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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 2020**

The board (the “**Board**”) of directors (the “**Director**”) 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 2020 (the “**Period**”), together with the comparative figures for the same period ended 30 June 2019, as follows.

#### **HIGHLIGHTS**

The Group’s financial performance:

- Revenue of RMB4,400.1 million, representing an increase of 20.1% year on year (“y/y”) from the same period of 2019 at RMB3,663.1 million.
- The Group’s revenue arises from three business segments: (i) property services; (ii) community living services; and (iii) consulting services. During the Period: (i) property services continued to be the largest revenue and earnings contributor for the Group, the revenue from which reaching RMB3,021.1 million, accounting for 68.7% of the overall revenue and representing an increase of 23.2% y/y from the same period of 2019 that was RMB2,452.5 million; (ii) as for community living services, the revenue amounted to RMB757.2 million, accounting for 17.2% of the overall revenue and representing a y/y increase of 9.7% compared with the same period of 2019 that was RMB690.1 million; (iii) as for consulting services, the revenue amounted to RMB621.9 million, which contributes 14.1% of the overall revenue, representing an increase of 19.5% y/y from the same period of 2019 that was RMB520.6 million.

- Gross profit reached RMB905.1 million, risen by 28.2% y/y from the same period of 2019 that was RMB706.2 million. Gross profit margin was 20.6%, representing an increase of 1.3 percentage points from 19.3% for the same period of 2019.
- Profit from operations reached RMB496.2 million, representing an increase of 58.8% from RMB312.6 million in the same period of 2019. The operating margin (profit from operations divided by total revenue) was 11.3%, representing an increase of 2.8 percentage points from 8.5% in the same period of 2019.
- During the Period, the profit attribute to equity shareholders of the Company was RMB373.6 million, representing an increase of 59.4% as compared to RMB234.4 million of the same period of 2019.
- Profit for the Period was RMB361.7 million, representing an increase of 56.1% as compared to RMB231.7 million for the same period of 2019. Net profit margin for the Period was 8.2%, with an increase of 1.9 percentage points from 6.3% for the same period of 2019.
- Basic earnings per share was RMB0.13, based on the weighted average of 2,867,686,000 ordinary shares during the Period.
- The Group's cash and cash equivalents amounted to RMB5,512.9 million as at 30 June 2020, grew by 108.7% from RMB2,641.3 million as at 31 December 2019.
- 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 2020 — unaudited*

*(Expressed in Renminbi Yuan)*

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	<b>4</b>	<b>4,400,129</b>	3,663,127
Cost of sales		<u>(3,495,060)</u>	<u>(2,956,905)</u>
<b>Gross profit</b>		<b>905,069</b>	706,222
Other revenue	5	<b>60,025</b>	10,995
Other net income	5	<b>77,229</b>	20,003
Selling and marketing expenses		<b>(55,210)</b>	(43,302)
Administrative expenses		<b>(366,207)</b>	(316,949)
Other operating expenses		<u><b>(124,676)</b></u>	<u>(64,407)</u>
<b>Profit from operations</b>		<b>496,230</b>	312,562
Finance income		<b>19,642</b>	16,734
Finance costs		<u><b>(26,631)</b></u>	<u>(6,142)</u>
Net finance (costs)/income	6(a)	<b>(6,989)</b>	10,592
Share of profits less losses of associates		<b>(2,313)</b>	(815)
Share of profits less losses of joint ventures		<b>1,511</b>	(207)
(Loss)/gain on disposal of subsidiaries		<b>(46)</b>	1,585
Gain on disposal of an associate		<b>1,139</b>	—
Gain on deemed disposal of an associate	11(a)(ii)	<b>10,063</b>	—
Loss on disposal of a joint venture		<u><b>—</b></u>	<u>(52)</u>
<b>Profit before taxation</b>	<b>6</b>	<b>499,595</b>	323,665
Income tax	7	<u><b>(137,897)</b></u>	<u>(91,966)</u>
<b>Profit for the period</b>		<u><b>361,698</b></u>	<u>231,699</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>373,608</b>	234,374
Non-controlling interests		<u><b>(11,910)</b></u>	<u>(2,675)</u>
<b>Profit for the period</b>		<u><b>361,698</b></u>	<u>231,699</u>

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other comprehensive income for the period</b>			
<b>(after tax and reclassification adjustments)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Share of other comprehensive income of the investees		–	(7,982)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income of the investees		<b>1,082</b>	(1,029)
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		<b>10,615</b>	(3,519)
<b>Total comprehensive income for the period</b>		<b>373,395</b>	219,169
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>382,187</b>	221,844
Non-controlling interests		<b>(8,792)</b>	(2,675)
<b>Total comprehensive income for the period</b>		<b>373,395</b>	219,169
<b>Earnings per share</b>			
Basic (RMB)	8(a)	<b>0.13</b>	0.08
Diluted (RMB)	8(b)	<b>0.13</b>	0.08

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*at 30 June 2020 — unaudited*

*(Expressed in Renminbi Yuan)*

		At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
	Note		
<b>Non-current assets</b>			
Investment property	10(a)	330,264	291,863
Property, plant and equipment	10(b)	595,199	581,652
Right-of-use assets	10(c)	703,714	689,866
Intangible assets		362,123	326,995
Goodwill		293,565	271,266
Interest in associates	11	370,149	137,996
Interest in joint ventures		73,161	68,862
Other financial assets		736,205	705,090
Deferred tax assets		243,156	180,231
Trade and other receivables	12	19,341	37,761
Prepayments		19,853	25,565
		<u>3,746,730</u>	<u>3,317,147</u>
<b>Current assets</b>			
Other financial assets		463,495	106,470
Inventories		365,531	337,593
Trade and other receivables	12	2,567,540	1,841,458
Restricted bank balances		289,723	257,435
Time deposit		100,000	20,000
Cash and cash equivalents		5,512,902	2,641,334
		<u>9,299,191</u>	<u>5,204,290</u>
<b>Current liabilities</b>			
Bank loans		352,452	46,822
Contract liabilities		1,347,143	970,679
Trade and other payables	13	2,847,517	2,626,841
Lease liabilities		134,598	148,832
Current taxation		339,293	327,912
Provisions		31,587	28,189
		<u>5,052,590</u>	<u>4,149,275</u>
<b>Net current assets</b>		<u>4,246,601</u>	<u>1,055,015</u>
<b>Total assets less current liabilities</b>		<u>7,993,331</u>	<u>4,372,162</u>

		At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
<b>Non-current liabilities</b>			
Bank loans		136,240	435,992
Trade and other payables	13	17,287	32,128
Lease liabilities		898,881	833,395
Deferred tax liabilities		100,175	85,120
Provisions		21,295	31,478
		<u>1,173,878</u>	<u>1,418,113</u>
<b>Net assets</b>		<u>6,819,453</u>	<u>2,954,049</u>
<b>Capital and reserves</b>			
Share capital	14	28	24
Reserves		<u>6,606,784</u>	<u>2,753,219</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>6,606,812</b>	<b>2,753,243</b>
<b>Non-controlling interests</b>		<u>212,641</u>	<u>200,806</u>
<b>Total equity</b>		<u>6,819,453</u>	<u>2,954,049</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***for the six months ended 30 June 2020 — unaudited**(Expressed in Renminbi Yuan)*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>		
Cash generated from/(used in) operations	<b>217,491</b>	(116,891)
Income tax paid	<b>(178,729)</b>	(102,333)
<b>Net cash generated from/(used in) operating activities</b>	<b>38,762</b>	(219,224)
<b>Investing activities</b>		
Payments for the purchase of investment properties, property, plant and equipment, right-of-use assets and intangible assets	<b>(136,628)</b>	(69,634)
Proceeds from disposal of property, plant and equipment	<b>1,368</b>	730
Acquisitions of subsidiaries, net of cash acquired	<b>(13,520)</b>	(3,240)
Disposal of subsidiaries, net of cash disposed	<b>(710)</b>	(2,542)
Payments for purchase of:		
— financial assets classified as fair value through profit or loss (“FVPL”)	<b>(334,553)</b>	(104,598)
— listed debt investments	<b>(7,131)</b>	(21,852)
Proceeds from redemption of:		
— FVPL	<b>24,056</b>	16,249
— listed debt investments	<b>—</b>	17,876
Payment for investment in associates	<b>(233,773)</b>	(1,250)
Interest received	<b>19,602</b>	14,361
Placement of time deposits	<b>(80,000)</b>	—
Payment for loans and advances	<b>(3,000)</b>	(68,974)
Proceeds from repayment of loans and advances	<b>8,200</b>	—
Proceeds from disposal of interest in an associate	<b>3,394</b>	—
Other cash flows generated from/(used in) investing activities	<b>405</b>	(16)
<b>Net cash used in investing activities</b>	<b>(752,290)</b>	(222,890)

