Accrued payroll and other benefits | 350,909 | 477,456 |
| Escrow funds held on behalf of customers | 62,425 | 32,696 |
| Cash collected on behalf of the owners' associations | 259,168 | 226,552 |
| Other payables and accruals | 307,656 | 206,911 |
| Temporary receipts | 513,524 | 577,172 |
| Amounts due to related parties | 99,711 | 173,631 |
| Loan from a third party | 28,502 | 20,775 |
| Dividends payable to equity shareholders | 555,069 | – |
| Dividends payable to non-controlling interests | 3,200 | 249 |
| | <hr/> | <hr/> |
| Financial liabilities measured at amortised cost | 2,675,863 | 2,147,413 |
| | <hr/> | <hr/> |
| Other tax and charges payable | 393,960 | 308,621 |
| | <hr/> | <hr/> |
| | 4,215,677 | 3,706,352 |
| | <hr/> | <hr/> |

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

| | At | At |
|------------------------------------|-----------------------|----------------|
| | 30 June | 31 December |
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 month | 673,504 | 851,860 |
| After 1 month but within 3 months | 95,405 | 90,545 |
| After 3 months but within one year | 187,591 | 127,932 |
| | 956,500 | 1,070,337 |

12. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 19 July 2022, a claim was lodged by a third party in relation to certain lease arrangement against an associate and a subsidiary of the Group as the first and second defendants respectively. The claim amount is approximately RMB135 million. The Group is currently assessing the potential impact of the claim to the Group.

CHAIRMAN’S STATEMENT

Dear shareholders,

On behalf of the Board, I am pleased to report the results of the Group for the six months ended 30 June 2022.

Some say that the best scenery in a year comes in the season when oranges are yellow and tangerines are green. In the first half of the year, from time to time, certain areas in the PRC experienced the outbreak of the pandemic, including the 66 days of complete lockdown in Shanghai and tightened restrictions in Suzhou and Hangzhou. The pandemic has become more normalized and localized and yet remains unpredictable at the same time. It is no doubt that natural disasters make people sorrowful, but also arouse people’s desire for stability and prosperity, which is ultimately dependent on the order and stability of the home environment, the realization of which throughout the pandemic is an epitome of the courageous role the property management industry has undertaken in epidemic prevention and control work, as well as the obligation to guarantee the supply of living. The value in property services is manifested by service providers guarding and caring for the home environment. It can be said that what we are, how our home will become. With the support of millions of owners behind us and the expectations of our shareholders and investors ahead of us, we are striving to protect the beauty of this landscape even when “oranges are yellow and tangerines are green” by keeping in mind that even when the best sceneries are not apparent at the moment, opportunities for a brighter future are yet to come.

We place much emphasis on the quality of our services. During the Period, we focused on improving our services based on the four guarantees, and we were recognized by third parties for stabilizing and increasing our service quantity: according to the satisfaction survey conducted by the China Index Academy, we ranked first in 10 out of 30 typical cities, an increase of 5 ranking compared with last year; we were also awarded Top 1 of Top 100 Property Service Enterprises in 2022 by E-house CRIC. We are motivated in pursuing advancement in life and improving services. Satisfaction of owners is our eternal pursuit, and this pursuit inspires and feeds our development. In the first half of the year, the total revenue of the Group reached RMB6,827.8 million, representing an increase of 22.0% compared to the same period in 2021. The managed gross floor area (“GFA”) reached 349.3 million square meters, representing an increase of 28.1% over the same period in 2021.

The quality of our services forms the foundation to our expansion. In an increasingly competitive market, we integrate property, parks, consulting, marketing and technology services to provide integrated comprehensive operation service capabilities with the explosive power of multi-business combination, connecting dots and providing enrichment thereon. During the Period, we signed 688 new contracts, added 66.802 million square meters of new floor space and achieved annual saturation revenue of RMB2.16 billion, representing a year-on-year growth rate of 35.0% in new revenue and 46.7% in area. The development pattern of commercial and office services has been upgraded, with the signing of the second phase of Zhong'an Creative Valley, Nanchang Civic Center, and Shanghai Chongming Elderly Care Project. Event services and sports venues have been further developed, with the signing of the Asian Games Village Lot 1 operation project, the Fuyang Yinhu Sports Center, the Asian Games Equestrian Stadium project, the Fuyang Water Sports Center and the Linping Sports Center. Universities, hospitals, and airports have made breakthroughs in professional tracks, with the signing of Zhejiang Ocean University, Zhejiang University of Science and Technology, Xi'an Jiaotong University Second Affiliated Hospital, Hangzhou High Speed Rail West Station Hub and Xiaoshan Airport Transportation Center. Comprehensive regional development and urban services are steadily moving forward, with the signing of comprehensive regional services for Wuchang Street in Hangzhou, comprehensive regional services for Cuiyuan Street in Hangzhou, and Tianjin Tuanbo Lake New City Investment and Operation Project for property services. This is the result of our advance planning and initiative to seek changes in the midst of the downturn of the real estate sector, which further manifests our obscure yet pivotal position in the commercial and real estate sector. In addition, we have completed the equity cooperation with Xinda Real Estate, Xi'an High-tech Zone and other important state-owned enterprises, and enhance our accessibility to high-quality and stable resources, which has increased the certainty for the Group to continue its high-quality development and stability in the future.

The branches of expansion blooms into the flowers of service. Under the more stringent property regulatory regime and the policy of "no speculation in housing", the traditional consulting business has been innovative and seeking changes. Major customers have made breakthroughs in transformation and developed into government and state-owned enterprise channels. Simultaneously, we have deepened our expansion in new businesses such as urban services and future communities, formed core competencies, and undertaken and developed the Tianjin City Investment model for urban renewal, the Fei Cui City model for future communities, and the Hanyu Golden Valley model for integrated services, all of which have received approving instructions from major provincial leaders.

The Ministry of Industry and Information Technology recently pointed out that in promoting the digital transformation of small and medium-sized enterprises, it is necessary to play the leading role of large enterprises to drive the industrial chain and supply chain, and form a “chain” of digital transformation of upstream and downstream small and medium-sized enterprises. Under this understanding, our technology services continue to constantly innovate, grasping the dividend of enterprise digitalization reform, and continue to deepen the expansion of digital intelligence projects in all areas of operation, forming a digital intelligence project platform model. In addition, Property Nail, SAAS, Wise Cloud under Technology Services have provided service support for many top 100 property service enterprises. As such, technology efficiency has blossomed, empowering external factors and benefitting both internally and other externalities.

According to surveys, community owners place more emphasis on entertainment and education in their lifestyle consumption. Community lifestyle consumption will become the third largest consumer retail area after traditional retail and e-commerce retail, and manifesting the long-tail effect. In the first half of the year, our community retail platform was upgraded to “Greentown Sincere Choice”, with more than 500 SKUs across the platform and more than 100 stores nationwide. While deepening our efforts in Jiangsu, Zhejiang and Shanghai, we entered the field of supermarkets in colleges and universities and exported service models. In the cultural and education services field, the business operation continued to improve. We participated in the formulation of relevant domestic management standards, including “Management Standards for Infants and Child Growth Station”, which was drafted by Hangzhou Women’s and Children’s Health Service Center, Hangzhou Gongshu District Women’s and Children’s Health Care of Family Planning Service Center and the Company, implemented on 1 May 2022 and being regarded as the social group standard of Hangzhou Health Promotion Association.

FUTURE OUTLOOK

Looking back at the past six months, although the industry has sailed through thousands of miles, we have steadily submerged and marched on the track of independent value; based on the present circumstances, we remain confident. For those service contracts signed because of trust, we have incubated more comprehensive strengths, and implementation has been conducted more systematically and meticulously; looking ahead, the diversified value points of the industry are being discovered in a focused manner, and we will continue to move forward with an upward attitude.

The community (in particular, the park community) is the ‘last mile’ and greatest connection built for the government to contact and serve the people, and the future practice of community will be innovation to meet the growing needs of the people for a better life. To this end, we will continue to deepen our exploration in this area and thicken the transition to paving the way to modern community. To expand and improve quality, we will continue to adhere to strategy of strengthening urban development to enhance our competitive strength in the market; to expand our business, we will form integrated services in the new type of future communities and eventually try to replicate the Zhejiang model outside the province to build a model of modern communities.

Based on the report of the 19th National Congress of the Chinese Communist Party, which proposes to build a social governance pattern of common construction, common governance and sharing, we will continue to strengthen the construction of community governance system, promote the “Happiness Land” service model with Greentown characteristics, and integrate the power of more owners’ volunteers to build and share together. We will link multiple resources, create a brand of shared governance, improve the technology platform, and promote the effective implementation of the shared governance model, so as to realize the benign interaction between government governance and social regulation, residents’ autonomy, and the Greentown’s presentation of good living.

Learn extensively, inquire earnestly, think profoundly, discern clearly and practice sincerely. In the second half of 2022, we will continue to uphold the concept that “An ocean can never be vast without the contribution of every single river and stream”, adhere to the original emphasis on quality and focus on the creation of long-term interests and value of customers. At the same time, it is our responsibility to build a better life for the people, and we will work together with you to achieve better results and create a better future.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. In the “2022 Top 100 China Property Service Enterprises Research Results Conference” organized by China Index Academy (a professional independent third-party Real Estate Research Organization in China), we once again won the first place of “China’s top 100 leading enterprises in terms of Property Service Satisfaction”, which represented the recognition of our services by the owners and society, and lays a solid foundation for the continuous expansion of our management scale and sustained growth of performance.

Since 2014, the Group has placed more emphasis on the technology business. Through technology services and products, the Group continues to improve on domestic efficiency and external output, driving its the main business and helps the Group achieve the strategic goal of being the most valuable and happy living service provider in China. During the Period, the product structure of technology service continued to optimize and the business grew rapidly. In order to enable shareholders and potential investors to have a more clear picture of the Group's business segments, after careful study and careful discussion by the board of directors, we decided to reclassify the main business of the Group by splitting off the technology services from the community living services as a separate business segment. After the adjustment, the Group's main business is divided into: (i) property services; (ii) community living services; (iii) consulting services; and (iv) technology services. The above business classification adjustment does not change the nature of the Group's main business, but aims to more clearly reflect the Group's business classification and growth potential.

FINANCIAL REVIEW

During the Period, the Group achieved the following:

Revenue

Revenue was RMB6,827.8 million, representing an increase of 22.0% y/y from the same period of 2021 that was RMB5,595.9 million.