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Financing activities</b>		
Proceeds from new bank loans and other borrowings	<b>6,000</b>	353,192
Repayment of bank loans	<b>(5,000)</b>	(29,730)
Repayment of loan from a third party	<b>(6,965)</b>	–
Proceeds from issue of shares, net of issuing costs	<b>3,647,785</b>	–
Capital injection from non-controlling interests	<b>6,918</b>	12,980
Proceeds from exercise of share options	<b>32,333</b>	–
Capital element of lease rentals paid	<b>(58,829)</b>	(49,723)
Interest element of lease rentals paid	<b>(15,570)</b>	(4,846)
Proceeds from partial disposal of equity interests in subsidiaries	<b>–</b>	1,007
Payment for acquisitions of additional interests in subsidiaries	<b>(11,036)</b>	(994)
Dividends paid to non-controlling interests	<b>(2,611)</b>	(2,434)
Interest paid	<b>(12,917)</b>	(335)
<b>Net cash generated from financing activities</b>	<b>3,580,108</b>	279,117
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,866,580</b>	(162,997)
<b>Cash and cash equivalents at 1 January</b>	<b>2,641,334</b>	2,180,021
<b>Effect of foreign exchanges rate changes</b>	<b>4,988</b>	966
<b>Cash and cash equivalents at 30 June</b>	<b>5,512,902</b>	2,017,990



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a. General information

Greentown Service Group Co. Ltd. was incorporated in the Cayman Islands on 24 November 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2016 (the "Listing").

#### b. Basis of preparation

The interim financial report of the Company as at and for the six months ended 30 June 2020 comprises the Company and its subsidiaries. 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 21 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with 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.

### 2. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to *References to Conceptual Framework in HKFRS Standards*
- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

### **Amendment to HKFRS 16, *Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

### **3. 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 2020									
	Hangzhou		Yangtze River Delta Region							
	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	Australia RMB'000	Other overseas and Hongkong Regions RMB'000	Other mainland China Regions RMB'000	Total RMB'000
Revenue from external customers	1,242,498	197,168	1,304,745	248,932	261,026	590,397	103,574	–	451,789	4,400,129
Inter-segment revenue	18,084	9,265	3,083	427	397	9,853	–	–	1,299	42,408
Reportable segment revenue	<u>1,260,582</u>	<u>206,433</u>	<u>1,307,828</u>	<u>249,359</u>	<u>261,423</u>	<u>600,250</u>	<u>103,574</u>	<u>–</u>	<u>453,088</u>	<u>4,442,537</u>
Reportable segment profit	<u>40,685</u>	<u>9,939</u>	<u>169,516</u>	<u>64,574</u>	<u>41,090</u>	<u>57,574</u>	<u>8,024</u>	<u>13,883</u>	<u>95,075</u>	<u>500,360</u>
As at 30 June 2020										
Reportable segment assets	<u>5,576,764</u>	<u>402,665</u>	<u>3,200,199</u>	<u>793,464</u>	<u>502,887</u>	<u>1,009,812</u>	<u>1,004,061</u>	<u>4,794,587</u>	<u>987,584</u>	<u>18,272,023</u>
As at 30 June 2020										
Reportable segment liabilities	<u>5,707,538</u>	<u>208,530</u>	<u>2,218,597</u>	<u>518,161</u>	<u>275,801</u>	<u>529,454</u>	<u>788,258</u>	<u>546,748</u>	<u>460,605</u>	<u>11,253,692</u>
	Six months ended 30 June 2019									
	Hangzhou		Yangtze River Delta Region							
	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	Australia RMB'000	Other overseas and Hong Kong Regions RMB'000	Other Mainland China Regions RMB'000	Total RMB'000
Revenue from external customers	1,089,161	189,286	1,111,010	207,652	212,996	491,752	–	–	361,270	3,663,127
Inter-segment revenue	6,466	21,893	1,882	22	176	32	–	–	159	30,630
Reportable segment revenue	<u>1,095,627</u>	<u>211,179</u>	<u>1,112,892</u>	<u>207,674</u>	<u>213,172</u>	<u>491,784</u>	<u>–</u>	<u>–</u>	<u>361,429</u>	<u>3,693,757</u>
Reportable segment profit/(loss)	<u>4,106</u>	<u>(3,023)</u>	<u>144,444</u>	<u>38,193</u>	<u>27,888</u>	<u>25,279</u>	<u>–</u>	<u>15,301</u>	<u>73,199</u>	<u>325,387</u>
As at 31 December 2019										
Reportable segment assets	<u>3,185,531</u>	<u>346,821</u>	<u>2,300,212</u>	<u>500,560</u>	<u>452,841</u>	<u>909,803</u>	<u>897,945</u>	<u>804,598</u>	<u>839,417</u>	<u>10,237,728</u>
As at 31 December 2019										
Reportable segment liabilities	3,294,753	168,179	1,435,821	282,000	258,060	477,961	693,043	38,671	399,562	7,048,050

(ii) **Reconciliation of reportable segment profit or loss**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Reportable segment profits	<b>500,360</b>	325,387
Elimination of inter-segment profits	<b>(765)</b>	(1,722)
	<hr/>	<hr/>
Reportable segment profit derived from the Group's external customers	<b>499,595</b>	323,665
	<hr/>	<hr/>
<b>Consolidated profit before taxation</b>	<b>499,595</b>	323,665
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**4. REVENUE**

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

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
Property services	<b>3,021,096</b>	2,452,452
Community living services	<b>757,156</b>	690,075
Consulting services	<b>613,364</b>	520,600
	<hr/>	<hr/>
	<b>4,391,616</b>	3,663,127
	<hr/>	<hr/>
<b>Revenue from other sources</b>		
Consulting services		
Gross rentals from investment properties	<b>8,513</b>	–
	<hr/>	<hr/>
	<b>4,400,129</b>	3,663,127
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue recognised over time:</b>		
<b>Property services</b>		
Property services	<b>3,021,096</b>	2,452,452
<b>Community living services</b>		
Community products and services	<b>70,682</b>	57,384
Home living services	<b>61,592</b>	50,558
Community space services	<b>84,448</b>	110,133
Property asset management services	<b>52,603</b>	68,849
Cultural & education services	<b>112,076</b>	24,486
	<b>381,401</b>	311,410
<b>Consulting services</b>		
Property under construction services	<b>493,420</b>	425,377
Management consulting services	<b>119,944</b>	95,223
	<b>613,364</b>	520,600
	<b>4,015,861</b>	3,284,462
<b>Revenue recognised at point in time:</b>		
<b>Community living services</b>		
Community products and services	<b>195,266</b>	167,847
Property asset management services	<b>180,489</b>	210,818
	<b>375,755</b>	378,665
	<b>4,391,616</b>	3,663,127

## 5. OTHER REVENUE AND OTHER NET INCOME

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other revenue</b>		
Government grants ( <i>note (i)</i> )	<b>58,225</b>	8,838
Others	<b>1,800</b>	2,157
	<b>60,025</b>	10,995

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

During the six months ended 30 June 2020, the Group received the subsidy income of RMB25,835,000 from the relevant government in relation to the impact of the Coronavirus Disease 2019 (“COVID-19”) (six months ended 30 June 2019: Nil).