The Group's revenue arises from four business segments: (i) property services; (ii) community living services; (iii) consulting services and (iv) technology services. During the Period: (i) property services continued to be the largest revenue and earnings contributor for the Group, the revenue from which reached RMB4,360.3 million, accounting for 63.9% of the overall revenue and representing an increase of 20.3% y/y from the same period of 2021 that was RMB3,625.6 million; (ii) as for community living services, the revenue amounted to RMB1,310.1 million, accounting for 19.2% of the overall revenue and representing a y/y increase of 18.7% compared with the same period of 2021 that was RMB1,104.1 million; (iii) as for consulting services, the revenue amounted to RMB957.4 million, accounting for 14.0% of the overall revenue, representing an increase of 17.4% y/y from the same period of 2021 that was RMB815.8 million; (iv) as for technology services, the revenue amounted to RMB200.0 million, accounting for 2.9% of the overall revenue, representing an increase of 296.8% from the same period of 2021 that was RMB50.4 million.

| | 2022 | | 2021 | | Y/Y increase |
|--------------------------------------|------------------|------------------------|------------------|------------------------|---------------|
| | RMB'000 | % of the total revenue | RMB'000 | % of the total revenue | |
| Property services | | | | | |
| Property services | <u>4,360,349</u> | <u>63.9%</u> | <u>3,625,611</u> | <u>64.8%</u> | <u>20.3%</u> |
| | <u>4,360,349</u> | <u>63.9%</u> | <u>3,625,611</u> | <u>64.8%</u> | <u>20.3%</u> |
| Community living services | | | | | |
| Community products and services | <u>524,071</u> | <u>7.7%</u> | <u>387,832</u> | <u>6.9%</u> | <u>35.1%</u> |
| Home living services | <u>98,876</u> | <u>1.5%</u> | <u>82,458</u> | <u>1.5%</u> | <u>19.9%</u> |
| Community space services | <u>118,932</u> | <u>1.7%</u> | <u>99,889</u> | <u>1.8%</u> | <u>19.1%</u> |
| Property asset management services | <u>314,512</u> | <u>4.6%</u> | <u>301,259</u> | <u>5.4%</u> | <u>4.4%</u> |
| Cultural & education services | <u>253,707</u> | <u>3.7%</u> | <u>232,653</u> | <u>4.1%</u> | <u>9.0%</u> |
| | <u>1,310,098</u> | <u>19.2%</u> | <u>1,104,091</u> | <u>19.7%</u> | <u>18.7%</u> |
| Consulting services | | | | | |
| Property under construction services | <u>832,736</u> | <u>12.2%</u> | <u>641,702</u> | <u>11.5%</u> | <u>29.8%</u> |
| Management consulting services | <u>124,617</u> | <u>1.8%</u> | <u>174,092</u> | <u>3.1%</u> | <u>-28.4%</u> |
| | <u>957,353</u> | <u>14.0%</u> | <u>815,794</u> | <u>14.6%</u> | <u>17.4%</u> |
| Technology services | | | | | |
| Technology services | <u>199,992</u> | <u>2.9%</u> | <u>50,392</u> | <u>0.9%</u> | <u>296.8%</u> |
| | <u>199,992</u> | <u>2.9%</u> | <u>50,392</u> | <u>0.9%</u> | <u>296.8%</u> |
| | <u>6,827,792</u> | <u>100.0%</u> | <u>5,595,888</u> | <u>100.0%</u> | <u>22.0%</u> |

Cost of Sales

During the Period, the cost of sales amounted to RMB5,515.4 million, representing a 23.3% y/y increase from the same period of 2021 that was RMB4,473.0 million. The increase in cost of sales was slightly higher than the increase in revenue.

Gross Profit

Gross profit reached RMB1,312.4 million, increasing by 16.9% y/y from the same period of 2021 that was RMB1,122.9 million. Gross profit margin was 19.2%, representing a decrease of 0.9 percentage points from 20.1% for the same period of 2021 due to the conditions of the real estate industry environment affected by the resurgence of COVID-19 epidemic in some cities in China.

Gross profit margins for the four business segments were 13.8% for property services, 23.2% for community living services, 36.0% for consulting services and 31.3% for technology services. For the same period of 2021, these gross profit margins were 14.4%, 25.8%, 35.2% and 59.7% respectively.

- Gross profit margin for property services was 13.8%, which slightly decreased as compared to 14.4% for the same period of 2021;
- Gross profit margin for community living services was 23.2%, representing a decrease as compared to 25.8% for the same period of 2021;
- Gross profit margin for consulting services was 36.0%, which slightly increased as compared to 35.2% for the same period of 2021;
- Gross profit margin for technology services was 31.3%, which was lower than 59.7% for the same period of 2021, representing a decrease of 28.4 percentage points. It was mainly affected by the development of global platform products and intelligent property (SAAS) products and the rapid business expansion during the Period. With the continuous development of the business, it is believed that the product structure will be optimized and adjusted to attain stability in the future.

Selling and marketing expenses

Selling and marketing expenses amounted to RMB119.6 million, representing an increase of 41.1% as compared to RMB84.8 million for the same period in 2021. This was mainly due to the increase in costs associated with the growth in the business of community living services segment, including the increase in sales staff and venue rental costs.

Administrative expenses

Our administrative expenses reached RMB602.4 million, representing an increase of 34.3% from RMB448.5 million for the same period of 2021. It is higher than the revenue growth rate. The administrative expense ratio was 8.8%, representing an increase of 0.8 percentage points compared to the same period in 2021. This was mainly due to the increase of research and development expenditure caused by the rapid growth of technology services, and at the same time, in order to enable the sustainable development of the Group, we continuously introduced high quality management teams and improved the salary of existing management. Over time, the overhead expenses rates is expected to gradually flatten out.