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other net income</b>		
Net loss on sale of property, plant and equipment	(147)	(249)
Net gain on redemption of listed debt instruments	–	204
Net realised and unrealised gains on FVPL		
— Convertible notes	11,235	16,952
— Unlisted equity investments	5,729	–
— Treasury products	405	36
— Listed equity securities	48,688	2,323
Net foreign exchange gain	11,319	737
	<u>77,229</u>	<u>20,003</u>

## 6. PROFIT BEFORE TAXATION

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

### (a) Net finance costs/(income)

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest income on listed debt instruments	(2,206)	(2,332)
Interest income on bank deposits	(17,436)	(14,402)
Interest expense on bank loans	11,633	335
Interest expense on lease liabilities	23,207	13,711
Less: interest expense capitalised into assets under construction	(8,209)	(7,904)
Net finance costs/(income)	<u>6,989</u>	<u>(10,592)</u>

### (b) Staff costs

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Salaries and other benefits	1,226,136	975,565
Equity settled share-based payment expenses	24,081	38,790
Contributions to defined contribution scheme (note (i))	131,994	154,319
	<u>1,382,211</u>	<u>1,168,674</u>

- (i) Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB60,650,000 to defined contribution scheme during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

(c) **Other items**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Impairment losses		
— trade and other receivables	<b>102,473</b>	54,504
— interest on an associate ( <i>note 11(b)</i> )	<b>18,000</b>	—
	<b>120,473</b>	<b>54,504</b>
Depreciation and amortisation		
— owned property, plant and equipment	<b>50,709</b>	37,036
— right-of-use assets	<b>89,788</b>	36,896
Amortisation of intangible assets	<b>17,138</b>	12,651
Expense relating to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	<b>41,574</b>	47,520
Cost of inventories	<b>247,552</b>	261,629
Outsourcing labor costs	<b>1,495,811</b>	1,251,439

**7. INCOME TAX**

Taxation in profit or loss represents:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current tax</b>		
PRC corporate income tax	<b>198,093</b>	123,562
(Over)/under-provision in respect of prior years	<b>(7,983)</b>	349
	<b>190,110</b>	<b>123,911</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	<b>(52,213)</b>	(31,945)
	<b>(52,213)</b>	(31,945)
	<b>137,897</b>	<b>91,966</b>

## 8. 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 RMB373,608,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB234,374,000) and the weighted average of 2,867,686,000 ordinary shares (six months ended 30 June 2019: 2,777,776,000 shares) in issue during the period, calculated as follows:

*Weighted average number of ordinary shares*

	2020 '000	2019 '000
Issued ordinary shares at 1 January	2,789,484	2,777,776
Effect of share options exercised ( <i>note 14(i)</i> )	2,437	–
Effect of shares issued ( <i>note 14(ii)</i> )	75,765	–
	<u>2,867,686</u>	<u>2,777,776</u>
Weighted average number of ordinary shares at 30 June	<u>2,867,686</u>	<u>2,777,776</u>

### (b) Diluted earnings per share

The Company has issued potentially dilutive instruments such as share options granted as equity settled share-based transactions in September 2018 and January 2020 respectively. The share options granted in September 2018 have a dilutive effect on the earnings per share during the six months ended 30 June 2020 and 2019 while the share options granted in January 2020 have no dilutive effect on the earnings per share during the six months period ended 30 June 2020. 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 equity 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 RMB373,608,000 (six months ended 30 June 2019: RMB234,374,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 2,885,822,000 ordinary shares (six months ended 30 June 2019: 2,785,690,000), calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	2020 '000	2019 '000
Weighted average number of ordinary shares at 30 June	2,867,686	2,777,776
Effect of equity settled share-based transaction	18,136	7,914
	<u>2,885,822</u>	<u>2,785,690</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>2,885,822</u>	<u>2,785,690</u>

## 9. DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



## **10. INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

### **(a) Additions of investment property**

During the six months ended 30 June 2020, the Group capitalised depreciation charge of right-of-use assets of RMB12,395,000 and interest expense of RMB5,655,000 in investment property when these costs are relating to development activities of certain investment properties under development (six months ended 30 June 2019: Nil) and incurred leasehold improvement with a cost of RMB35,317,000 (six months ended 30 June 2019: Nil).

### **(b) Acquisitions and disposals of owned assets**

During the six months ended 30 June 2020, the Group acquired items of office equipment and furniture, motor vehicles, leasehold improvement and construction in progress with a cost of RMB65,561,000 (six months ended 30 June 2019: RMB64,532,000). Items of plant and machinery with a net book value of RMB1,515,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB841,000), resulting in a loss on disposal of RMB147,000 (six months ended 30 June 2019: RMB249,000).

### **(c) Right-of-use assets**

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of office spaces, teaching buildings, service apartments and retail stores, and therefore recognised the additions to right-of-use assets of RMB102,921,000 (six months ended 30 June 2019: RMB361,611,000).

## **11. INTEREST IN ASSOCIATES**

### **(a) Major acquisitions and disposals**

During the six months ended 30 June 2020, the Group acquired interest in associates with a cost of RMB263,860,000 (six months ended 30 June 2019: RMB3,350,000). Interest in associates with a net book value of RMB11,307,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

- (i) In June 2020, the Group acquired 118,380,650 shares, representing 13.85% equity interests in Zhong Ao Home Group Limited (“**Zhong Ao Home**”), which is listed on the Main Board on the Stock Exchange of Hong Kong Limited, at cash consideration of HKD182,804,000 (equivalent to approximately RMB167,061,000). The principal activities of Zhong Ao Home are to provide property management services, sales assistance services, cleaning and greening services and real estate agency services. As the Group assigned a director to the board of directors of Zhong Ao Home and could have a significant influence over Zhong Ao Home, the Group accounted for such investment as interest in an associate.

In addition, on 23 June 2020, the Group entered into an equity transfer agreement with Decision Holdings Limited, which is then equity shareholder of Zhong Ao Home, to acquire 41,190,650 shares, representing 4.82% equity interests in Zhong Ao Home at cash consideration of HKD74,143,000 (equivalent to approximately RMB67,738,000). Such equity transfer was completed on 17 July 2020. Further, the Group acquired 5,488,000 shares from the stock market in Hong Kong at cash consideration of HKD8,425,000 (equivalent to approximately RMB7,587,000) in July 2020.

Up to the date of this announcement, the Group totally held 165,059,300 shares, representing 19.32% equity interests in Zhong Ao Home with total cost of HKD265,372,000 (equivalent to approximately RMB242,386,000).

- (ii) On 1 January 2020, Greentown Technology Industry Services Company Limited (“**Greentown Technology**”), a non-wholly owned subsidiary of the Group, acquired additional 40% equity interests in Hangzhou Lvman Technology Company (“**Lvman Technology**”), a then associate of the Group, at cash consideration of RMB28,409,000. After acquisition, the equity interests of Greentown Technology in Lvman Technology increased to 60% and Lvman Technology became a subsidiary of the Group from 1 January 2020. The remeasurement of the previously held 20% equity interests in Lvman Technology at its acquisition-date fair value, as deemed disposal of an associate, resulted in a gain of RMB10,063,000 during the six month ended 30 June 2020.

**(b) Impairment losses**

One of the associates of the Group incurred continuous losses. In view of this, management of the Group performed impairment test on interest in such associate and made a provision for impairment loss of RMB18,000,000 during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil) based on the results of the assessment.

**12. 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 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year	1,663,657	910,630
1 to 2 years	98,705	121,205
Over 2 years	2,758	2,758
Total trade and bills receivable from third parties, net of loss allowance	1,765,120	1,034,593
Less: trade receivables due after one year, net of loss allowance	(19,341)	(37,761)
	1,745,779	996,832
Other receivables, net of loss allowance	377,083	324,686
Receivables from disposal of an associate, net of loss allowance	–	30,696
Amounts due from related parties		
— trade nature	5,277	7,255
— non-trade nature	35,136	45,581
Amounts due from staff	19,204	11,903
Deposits and prepayments	385,061	424,505
	2,567,540	1,841,458

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

For certain property asset management services, the Group allows certain customers with appropriate credit standing to make payments over a maximum period of 24 months. For other provision of services and sales of goods, trade receivables are due when the receivables are recognised.

### 13. TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	656,758	690,842
— <i>Billed trade payables</i>	546,851	609,162
— <i>Accrued trade payables</i>	109,907	81,680
Bills payable	132,622	129,786
	<hr/>	<hr/>
	789,380	820,628
Less: trade payables due after one year	(17,287)	(32,128)
	<hr/>	<hr/>
Trade payables (current)	772,093	788,500
Refundable deposits	327,237	353,229
Escrow funds held on behalf of customers	116,777	77,683
Cash collected on behalf of the owners' associations	164,234	170,212
Other payables and accruals	232,374	179,642
Temporary receipts	525,610	468,789
Amounts due to related parties	3,109	11,890
Loan from a third party	23,964	31,046
Dividends payable to equity shareholders	220,378	340
Dividends payable to non-controlling interests	10,550	—
Accrued payroll and other benefits	223,394	356,487
Other tax and charges payable	227,797	189,023
	<hr/>	<hr/>
	2,847,517	2,626,841
	<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 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	374,186	473,557
After 1 month but within 3 months	69,896	52,465
After 3 months but within one year	102,769	83,140
	<hr/>	<hr/>
	546,851	609,162
	<hr/>	<hr/>

## **14. SHARE CAPITAL**

### **(i) Shares issued under share option scheme**

During the six months ended 30 June 2020, 5,671,000 share options under a share option scheme were exercised at an exercise price of HKD6.116 per share with par value of HKD0.00001. The proceeds of HKD57 (equivalent to RMB53) representing the par value, were credited to the Company's share capital. The excess of proceeds totalling HKD34,680,000 (equivalent to RMB32,333,000) were credited to share premium.

### **(ii) Issue of shares**

On 7 May 2020 and 10 June 2020, the Company completed the issuance of 155,209,000 shares and 266,600,000 shares with par value of HKD0.00001 at a price of HKD8.3833 per share and HKD10.18 per share respectively to certain investors, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company. Excess of total proceeds over the par value of share capital of HKD4,218 (equivalent to RMB3,852) and issue costs directly related to the issuance, amounting to approximately HKD3,994,581,000 (equivalent to RMB3,647,781,000), was recognised in share premium.

## **15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, the Group acquired additional equity interests in Zhong Ao Home. Further details are disclosed in note 11(a)(i).

## CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to report the results of the Group for the six months ended 30 June 2020.

It is extremely hot these days, our housekeepers conventionally cover the windshields of vehicles parked by the owners in the open area with foil board instantly, to prevent the leather seats from being scorched and keep the dashboards from being damaged in the heat through reflecting direct sunlight. This embodies our thorough service details, which are still praised by the owners until now. We are proud of this and relentlessly ensure that each ordinary task meets the owners' requirements. To be thoughtful and careful with little things is the embodiment of being responsible for major events. Struggling against the epidemic, we are committed to considerately caring for our homeowners; when work and production are resumed, we are devoted to assuring the quality of services for white-collars working in the offices. We are also dedicated to planning and driving the refinement of community management at the grass-roots level as a response to the country's wish and call to stabilize employment and protect people's livelihood.

Many a little makes a mickle. 2020 is a tough year: in Hangzhou, there is a scene where a property project manager who works up to the wee hours in a gated community, napping in a sleeping bag; in Wuhan, there is an image where the security of a property project squats to pick food for owners in CCTV footage; in Chengdu, there is a scene where the housekeeper of a property project waves the flag and sings with the owners together, stimulating each other's spirits simultaneously, etc. Each member of our service team, from housekeepers to managers, is in the front-line services. Centering on the three guardian stages and three service dimensions of "life, production and live", we make use of strong service tools from our own business portfolio to get the recognition of the owners and the society together with this industry by breaking open a way through brambles and thorns. In the past six months, the Company gained fame during the first three months of the fight against the epidemic and its value was rewarded with the deep recognition by the owners and the government. The basic development of the Company was stable, and the revenue of the property service sector reached RMB3,021.1 million, representing an increase of 23.2 % as compared to that of the same period of last year. In the subsequent three months, our industry value was further discovered, and the Company was able to speed up the project expansion due to the impact of the driving force of recognition from the society. As of 30 June 2020, the managed gross floor area reached 225.9 million sq.m. and the reserved area reached 252.4 million sq.m., providing a solid foundation to the continuous growth in the Company's results. Moreover, after starting the project of CCCC Cruise Home Port of Guangzhou last year, we have also undertaken the project of Hengqin Plaza in the Guangdong-Hong Kong-Macao Greater Bay Area recently. This, together with residential projects in Guangzhou and Foshan, enabled us to gradually form a sector in the Pearl River Delta region. With this breakthrough, we have completed relatively solid service coverage in China's three economic bay areas.

Grouping is desirable for warmth, and connection is greater than existence. In the past six months, we have adhered to the vision of being a happy life service provider. Under the circumstance that the life service sector was greatly affected by the epidemic, just like searching for a boat for sailing, we went forward together with the like-minded by means of taking advantage of resources lent. Following the introduction of Sail Link Holdings Limited (“**Sail Link**”), which is a subsidiary of Longfor Group Holdings Limited, as a shareholder of the Company, we completed the equity investment in Zhong Ao Home. At the same time, the closeness of our ties with Greentown China Holdings Limited (“**Greentown China**”) has been strengthened again and both parties set up a joint organization of living committee that intends to achieve synergy in our strategies and businesses. We will build a better future together as brothers and colleagues. It is believed that these integrated vertical and horizontal actions will be beneficial to working together to further activate the life services in the communities with great advantages and hope. In order to enrich the life service level, we innovated on the service means, and tried to live broadcast to the owners in the new retail terminal. Recently, a small-scaled live broadcast attracted 350,000 owners, which, together with the previous layout of fresh community front-end warehouse, further stimulated the purchase of life products. Providing for the aged and kindergarten, which is in line with the government’s new favorable policy of “an old one and a young one”, has also realized a new method to empower cooperation and integrated development with lighter assets and better efficiency.

In the battle against the epidemic, we grasped opportunities in the crises. The epidemic gives us a deeper understanding that the barrier of health and safety is more important than everything. We have internalized the experience and knowledge gained from the battle against the epidemic into service standard and capability for creating a healthy environment and a happy home. We have also upgraded our safety strategy to realize a new security system which has sophisticated civil air defense, scientific and technological support, timely and effective actions and comprehensive sense. When providing daily services in the first half of this year, we also used various themed activities to build up service safety. For example, we paid more attention to the “Dolphin Program” that helps children in the community to get swimming skills for free. In June of this year, Greentown China invited the world swimming champion to hold, and we coordinated and joined this lecture tour of skills and safety by the swimming pool. Meanwhile the “Schima Superba Program”, which focuses on fire prevention and danger avoidance, has been implemented for four years. As of 30 June 2020, 42,025 children have participated in this program, which has strengthened the security awareness of children in the community around the summer vacation.

## **Future outlook**

What we have accumulated in the past may guide us to an infinite future. In the first half of this year, struggling with the trials and hardships bought by the epidemic, we have developed enough courage, willingness and power to face all difficulties. Through an internal cycle, the Chinese economy will and is ready for a rebound after hitting the bottom. Engaged in an industry closely linked to the service economic chain, being able to take advantage of the trend, we are determined to make up for the loss of time and capacity in those areas where people's lives are most integrated and develop our strengths at the same time. As for the industrial rejuvenation driven by science and technology, on the one hand, we broadened the collaborative path of “digital intellectualization” and iterate the intelligent community service system based on “service system, technical system and co-governance system, and the three-dimensional integration of service mode, management mode and lifestyle”, on the other hand, we entered the industry service end, future community end, urban public service end and were deeply engaged in the research and development of global service solutions, for example, the technology company we incubated won the bid for the technology construction project of the event management system in the venue of the 2022 Asian Games in Hangzhou, creating a new force for the Group to grow and break through by creating and outputting technology platforms.