Impairment losses on trade and other receivables

The impairment losses on trade and other receivables increased by 85.1% to RMB100.3 million for the Period from RMB54.2 million for the same period of 2021, primarily because we have added the impairment provisions for certain trade receivables and other receivables based on prudent consideration of the effects of the economic environment.

Profit from operations

The profit from operations reached RMB498.4 million, representing a decrease of 28.8% from RMB700.0 million for the same period of 2021. Core profit for the operations reached RMB590.3 million, which was RMB589.6 million for the same period of 2021. The profitability of the core business of the Company remains stable.

The operating margin was 7.3%, representing a decrease of 5.2 percentage points from 12.5% for the same period of 2021. It was mainly due to the corresponding decrease in the fair value of certain financial instruments during the Period and the increase in the provision for asset impairment losses and the staff costs.

Net finance (cost)/income

During the Period, net finance cost of the Group was RMB10.7 million, decreasing by 269.7% compared to the same period of 2021 with the net finance income of RMB6.3 million, which was mainly due to the decrease in interest income on bank deposits for the Period by RMB18.9 million.

| | Six months ended 30 June | | |
|--|--------------------------|--------------|----------------|
| | 2022 | 2021 | Y/Y% |
| | RMB'000 | RMB'000 | |
| Interest income on listed debt instruments | 5,412 | 1,939 | 179.1% |
| Interest income on bank deposits | 17,683 | 36,533 | -51.6% |
| Interest expense on bank loans | (7,190) | (3,064) | 134.7% |
| Interest expense on lease liabilities | (30,967) | (36,645) | -15.5% |
| Less: interest expense capitalised into assets under construction | 4,328 | 7,564 | -42.8% |
| Net finance (cost)/income | <u>(10,734)</u> | <u>6,327</u> | <u>-269.7%</u> |

Share of profit less losses of associates

During the Period, share of profit of associates amounted to RMB10.6 million, representing an increase of RMB1.7 million compared to profit of RMB8.9 million for the same period of 2021.

During the Period, share of profit of joint venture amounted to RMB0.8 million, representing an increase of RMB1.4 million compared to losses of RMB0.6 million for the same period of 2021.

Profit before taxation

During the Period, profit before taxation reached RMB499.2 million, representing a decrease of RMB216.9 million from RMB716.1 million for the same period of 2021, or representing a 30.3% y/y decrease, mainly due to the corresponding decrease in the fair value of certain financial instruments during the Period and the increase in the provision for asset impairment losses and the staff costs.

Income tax

During the Period, income tax amounted to RMB132.9 million, representing a 18.3% y/y decrease compared to RMB162.6 million for the same period of 2021. The effective tax rate was 26.6%, representing an increase of 3.9 percentage points from 22.7% for the same period of 2021. Such changes were mainly due to the decrease in the profit before taxation and the increase in the fair value of certain financial instruments held by the Group during the same period of 2021; and (ii) the income tax rate in the Cayman Islands and Hong Kong on the amount charged to profit or loss being zero, both of which occurring in the corresponding period of 2021 but there were no such effect during the Period. The rates of income tax are set out in note 6 on pages 17 to 18 of this announcement.

Profit for the Period

Profit for the Period was RMB366.3 million, representing a decrease of 33.8% as compared to RMB553.5 million for the same period of 2021.

During the Period, the profit attributable to equity shareholders of the Company was RMB341.1 million, representing a decrease of 37.6% as compared to RMB546.7 million for the same period of 2021. It was mainly due to the corresponding decrease in the fair value of certain financial instruments during the Period and the increase in the provision for asset impairment losses and the staff costs.

Net profit margin for the Period was 5.4%, with a y/y decrease of 4.5 percentage points from 9.9% for the same period of 2021.

Investment property, property, plant and equipment and right-of-use assets

As at 30 June 2022, the net book value of investment property, property, plant and equipment and right-of-use assets amounted to RMB2,051.5 million, representing an increase of 8.5% as compared to RMB1,890.1 million as at 31 December 2021. It was mainly due to the increase in leasehold property renovation fees and right-of-use assets, such as housing leases and renovations in the course of the Group's business expansion of its cultural and education services and property asset management services.

Trade and other receivables

As at 30 June 2022, trade and other receivables reached RMB4,881.0 million, being a 56.5% y/y increase from RMB3,118.0 million as at 31 December 2021, which was mainly due to the impact of the overall real estate industry environment, the slowdown of the related business payment collection rate, and the increasing of the trade and other receivables brought by the equity cooperation with Beijing Cinda Yue Life Service Co., Ltd.* (北京信達悦生活服務有限公司) (“**Cinda Yue Life**”).

Trade and other payables

As at 30 June 2022, trade and other payables reached RMB4,215.7 million, representing an increase of 13.7% from RMB3,706.4 million as at 31 December 2021. This was mainly due to the expansion of procurement volume resulting from the growth of business scale during the Period.

Lease liabilities

As at 30 June 2022, lease liabilities due within one year, which were included in current liabilities, were RMB204.0 million, while lease liabilities due after one year, which were included in non-current liabilities, were RMB1,019.4 million. The total lease liabilities increased to RMB1,223.4 million as at 30 June 2022, representing an increase of 6.4% as compared to RMB1,150.3 million as at 31 December 2021, which was mainly due to the increase in leased properties in the course of the expansion of the cultural and education services and property asset management services, and the equity cooperation with Cinda Yue Life.

Proceeds from financing and the usage plan

References are made to the announcements of the Company dated 24 April 2020, 7 May 2020, 3 June 2020 and 10 June 2020, respectively (collectively, the “**Announcements**”). The Company placed a total of 421,808,702 new shares (“**Such Financing**”). After deducting financing costs and related expenses, the net proceeds raised by Such Financing were approximately HK\$3,994.6 million (equivalent to RMB3,647.8 million).