This is still the best of times, and we adhere more and more firmly to our strategic vision of being a “Happy Life Service Provider”!

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is a leading happy living service provider nationwide. In the “2020 China Property Service Top 100 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 is the praise of our services by the owners and the society, and is a solid foundation for the continuous expansion of our management scale, and sustained growth of performance.

## **FINANCIAL REVIEW**

During the Period, the Group achieved:

### **Revenue**

Revenue was RMB4,400.1 million, representing an increase of 20.1% y/y from the same period of 2019 that was RMB3,663.1 million.

The Group's revenue arises from three business segments: (i) property services; (ii) community living services; and (iii) consulting services. During the Period: (i) property services continued to be the largest revenue and earnings contributor for the Group, the revenue from which reaching RMB3,021.1 million, accounting for 68.7% of the overall



revenue and representing an increase of 23.2% y/y from the same period of 2019 that was RMB2,452.5 million; (ii) as for community living services, the revenue amounted to RMB757.2 million, accounting for 17.2% of the overall revenue and representing a y/y increase of 9.7% compared with the same period of 2019 that was RMB690.1 million; (iii) as for consulting services, the revenue amounted to RMB621.9 million, which contributes 14.1% of the overall revenue, representing an increase of 19.5% y/y from the same period of 2019 that was RMB520.6 million.

	Six months ended 30 June				
	2020		2019		
	<i>RMB'000</i>	<i>% of the total revenue</i>	<i>RMB'000</i>	<i>% of the total revenue</i>	<i>Y/Y increase</i>
<b>Property services</b>					
Property services	<b>3,021,096</b>	<b>68.7%</b>	2,452,452	66.9%	23.2%
	<b>3,021,096</b>	<b>68.7%</b>	2,452,452	66.9%	23.2%
<b>Community living services</b>					
Community products and services	<b>265,948</b>	<b>6.0%</b>	225,231	6.2%	18.1%
Home living services	<b>61,592</b>	<b>1.4%</b>	50,558	1.4%	21.8%
Community space services	<b>84,448</b>	<b>1.9%</b>	110,133	3.0%	-23.3%
Property asset management services	<b>233,092</b>	<b>5.3%</b>	279,667	7.6%	-16.7%
Cultural & education services	<b>112,076</b>	<b>2.6%</b>	24,486	0.7%	357.7%
	<b>757,156</b>	<b>17.2%</b>	690,075	18.9%	9.7%
<b>Consulting services</b>					
Property under construction services	<b>493,420</b>	<b>11.2%</b>	425,377	11.6%	16.0%
Management consulting services	<b>128,457</b>	<b>2.9%</b>	95,223	2.6%	34.9%
	<b>621,877</b>	<b>14.1%</b>	520,600	14.2%	19.5%
	<b>4,400,129</b>	<b>100.0%</b>	3,663,127	100.0%	20.1%

## Cost of sales

During the Period, the cost of sales amounted to RMB3,495.1 million, representing an 18.2% y/y increase from the same period of 2019 that was RMB2,956.9 million. The increase in the percentage of the cost of sales is slightly lower than increase of the overall revenue, which was mainly due to the Group's constant efforts on improving and implementing the relevant cost control measures to further expand and enhance the coverage and efficiency of automated and intelligent equipment when rendering services, as well as the reduction of the cost of social security for some employees supported by the government during the COVID-19 epidemic.



## **Gross Profit**

Gross profit reached RMB905.1 million, risen by 28.2% y/y from the same period of 2019 that was RMB706.2 million. Gross profit margin was 20.6%, representing an increase of 1.3 percentage points from 19.3% for the same period of 2019.

Gross profit margins for the three business segments are: 14.3% for property services, 32.0% for community living services and 37.0% for consulting services. For the same period of 2019: these gross profit margins were 11.9%, 31.3% and 38.1% respectively, whilst for the full year 2019, these were 11.4%, 27.1% and 33.6%, respectively.

- Gross profit margin for property service was 14.3%, slightly higher than 11.9% for the same period of 2019 and 11.4% for the full year of 2019, which was mainly due to the Group's effective measures for strengthening the cost control and supplier management, as well as the reduction of social security costs for some employees supported by the government during the COVID-19 epidemic.
- Gross profit margin for community living service was 32.0%, representing an increase as compared to 31.3% for the same period of 2019 and 27.1% for the full year of 2019, which was because our community living services focused on core business operation capacity establishment, and improvement in gross profit margin was achieved in terms of community products and services, property asset management services, and cultural & education services.
- Gross profit margin for consulting service was 37.0%, slightly lower than 38.1% for the same period of 2019, but better than 33.6% for the full year of 2019, which was mainly affected by the business structure adjustment of management consulting services.

## **Selling and marketing expenses**

Selling and marketing expenses amounted to RMB55.2 million, representing an increase of 27.5% as compared to RMB43.3 million for the same period in 2019. This growth rate was significantly lower than 194.6% for the same period of 2019. The increase was mainly due to the expansion of the Group's new retail and property asset management service businesses, as well as the increase in the cost of sales staff, logistics and warehousing and rental of premises.

## **Administrative expenses**

Our administrative expenses reached RMB366.2 million, representing an increase of 15.5% from RMB316.9 million for the same period of 2019. This growth rate was decreased by 20.0 percentage points compared with the same period of 2019. The main reason is that the Group has adopted a series of effective control measures to continuously strengthen the control of costs and expenses. The business sectors related to community living services are also gradually on the right track, and the growth rate of administrative expenses has been effectively controlled. The Group is in the process of establishing and refining a data-driven, intelligent and efficient peer-to-peer management system which provides platform services and automatic supervision in order to realize the "penetration" of vertical businesses and the

“connection” of horizontal businesses through its sharing center with an aim to achieve the objectives of efficient management and convenient services. The effect is gradually becoming visible.

### Other operating expenses

Other operating expenses increased by 93.6% to RMB124.7 million for the Period from RMB64.4 million for the same period of 2019, primarily due to the increased provision of impairment on other receivables and associates affected by COVID-19 epidemic.

### Profit from operations

The profit from operations reached RMB496.2 million, representing an increase of 58.8% from RMB312.6 million for the same period of 2019.

The operating margin was 11.3%, representing an increase of 2.8 percentage points from 8.5% for the same period of 2019.

### Net finance (cost)/income

During the Period, net finance cost of the Group was RMB7.0 million, decreasing 166.0% compared to the same period of 2019 when the net finance income was RMB10.6 million, which was mainly due to the increase in interest expense incurred by the bank loan for the acquisition of the equity interest in Montessori Academy Group Holdings Pty Ltd. (“MAG”), and the increase in the financial expense of the lease liability out of the increase in the leased property required by the business during the Period. The Group relied on the financial sharing centre to strengthen its fund management. Interest income on bank deposits for the Period were RMB17.4 million, representing an increase of 21.1% as compared to RMB14.4 million for the same period of 2019.

	Six months ended 30 June		
	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>Y/Y%</i>
Interest income on listed debt instruments	2,206	2,332	-5.4
Interest income on bank deposits	17,436	14,402	21.1
Interest expense on bank loans	(11,633)	(335)	3,372.5
Interest expense on lease liabilities	(23,207)	(13,711)	69.3
Less: interest expense capitalised into assets under construction	8,209	7,904	3.9
Net finance (cost)/income	(6,989)	10,592	-166.0

### Share of profit less losses of associates and joint ventures

During the Period, share of losses of associates amounted to RMB2.3 million, representing an increase of RMB1.5 million compared to loss of RMB0.8 million for the same period of 2019, which was mainly due to the increase in losses of certain associates resulted from the impact of the COVID-19 epidemic.