During the Period, HK\$464.1 million has been used for investments, working capital and general purposes. The remaining net proceeds raised amounted to HK\$669.5 million as of 30 June 2022. The Group will use the proceeds as disclosed in the Announcements, mainly for potential future merger and acquisition, strategic investments, working capital and general purposes. Based on the operations of the Group and the market conditions, it is expected that the remaining proceeds from Such Financing will be fully utilized before 31 December 2023. The expected timeline for utilizing the remaining unutilized net proceeds from Such Financing is based on the best estimation of the future market conditions made by the Group and is subject to change based on the current and future development of market conditions.

Liquidity, reserves and capital structure

The Group maintained a good financial condition during the Period. The current assets as at 30 June 2022 was RMB10,662.1 million, increasing by 14.9% compared to RMB9,278.2 million as at 31 December 2021. As at 30 June 2022, the Group’s cash and cash equivalents amounted to RMB3,913.6 million, decreasing by 9.1% y/y from RMB4,306.6 million as at 31 December 2021.

During the Period, long-term loans amounted to RMB152.3 million (equivalent to approximately AUD33.0 million), which was borrowed by Montessori Academy Group Holdings Pty Ltd. (“MAG”), a non-wholly owned subsidiary of the Group, from a bank for supplementing its working capital. The secured bank loan bears interest rate of 4.70% to 6.70% (31 December 2021: 3.47% to 5.54%). The loans have been extended and will be repayable in May 2024. Such loan is subject to the fulfilment of certain financial covenants of MAG. If MAG was to breach the covenants, the drawn down facility would become payable on demand. MAG regularly monitors its compliance with these covenants. As at 30 June 2022, none of the covenants relating to drawn down facility had been breached.

The gearing ratio (total liabilities/total assets) of the Group was 52.1%, representing an increase of 3.4 percentage points compared to 48.7% for the same period of 2021.

Property services — 63.9% of total revenue, 45.8% of total gross profit

Property services remain as the Group’s largest revenue and gross profit contributor. The Group has been mainly adopting the overall rationing system for service charging. Based on our management experience and cost control capability over the past 20 years, property services continuously provide us with stable revenue and profit, as well as good reputation, and is the cornerstone of the Group’s implementation of its living services strategy. We will continue to strengthen our core services of “Security”, “Maintenance”, “Environmental” and “Greening” (collectively referred to as “**Four Cores**”), while effectively integrating the service contents of the Group’s various product lines and empowering them with technology to drive the orderly and steady growth of this business segment. During the Period:

- Revenue reached RMB4,360.3 million, a 20.3% increase from the same period of 2021 that was RMB3,625.6 million. This was mainly due to the stable increase of managed GFA.
- Gross profit was RMB601.7 million, representing a 15.4% increase from the same period of 2021 that was RMB521.5 million.
- The managed GFA was 349.3 million sq.m., representing an increase of 28.1% or a net increase of 76.6 million sq.m., from the same period of 2021 that was 272.7 million sq.m. Based on the Group’s strategy of endogenous growth and quality improvement, the growth in managed GFA continued to increase.
- Reserved GFA, a major source of managed GFA, reached a new high of 365.8 million sq.m. as at 30 June 2022, with a growth of 21.0%, or a net increase of 63.5 million sq.m. compared with 302.3 million sq.m. for the same period in 2021, showing that the Group retains a sufficient reserve of projects and will continue to provide a solid foundation for the Group’s future growth.

- If excluding the impact of equity cooperation with Cinda Yue Life during the Period, the managed GFA would increase by 22.0% compared with the same period in 2021, or the net increase was 60.0 million sq.m, and the reserved GFA would increase by 20.0% compared with the same period in 2021, or the net increase was 60.6 million sq.m.
- Managed projects reached 2,443, covering 30 provinces, municipalities and autonomous regions and 205 cities in the nation.

| | Six months ended 30 June | | | |
|-----------------------|---|------------------------|---|------------------------|
| | 2022 | | 2021 | |
| | % of property management revenue | % of managed GFA | % of property management revenue | % of managed GFA |
| Contracted GFA | | | | |
| — Residential | 69.6 | 78.1 | 68.2 | 77.5 |
| — Non-residential | 30.4 | 21.9 | 31.8 | 22.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

| | Six months ended 30 June | | | |
|---------------------|--------------------------|-----------------------|------------------------|-----------------------|
| | 2022 | | 2021 | |
| | % of managed GFA | % of total revenue | % of managed GFA | % of total revenue |
| Greater Hangzhou | 17.5% | 34.7% | 19.2% | 33.8% |
| — Hangzhou | 12.9% | 30.3% | 14.0% | 29.3% |
| — Yuhang | 4.6% | 4.4% | 5.2% | 4.5% |
| Ningbo | 7.3% | 5.3% | 6.2% | 5.1% |
| Yangtze River Delta | 37.2% | 28.7% | 38.7% | 30.4% |
| Bohai Economic Rim | 15.2% | 12.3% | 15.6% | 12.4% |
| Pearl River Delta | 7.9% | 6.6% | 7.5% | 6.2% |
| Others | 14.9% | 12.4% | 12.8% | 12.1% |
| | 100% | 100% | 100% | 100% |

Community living services — 19.2% of total revenue, 23.1% of total gross profit

Community living services offer systematic product and service solutions for all life service scenes of property owners throughout the life cycle of real estate. They are an extension of property services and an important grasp for us to build an ideal community that integrates “recreation”, “learning”, “joy” and “longevity” (collectively referred to as “**Four Happiness**”).

During the Period:

- Revenue was RMB1,310.1 million, representing an increase of 18.7% from RMB1,104.1 million in the same period of 2021. Among them,
 - (1) income from community products and services (accounting for 40.0% of the community living services’ total income) reached RMB524.1 million, representing an increase of 35.1% compared with RMB387.8 million for the same period of 2021.
 - (2) income from home living services (accounting for 7.5% of the community living services’ total income) reached RMB98.9 million, representing an increase of 19.9% compared with RMB82.5 million for the same period of 2021.
 - (3) income from community space services (accounting for 9.1% of the community living services’ total income) reached RMB118.9 million, representing an increase of 19.1% compared with RMB99.9 million for the same period of 2021.
 - (4) income from property asset management services (accounting for 24.0% of the community living services’ total income) reached RMB314.5 million, representing an increase of 4.4% compared with RMB301.3 million for the same period of 2021.
 - (5) income from cultural and education services (accounting for 19.4% of the community living services’ total income) reached RMB253.7 million, an increase of 9.0% compared with RMB232.7 million for the same period of 2021.

- Gross profit was RMB303.4 million, representing an increase of 6.6% as compared with RMB284.5 million for the same period of 2021.

| | Six months ended 30 June | | | | |
|------------------------------------|--------------------------|-------------------|--------------|------------------|-------------------|
| | 2022 | | | 2021 | |
| | Revenue | | | Revenue | |
| | <i>RMB'000</i> | <i>% of total</i> | <i>Y/Y %</i> | <i>RMB'000</i> | <i>% of total</i> |
| Community products and services | 524,071 | 40.0 | 35.1 | 387,832 | 35.1 |
| Home living services | 98,876 | 7.5 | 19.9 | 82,458 | 7.5 |
| Community space services | 118,932 | 9.1 | 19.1 | 99,889 | 9.0 |
| Property asset management services | 314,512 | 24.0 | 4.4 | 301,259 | 27.3 |
| Cultural and education services | 253,707 | 19.4 | 9.0 | 232,653 | 21.1 |
| Total | 1,310,098 | 100 | 18.7 | 1,104,091 | 100 |

In light of the living needs of property owners, the Group continued to establish a living service platform with the integration of five ecosystems, including culture and education, health and elderly care, community retail, home services and asset operation, into one, as well as online and offline integration. During the Period, we continued to optimize our service mix, focusing on core ecosystems and enhance operating capacity based on strategic planning and actual conditions, of which:

- *Community products and services:*

During the Period, the Group relied on the support of the “Convenience + Relationship” community retail system and continued to drive the growth of its community retail business by focusing on the demand for basic living products through offline scenarios and online operations and by effectively utilizing app, community warehouses and “Community Bazaar”. During the Period, we upgraded the “Greentown Fresh” to “Greentown Selected”. At the same time, based on the needs of the property owners, we built different categories of products and continued to provide products and services for the property owners according to the potential of the product, organizational power and service power of the Group. The new retail group under of the Group, was awarded the “2022 China Property Community Retail Operation Leading Enterprise” (2022中國物業社區零售運營領先企業), which awarded by the Beijing China Index Academy* (北京中指信息技術研究院) (an independent third-party research institution).

— *Home living services:*

Based on the “Four Seasons Housekeeping” home service platform, we accelerate the integration of existing home life service products, complete pilot sites in core regions, expand our services nationwide through the self-operated + business cooperation model and build a comprehensive home care service system. In terms of “property services + home-based elderly care services”, we launched “Chun Tian Li”* (椿天里) in Hopetown* (翡翠城) as a prototype of the six community home care service centers, with services including: daytime health care, auxiliary equipment rental, online diagnosis and treatment, community activities, etc.

— *Property asset management services:*

Replacement services and asset management (e.g. parking space business) are the largest sources of income of this segment. During the Period, due to the impacts of the industry environment of the real estate and the repeated outbreaks of COVID-19 epidemic in some cities in China, the revenue of the segment increased by 4.4% compared with the same period in 2021, but still maintained a positive growth compared with the overall performance of the industry. On one hand, we expanded our sales strategy through universal brokers, pipeline distribution and other multiple modes to alleviate the negative impact of business decline; on the other hand, we prudently developed parking business, gradually shifted to asset-light direction, cultivated and enhanced the core service competitiveness, formed long-term and stable income, and continuously promoted the optimization of the business structure of the segment.

— *Culture and education services:*

The Group continued to implement the multi-brand strategy of childcare services, built three brand systems: “Wonderful Garden Daycare Center + Montessori Academy Daycare Center + Lezhen Daycare Center”* (綠城奇妙園+澳蒙國際園+普惠托育園), and constantly improved the core competitiveness of our cultural and education services. Focusing on the branding of the Group’s childcare services, we continued to improve the core competitiveness of our cultural and education services. While strengthening the operational efficiency of self-operated childcare centers and other facilities, we continued to promote the development of a light-asset operation model, and have nine new projects jointly opened by the government and business units. The property owners can be provided with the professional parenting and education services for children through the online platform “Wonderful Medical & Educare Online Service”* (奇妙E家). During the Period, under the normalization of the pandemic overseas, MAG’s operations in Australia resumed normal, but given the impact of the pandemic and government’s policies, there is still some uncertainties about subsequent operations.