The share of profit of joint ventures amounted to RMB1.5 million, representing an increase of RMB1.7 million compared to loss of RMB0.2 million for the same period of 2019, and was mainly because the operations of joint ventures have improved and are gradually on track.

### **Income tax**

During the Period, income tax amounted to RMB137.9 million, compared to RMB92.0 million for the same period of 2019, representing a 49.9% y/y increase. The effective tax rate was 27.6%, representing a decrease of 0.8 percentage points from 28.4% for the same period of 2019. The decrease was mainly due to the reversal of the over-provision for income tax of approximately RMB8 million in 2019, while there was no such impact in the same period of last year.

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

The income tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Period is 16.5%. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2019 and 2020 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

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

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

- For the Group’s subsidiary, Hangzhou Greentown Vocational Training School (“杭州市綠城職業培訓學校”), is recognised as a small profit enterprise from 1 January 2019 to 31 December 2021. The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. The portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 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”), has obtained a high and new technology enterprise certification in 2018 and is entitled to a preferential income tax rate of 15% from 2018 to 2020. The Group’s subsidiary, Hangzhou Lvman Technology Company Limited (“杭州綠漫科技有限公司”), has obtained a high and new technology enterprise certification in 2016 and is entitled to a preferential income tax rate of 15% from 2019 to 2021.

Pursuant to the Law of the People’s Republic of China on Enterprise Income Tax and its relevant regulations, additional tax deduction is allowed for qualified research and development costs.

## **Profit before taxation**

During the Period, profit before taxation reached RMB499.6 million, representing an increase of RMB175.9 million from RMB323.7 million for the same period of 2019, or representing a 54.4% y/y increase, which was mainly due to the steady growth of the managed projects and managed gross floor area of the Group, as well as the impact of relief policy for social security insurance during COVID-19 epidemic.

## **Profit for the Period**

Profit for the Period was RMB361.7 million, representing an increase of 56.1% as compared to RMB231.7 million for the same period of 2019.

During the Period, the profit attribute to equity shareholders of the Company was RMB373.6 million, representing an increase of 59.4% as compared to RMB234.4 million for the same period of 2019.

Net profit margin for the Period was 8.2%, with a y/y increase of 1.9 percentage points from 6.3% for the same period of 2019, which was mainly due to the reduction of social security costs for some employees supported by the government during the COVID-19 epidemic, and also because the Group had adopted effective measures to increase revenue and reduce expense to effectively control administrative expenses, and improve the operational efficiency of property services and community living services.

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

As at 30 June 2020, the net book value of investment property, property, plant and equipment and right-of-use assets amounted to RMB1,629.2 million, representing a y/y increase of 4.2% as compared to RMB1,563.4 million at the end of 2019. The increase was primarily attributable to the incurred leasehold improvement with a cost of RMB35.3 million.

## **Intangible assets**

As at 30 June 2020, intangible assets amounted to RMB362.1 million, representing a y/y increase of 308.4% compared with RMB88.7 million for the same period of 2019, which was mainly due to the increment of brand value evaluation from the acquisition of MAG's equity by the Group in the second half of 2019.

## **Trade and other receivables**

As at 30 June 2020, trade and other receivables reached RMB2,586.9 million, being 26.4% y/y increase from RMB2,046.4 million for the same period of 2019. Trade receivables alone amounted to RMB1,765.1 million, representing an increase of 27.3% as compared to RMB1,386.7 million as at 30 June 2019. The property service receivable which accounted for the largest part in trade receivables reached RMB1,457.6 million, representing an increase of 19.6% as compared to RMB1,218.1 million as at 30 June 2019, which is lower than the growth of the revenue from property service sector. Thanks to the customer's recognition of the Group's prevention and control work during the epidemic prevention and control period, the property fee collection rate has been improved.

## Trade and other payables

As at 30 June 2020, trade and other payables was RMB2,864.8 million, representing an increase of 41.3% y/y from RMB2,026.8 million as at 30 June 2019. This was mainly due to the expansion of the procurement volume resulting from the growth of business scale and the fact that the payment of procurement funds was further appropriately controlled due to the launch of the new procurement management system.

## Lease liabilities

As at 30 June 2020, liabilities payable due within one year, which were included in current liabilities, were RMB134.6 million, while liabilities payable due after one year, which were included in non-current liabilities, were RMB898.9 million. The total lease liabilities increased to RMB1,033.5 million as at 30 June 2020, which was mainly due to new leased properties for new retail, cultural and education business.

## Major investments, major acquisitions and disposals

As at 14 June 2020, the Company entered into a subscription agreement with Zhong Ao Home (whose shares are listed on the Main Board of the Stock Exchange, stock code: 1538), in relation to the subscription of 36,928,000 shares of Zhong Ao Home by the Company (the “**Zhong Ao Share Subscription**”), at the subscription price of HK\$0.98 per Share. The Zhong Ao Share Subscription was completed on 19 June 2020.

References are made to the announcements of the Company dated 23 June 2020, 29 June 2020 and 17 July 2020, respectively, the Company entered into (i) a sale and purchase agreement with Central Oscar Holdings Limited (the “**Central Oscar**”), which related to the purchase of 81,452,650 shares of Zhong Ao Home held by Central Oscar by the Company, (the “**First Acquisition**”); and (ii) a sale and purchase agreement with Decision Holdings Limited (the “**Decision Holdings**”), which related to the purchase of 41,190,650 shares of Zhong Ao Home held by Decision Holdings by the Company (the “**Second Acquisition**”, together with the First Acquisition, the “**Acquisitions**”), each at the sale price of HK\$1.80 per share of Zhong Ao Home.

The completion of the First Acquisition and the Second Acquisition took place on 29 June 2020 and 17 July 2020, respectively.

Save as disclosed above, for the six months ended 30 June 2020, the Group had no major investment, major acquisitions and disposals.

## Subscription and placing of shares

### *Subscription of new shares of the Company (the “**Shares**”) under general mandate*

References are made to the announcements of the Company dated 24 April 2020 and 7 May 2020, respectively. The Company allotted and issued 155,208,702 Shares to Sail Link at the subscription price of HK\$8.3833 per Share (the “**Subscription**”). Completion of the Subscription took place on 7 May 2020.

### *Placing of new Shares under general mandate*

References are made to the announcements of the Company dated 3 June 2020 and 10 June 2020, respectively. The Company placed 266,600,000 Shares to certain investors through placing agents (the “**Placing**”) at the placing price of HK\$10.18 per Share. Completion of the Placing took place on 10 June 2020.

Save as disclosed above, there is no issue or placing of Shares during the Period.

### **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 (the “**Announcements**”). The Company placed a total of 421,808,702 new Shares through the Subscription and the Placing (“**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).

As of 30 June 2020, HK\$182.8 million has been used for the Zhong Ao Share Subscription and the First Acquisition. The remaining net proceeds raised amounted to HK\$3,810.1 million. The Group will use the proceeds as disclosed in the Announcements, mainly for loan repayment, potential future merger and acquisition, strategic investments, working capital and general purposes.

### **Liquidity, reserves and capital structure**

The Group maintained a good financial condition during the Period. The current assets for the Period was RMB9,299.2 million, increasing by 100.2% compared to RMB4,644.1 million for the same period of 2019. During the Period, the Group’s cash and cash equivalents amounted to RMB5,512.9 million, growing by 173.2% y/y from RMB2,018.0 million for the same period of 2019, which was mainly generated from the proceeds from Such Financing. Net cash generated from operating activities remained a stable upward trend, amounting to RMB38.8 million during the Period, growing by RMB258.0 million from the net cash of RMB219.2 million used in operating activities for the same period of 2019.