Consulting services — 14.0% of total revenue, 26.3% of total gross profit

During the Period, we continued to focus on the full life cycle of real estate products, improved the internal growth of consulting services and strengthened core competitive advantages of our consulting services through methods such as the integration of quality resources, construction of a standardized system and business innovation, thereby achieving:

- Revenue grew by 17.4% to RMB957.4 million, compared to the same period of 2021 that was RMB815.8 million.

| | Six months ended 30 June | | | | |
|--------------------------------------|--------------------------|-------------------|--------------|----------------|-------------------|
| | 2022 | | | 2021 | |
| | Revenue | | | Revenue | |
| | <i>RMB'000</i> | <i>% of total</i> | <i>Y/Y %</i> | <i>RMB'000</i> | <i>% of total</i> |
| Property under construction services | 832,736 | 87.0 | 29.8 | 641,702 | 78.7 |
| Management consulting services | 124,617 | 13.0 | -28.4 | 174,092 | 21.3 |
| Total | 957,353 | 100 | 17.4 | 815,794 | 100 |

- Gross profit reached RMB344.6 million, a y/y increase of 20.1% from RMB286.9 million for the same period of 2021.

| | Six months ended 30 June | | | | |
|--------------------------------------|--------------------------|-------------|------------------------|-----------------|------------------------|
| | 2022 | | | 2021 | |
| | No. of projects | | Average income/project | No. of projects | Average income/project |
| | | <i>Y/Y%</i> | <i>RMB'000</i> | | <i>RMB'000</i> |
| Property under construction services | 833 | -11.4 | 999.7 | 940 | 682.6 |
| Management consulting services | 358 | -31.5 | 348.1 | 523 | 332.9 |

— *Property Under Construction Services*

Our revenue reached RMB832.7 million, a y/y increase of 29.8% compared with the same period of 2021. During the Period, through the improvement of service lines of properties under construction services and through the integration of “Four Happiness” with marketing activities, the Group continued to improve the comprehensive competitiveness of services, expand service scenarios, and expand services to 4S stores, conference affairs, exhibition halls and other forms of business services. During the Period, the revenue growth trend remained strong.

— *Management Consulting Services*

Our revenue reached RMB124.6 million, a decrease of 28.4% compared with the same period of 2021. It was mainly due to the impact on the real estate industry environment caused by the resurgence of COVID-19 epidemic in some cities in China, reducing customer demand and delayed on-site services, leading to the decline of overall performance. In the second half of the year, we will focus on product innovation, extension of the concepts such as “Future Community Consultation Service”, and turn to develop a comprehensive service line, improving our overall capability from consultation to operation. At the same time, we target to enrich the core of the alliance products and strengthen overall business control. We will continue to deepen our foundations in the Yangtze River Delta region, implement the “one city, one policy” strategy, and expand diversified cooperation with local urban investment companies and other state-owned enterprises.

Technology services — 2.9% of total revenue, 4.8% of total gross profit

Technology services are an important infrastructure to build the differentiated product system of the Group, break the bottleneck of bureau efficiency, and help the Group achieve the strategic goal of being the most valuable and happy living service provider in China. Centering on the digitalization of services, we have built global platform products and intelligent property products for government, futuristic communities, and property enterprises. From the preliminary planning and design, smart hardware construction to the development and operation of digital system, technology services provide customers with intelligent, inclusive and affordable integrated solutions, and help customers in digital transformation.

During the Period, the product structure and business model of technology services gradually matured, the market system construction showed initial results, and the business grew rapidly.

- Revenue reached RMB200.0 million, a y/y increase of 296.8% from RMB50.4 million for the same period of 2021.

- Gross profit reached RMB62.6 million, a y/y increase of 108.0% from RMB30.1 million for the same period of 2021, which was lower than the growth rate of revenue. It was mainly affected by the continuous research and development investment, the development of global platform products and Intelligent property (SAAS) products and the rapid business expansion during the Period. With the continuous development of the business, the product structure will optimize and adjust, and it is expected to stabilize in the future.

Technology services are mainly divided into two major product systems: global platform and intelligent property. Among them, the global platform mainly adopts the mode of “platform + butler” to promote the implementation of the digital application of life services. Our intelligent property platform, which has been the intelligent operating system of the Group for many years, further evolved to build systematic solutions and formed three core products based on the realty service enterprise demand, including “Weshare Cloud*” (慧享雲), “Wuye Bao*” (物業寶) and “Wuye Ding*” (物業釘), all of which are built to serve customers including top 100 property service enterprises and small and medium-sized property service enterprises.

The risk of business operation being affected by the COVID-19 epidemic

As the duration of the COVID-19 pandemic cannot be ascertained, there is uncertainty about its impact on the operation of the Group. We will closely monitor the situation of the COVID-19 pandemic, including implementation of local policies, in our main business operation locations, to assess its impacts on the Group’s business, financials and operations, and formulate corresponding response strategies. In the meantime, we will strictly enforce the prevention and control measures in accordance with the requirements of the pandemic situation, continue to fulfil various business management tasks, and use our best efforts to ensure the continuous and stable operation of the Group.

Major litigation risk

Reference is made to the announcement of the Company dated 19 July 2022, in relation to the legal proceedings (the “**Legal Proceedings**”) concerning a property lease agreement entered into among the lessor (the “**Plaintiff**”), an associate of the Company as lessee and Greentown Real Estate Company Limited* (綠城房地產諮詢集團有限公司) (“**Greentown Consulting**”) as guarantor, pursuant to which Greentown Consulting, a subsidiary of the Company, was asked to assume joint and several liability for the payment obligations of the lessee under the Lease Agreement.