References are made to the announcements of the Company dated 29 March 2019, 11 April 2019, 21 June 2019 and 5 July 2019, respectively. As at 21 June 2019, Greentown Education Holding Group Co. Ltd (“**Greentown Education**”), a wholly owned subsidiary of the Company, as the borrower, and the Group and a subsidiary of the Group, as the guarantors, entered into a facility agreement with Standard Chartered Bank (Hong Kong) Limited, as the lender, in relation to a loan facility in the principal amount of USD49.0 million with a term of three years (the “**Loan**”). The Loan was used to fund the purchase price of the acquisition of 7,057 shares of MAG, by Greentown Education. The Loan has been fully repaid on 3 July 2020.



During the Period, the long-term loan amounted to RMB136.2 million (AUD28.0 million), which was borrowed by MAG from the bank for supplement to its working capital.

The gearing ratio (total liabilities/total assets) of the Group was 47.7%, representing an decrease of 15.6 percentage points compared with 63.3% for the same period of 2019, which was mainly due to the substantial increase in cash caused by Such Financing.

### **Property services — 68.7% of total revenue, 47.8% of total gross profit**

Property services remain as the Group's largest revenue and gross profit contributor. Since the establishment, the Group has mainly been adopting the overall rationing system for service charging. Based on our service capabilities and management experience accumulated over the past 20 years, we continue to subdivide professional tracks and innovate service modes according to the types of customers. While we penetrate the residential service market with excellent services, we build a win-win service of value preservation and appreciation of commercial office building assets via Greentown Cloud Sharing, which has continuously brought us stable revenue, profit and good reputation. For the Period:

- Revenue reached RMB3,021.1 million, a 23.2% increase from the same period of 2019 that was RMB2,452.5 million. This was mainly due to the stable increase of managed GFA.
- Gross profit was RMB432.2 million, a 47.9% increase from same period of 2019 that was RMB292.3 million, and gross margin was 14.3%, an increase of 2.4 percentage points from 11.9% for the same period of 2019.
- This net growth of 41.7 million sq.m. of the managed GFA, representing an increase of 22.6% in the Group's managed GFA of 225.9 million sq.m., up from the same period of 2019 that was 184.2 million sq.m. Affected by the epidemic, the planned deliverable projects have been delayed, but the overall impact is under the controllable range. The increase in new projects brings us endogenous growth momentum and is also the main source of the continuous increase in revenue and profits from property services.
- Reserved GFA, as one of the most important sources of managed GFA, reached a new high of 252.4 million sq.m. in the Period, a growth of 21.9%, or a net increase of 45.4 million sq.m. compared with 207.0 million sq.m. for the same period in 2019, showing that the Group retains a sufficient reserve of projects and will continue to provide a solid foundation for the Group's future growth. After starting the project of CCCC Cruise Home Port of Guangzhou last year, we have also undertaken the project of Hengqin Plaza in the Guangdong-Hong Kong-Macao Greater Bay Area during the Period. This, together with the residential projects in Guangzhou and Foshan, enabled us to gradually form a sector in the Pearl River Delta region. With this breakthrough, we have a relatively solid service coverage in China's three economic bay areas. Excellent service capabilities and strong market expansion allowed us to better meet the needs of our customers who were in pursuit of a better life, resulting in significant growth in reserved GFA.

- Managed projects reached 1,578, covering 30 provinces, municipalities and autonomous regions and 163 cities in the nation.

	Six months ended 30 June			
	2020		2019	
	% of property management revenue	% of managed GFA	% of property management revenue	% of managed GFA
<b>Contracted GFA</b>				
— Residential	68.9	77.8	70.9	78.5
— Non-residential	31.1	22.2	29.1	21.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

	Six months ended 30 June			
	2020		2019	
	% of managed GFA	% of total revenue	% of managed GFA	% of total revenue
— Hangzhou	14.9%	28.4%	15.4%	29.7%
— Yu Hang	6.0%	4.6%	6.7%	5.2%
Greater Hangzhou	20.9%	33.0%	22.1%	34.9%
Ningbo	6.8%	5.6%	6.7%	5.7%
Yangtze River Delta	39.6%	29.4%	37.3%	30.3%
Bohai Economic Rim	14.0%	13.5%	16.1%	13.4%
Pearl River Delta	7.6%	5.9%	6.9%	5.8%
Others	11.2%	12.6%	10.9%	9.9%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### **Community living services — 17.2% of total revenue, 26.8% 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 part of our strategic vision of “being a happy living service provider”. During the Period, the growth rate of community service business was lower than that in the same period of 2019. This was primarily due to the impact of COVID-19 epidemic, the business development of property asset management services, community space services and other businesses was lower than that of the same period of 2019, and the growth rate of the community products and services slowed down. However, gross profit margin of this segment was further improved, which was benefited from the effective management and control of community living services costs and optimization of business structure during the Period.



During the Period:

- Revenue of RMB757.2 million, an increase of 9.7% from RMB690.1 million in the same period of 2019. Among them,
  - (1) Income from community products and services (accounting for 35.1% of the community living service's total income) reached RMB265.9 million, representing an increase of 18.1% compared with RMB225.2 million in the same period of 2019.
  - (2) Income from home living services (accounting 8.1% of the community living service's total income) reached RMB61.6 million, representing an increase of 21.8% compared with RMB50.6 million in the same period of 2019.
  - (3) Income from community space services (accounting for 11.2% of the community living service income) reached RMB84.4 million, a decrease of 23.3%, compared with RMB110.1 million in the same period of 2019.
  - (4) Income from property asset management services (accounting for 30.8% of the community living service income) reached RMB233.1 million, a decrease of 16.7% compared with RMB279.7 million in the same period of 2019.
  - (5) Income from cultural & education services (accounting for 14.8% of the community living service income) reached RMB112.1 million, an increase rate of 357.7% compared with RMB24.5 million in the same period of 2019.
- Gross profit was RMB242.6 million, an increase of 12.5% as compared with that of the same period of 2019. This was slightly higher than the revenue growth rate.

	Six months ended 30 June			2019	
	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	265,948	35.1	18.1	225,231	32.7
Homeliving services	61,592	8.1	21.8	50,558	7.3
Community space services	84,448	11.2	-23.3	110,133	16.0
Property asset management services	233,092	30.8	-16.7	279,667	40.5
Cultural & education services	112,076	14.8	357.7	24,486	3.5
Total	<u>757,156</u>	<u>100</u>	<u>9.7</u>	<u>690,075</u>	<u>100</u>

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 elder-care, new 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, focus on core ecosystems and enhance operating capacity based on strategic planning and actual conditions, of which:

— *Community products and services:*

During the period, the growth rate of community products and services was lower than that in the same period of 2019, which was mainly due to the impact of the epidemic on the business development of enterprise units, schools and other key customers of the Group. The year 2018 is the initial development period of the Group's community retail business, and in 2019 we have made great breakthroughs in holiday gifts and supermarket stores in the community, which made the growth rate of 2019 very high. In the meantime, based on our consistently outstanding capacity of supply of community products and the advance strategic layout of the new retail system, and during the epidemic, as a people's livelihood guarantee and supply enterprise, we restored our operation as soon as possible to resolve the difficulty of grocery shopping by owners because of quarantine, provided safe and convenient fresh products and effectively reduced the impact of the epidemic on the business of the segment by relying on the previous layout of "Fresh Green Orange". We also provide better products and service experience to the owners through "live broadcast" and other forms according to the gradual change of their living and consumption habits. In the next step, we will continue to promote business models such as "Fresh Green Orange", expand the scale and coverage of the business of the segment, and continuously provide high-quality products and service experience for owners.

— *Community space services:*

Affected by the epidemic, advertising business of community space experienced a relatively significant decline during the Period. Based on this, we have gradually developed self-operated space business to reduce the dependence of community space services on upstream companies for advertising placement. For example, under the guidance of the policies of "Stall business" and "Night time economy", we have successively launched pilot businesses such as "Community pop-up shops" and "Community markets". At the same time, based on the research and practice of community businesses, we plan to integrate our own life service business forms, build community space solutions and realize the output of service capabilities to third-party customers.

— *Property asset management services:*

Property replacement services and asset management (e.g. parking space business) are the largest sources of income of this segment. As affected by the epidemic during the Period, the growth of the development of property replacement services and parking space sales business were significantly lower than that of the same period of last year. Our asset-light operation model of “Uhomelives” brand in the housing rental/hosting service business has achieved initial success, which has reduced the impact of the epidemic on the business profit to a certain extent. In the future, we will continue to focus on the management and operation services for high-quality property assets in Tiers 1 and 2 cities based on our existing business model, continuously optimize the business structure and operational mode of this segment. In the second half of this year, the growth of this segment will improve out of the impact of the outbreak abates.

— *Culture & education services:*

The segment’s growth was mainly driven by the performance contribution brought about by the Group’s acquisition of MAG in July 2019. The domestic education business was so adversely affected by the epidemic that its operation did not resume successively until the second quarter of 2020. The enrollment rate and the community capacity are gradually increasing after reopening, and we will continue to focus on the safety, education and quality of these communities. Overseas kindergarten businesses benefited from the Australian government’s support policies for education enterprises and employees. While its business development was affected by the epidemic to a certain extent, the impact of this on the profit of the Group’s overall education sector was limited. We will continue to pay close attention to the local government’s policies, and suspend the plans to expand new schools locally at the same time and formulate relevant response measures to mitigate the possible impact of the epidemic on local business development. We will further optimize the business model of this sector, actively construct an integrated development system for infants aged 0-6 years based on the Group’s existing services resources and accelerate cooperation with governments, universities and high-quality enterprises so as to become an asset-light and low-risk operation service provider.

## Consulting services — 14.1% of total revenue, 25.4% of gross profit

During the Period, we continued to focus on the full life cycle of real estate, and continuously improve the organic growth and strengthen core competitive advantages of consulting services through quality resource integration, standardized system construction and business innovation, thereby achieving:

- Revenue grew by 19.5% to RMB621.9 million, from the same period of 2019 that was RMB520.6 million. This was mainly due to the postponement of the signing of some locked contracts and the performance of some signed contracts resulting from the epidemic, but the overall services remained at a favorable growth.

	Six months ended 30 June 2020			2019	
	Revenue RMB'000	% of total	Y/Y %	Revenue RMB'000	% of total
Project under construction services	493,420	79.3	16.0	425,377	81.7
Management consulting services	128,457	20.7	34.9	95,223	18.3
<b>Total</b>	<b>621,877</b>	<b>100</b>	<b>19.5</b>	<b>520,600</b>	<b>100</b>

- Gross profit margin was 37.0%, slightly lower than 38.1% in the same period of 2019. It still maintained a good resilience.

	Six months ended 30 June 2020			2019	
	No. of projects	Y/Y%	Average income/ project RMB'000	No. of projects	Average income/ project RMB'000
Project under construction services	770	44.7	640.8	532	800
Management consulting services	499	36.0	257.4	367	259

Confronted with the change of the consulting services market environment, we continued to study the development trend of real estate market and the application of new technologies in the above-mentioned business sectors, and fully integrate them with the development strategies of each business segment to maintain the advantages of the Group's own services and products. Based on the changes in demand for consulting services of developers, we have begun to cultivate operational technology capacity of non-residential format, including industrial parks, office buildings and commercial complexes. We have determined to coordinate development consulting services and property services based on a “consultation+operation+property” model.

— *Property Under Construction Services:*

Our revenue reached RMB493.4 million, a y/y increase of 16.0% from the same period of 2019, that growth rate has slowed down affected by the epidemic. We adhered to offer high-quality services capacities. At the same time, we focused on high-end and ultra-high-end experience centers, and seized the seven-second prime time of interaction and four key service scenarios to create a seven-second high-end service experience, presenting a more refined, professional service ceremonies and textures that exceeded expectations, which have effectively reduced the degree of the epidemic's implication on the business of this segment and promoted the steady business development of this segment.

— *Management Consulting Services:*

Our revenue reached RMB128.5 million, an increase of 34.9% compared with the same period of 2019, which maintained a high growth rate. On one hand, benefiting from the Group's experience in property services operation, the whole industrial chain, excellent industry resources and years of defect research results, we effectively introduced the Group's management and control system, procedures and standardized management mode into the real estate consulting projects, so as to enhance the management level of cooperative businesses and reduce the risk of project management and control and to achieve qualitative leap; on the other hand, we newly established quality alliance of property management of the PRC and focused on the origin of the quality of the property management service. We are devoted to supporting small and medium-sized property enterprises to improve the quality and efficiency of their services fully through the four core businesses such as consulting services, service certification, training empowerment, and intelligence empowerment, which will be major drivers of the rapid growth of management consulting service.

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

As the duration of the COVID-19 epidemic cannot be ascertained, it exists uncertainty of its impact on the operation of the Group. We will closely monitor the situation of the COVID-19 epidemic in the main business locations, including local policies, etc., to assess its impacts on the Group in areas such as business, financials and operations, and formulate corresponding response strategies. In the meantime, we will enforce strictly the prevention and control measures in accordance with the requirements of the epidemic situation and use our best efforts to ensure the continuous and stable operation of the Group.

## **Foreign exchange risks**

The Group conducts substantially all of its business in Mainland China and in Renminbi. Therefore, the Group is exposed to limited foreign currency exchange rate risk. The Group has not entered into any foreign exchange hedging arrangement, employ any major financial instruments for hedging purposes or engage in any significant financial instruments such as forward foreign exchange contracts for foreign exchange hedging purposes during the Period. However, due to the Zhong Ao Share Subscription, the Acquisitions and Such Financing during the Period, 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**

During the Period, the Group has established its human resources policies and procedures to provide a wide range of training and personal development programmes to its employees. The remuneration package offered to the staff was in line with the duties and the prevailing market terms. 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 and provident funds are also provided to employees of the Group.

As at 30 June 2020, the Group had 29,830 employees, an increase of 13.5% from that in the same period of 2019, which was lower than the growth rate of 22.6% in managed GFA during the Period; the total staff cost was RMB1,382.2 million, a growth rate of 18.3% from RMB1,168.7 million for the same period of 2019, which was lower than the growth rate of 20.1% in revenue during the Period.

## **Interim dividend**

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

## **Contingent liabilities**

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

## **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**

References are made to the announcements of the Company dated 29 March 2019, 11 April 2019 and 21 June 2019, respectively, in relation to the entry into a Facility Agreement (the “**Facility Agreement**”) between Greentown Education and Standard Chartered Bank (Hong Kong) Limited (the “**Lender**”), in respect of a loan facility in the principal amount of USD49.0 million with a term of three years. The Group pledged to the Lender 100% equity interest in Greentown Education, together with all ancillary rights and claims associated with the equity interest upon the Facility Agreement.

As referred to in the 2019 Annual report of the Company, MAG has a loan of AUD \$28.0 million (equivalent approximately to RMB 136.2 million) from a bank for its business needs as at 30 June 2020, and has secured certain property, plant and equipment held by it (the carrying amount of AUD 48.1 million, equivalent approximately to RMB 233.9 million) as collateral.

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

## **CHANGE OF DIRECTOR’S AND SENIOR MANAGEMENT’S INFORMATION**

Mr. Poon Chiu Kwok resigned as an independent non-executive director of TUS International Limited (a company listed on the Stock Exchange, stock code: 872) on 17 July 2020.

Save as disclosed above, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 and the Corporate Governance Report (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 2020, the Company was in compliance with all 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**

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 2020.



## **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 2020.

## **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, 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 as of 30 June 2020 of the Group have been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.lvchengfuwu.com](http://www.lvchengfuwu.com)). The interim report of the Company for the six months ended 30 June 2020 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.**  
**LI Hairong**  
*Chairman*

Hangzhou, the PRC  
21 August 2020

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