As of the date of this announcement, the Legal Proceedings are still in the trial stage. The Group has been defending against the Plaintiff's claims under the Legal Proceedings, and will take appropriate actions to protect the interest of the shareholders of the Company and take appropriate actions to minimise the negative impact on the Group when necessary. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") to keep the shareholders of the Company and potential investors informed of any further material development of the Legal Proceedings.

Foreign exchange risks

The Group conducts substantially all of its business in Mainland China, with most of the transactions conducted in Renminbi. Therefore, the Group is exposed to limited foreign currency exchange rate risk. During the Period, the Group has not employed any major financial instruments for hedging purposes or engaged in any significant financial instruments such as forward foreign exchange contracts for foreign exchange hedging purposes. As the operation of MAG, a subsidiary of the Company, is conducted primarily in Australian dollars and the proceeds from Such Financing are in Hong Kong dollars, the depreciation or appreciation of the Hong Kong dollar and the Australian dollar and the adjustment of interest rates will have impact on the Group's performance. The Group will continue to closely monitor its exposure to exchange rate and interest rate risks and actively explore foreign exchange hedging options with major banks, and may employ derivative financial instruments to hedge against risks when necessary.

Employees and remuneration policies

The Group has formulated its human resources policies and systems to provide a wide range of training and personal development programmes to its employees, such as induction training, project manager training, etc. The remuneration package offered to employees is based on their duties and prevailing market levels. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Staff benefits, including pension, medical coverage, share options to be granted under the Company's share option scheme and provident funds are also provided to employees of the Group.

As at 30 June 2022, the Group had 41,715 employees, an increase of 26.0% from that as at 30 June 2021. Excluding the impact of the equity cooperation with Cinda Yue Life during the Period, the growth rate was about 22.4% mainly because some of staff was needed for new projects during the Period. The total staff cost was RMB2,330.5 million, with a growth rate of 28.9% from RMB1,807.5 million as compared to the same period of 2021, which was higher than the growth rate of revenue during the Period. This was mainly due to fast implementation of the wealth-sharing remuneration policy for the sustainable growth of the Group.

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2022.

Treasury policy

To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledged assets of the Group

As at 30 June 2022, MAG had a loan of AUD33.0 million (equivalent to approximately RMB152.3 million) from a bank for its business needs and has secured certain property, plant and equipment held by it (the carrying amount was AUD84.9 million, equivalent to approximately RMB391.5 million) as collateral.

Save as disclosed above, during the Period, there was no pledged asset of the Group.

Adoption of The New Articles of Association

The articles of association of the Company, which were adopted on 13 June 2016 and became effective on 12 July 2016 as amended from time to time (the "**Articles of Association**"), was amended to, inter alia, enable the Company to hold general meetings in electronic form, reflect certain amendments to the applicable laws of Cayman Islands and the Listing Rules, and make other consequential and housekeeping amendments by the adoption of the second amended and restated articles of association of the Company (the "**New Articles of Association**"). The New Articles of Association were approved by the shareholders of the Company by way of a special resolution at the annual general meeting of the Company held on 17 June 2022 and were adopted with immediate effect following such meeting in substitution for, and to the exclusion of, the Articles of Association. Further details of the New Articles of Association are disclosed in the circular of the Company dated 26 April 2022.

CHANGE OF DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

Reference is made to the announcement of the Company dated 31 January 2022. Due to the internal reallocation of responsibilities of senior management for better corporate governance (including the diversity of the Board members), (i) Ms. Jin Keli (“**Ms. Jin**”) was appointed as an executive Director and resigned as the Chief Financial Officer and the Chief Operating Officer of the Company, and following her appointment and resignation, she would serve as an executive Director and remain as the Chief Executive Officer of the Company; (ii) Mr. Xia Yun was appointed as the Chief Financial Officer of the Company; and (iii) Mr. Li Feng was appointed as the Chief Operation Officer of the Company, with effect from 1 February 2022.

Ms. Jin was eligible and was re-elected as an executive Director at the annual general meeting of the Company held on 17 June 2022. The Company has entered into a service contract with Ms. Jin in relation to her appointment as an executive Director for a period of three years commencing on 1 February 2022.

Save as disclosed above, the Directors confirmed that no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2022, the Company was in compliance with all applicable code provisions set out in the Corporate Governance Code, and has adopted most of the recommended best practices set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the standards set out in the Model Code during the six months ended 30 June 2022.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”). The Audit Committee currently consists of four members, namely Mr. Poon Chiu Kwok (Chairman), who acts as a professional accountant with related financial expertise, Mr. Li Feng, Mr. Wong Ka Yi and Ms. Wu Aiping, and all of them are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, risk management and internal controls and to perform other duties and responsibilities as assigned by the Board.

The unaudited interim financial statements and the interim results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lvchengfuwu.com). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Greentown Service Group Co. Ltd.
YANG Zhangfa
Chairman

Hangzhou, the PRC
26 August 2022

As at the date of this announcement, the executive Directors are Mr. YANG Zhangfa (Chairman), Ms. JIN Keli, Mr. WU Zhihua and Mr. CHEN Hao; the non-executive Directors are Mr. SHOU Bainian, Ms. XIA Yibo, Ms. LI Hairong and Mr. ZENG Yiming; and the independent non-executive Directors are Mr. POON Chiu Kwok, Mr. WONG Ka Yi, Mr. LI Feng and Ms. WU Aiping.

* *For identification purposes only*