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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 2021

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 2021 (the “**Period**”), together with the comparative figures for the same period ended 30 June 2020, as follows.

HIGHLIGHTS

The Group’s financial performance:

- Revenue was RMB5,595.9 million, representing an increase of 27.2% year on year (“y/y”) from the same period of 2020 at RMB4,400.1 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 reached RMB3,625.6 million, accounting for 64.8% of the overall revenue and representing an increase of 20.0% y/y from the same period of 2020 that was RMB3,021.1 million; (ii) as for community living services, the revenue amounted to RMB1,154.5 million, accounting for 20.6% of the overall revenue and representing a y/y increase of 52.5% compared with the same period of 2020 that was RMB757.2 million; (iii) as for consulting services, the revenue amounted to RMB815.8 million, which contributed 14.6% of the overall revenue, representing an increase of 31.2% y/y from the same period of 2020 that was RMB621.9 million.

- Gross profit reached RMB1,122.9 million, increasing by 24.1% y/y from the same period of 2020 that was RMB905.1 million. Gross profit margin was 20.1%, representing a decrease of 0.5 percentage points from 20.6% for the same period of 2020.
- Profit from operations reached RMB700.0 million, representing an increase of 41.1% from RMB496.2 million for the same period of 2020. The operating margin (profit from operations divided by total revenue) was 12.5%, representing an increase of 1.2 percentage points from 11.3% for the same period of 2020.
- During the Period, the profit attributable to equity shareholders of the Company was RMB546.7 million, representing an increase of 46.3% as compared to RMB373.6 million for the same period of 2020.
- Profit for the Period was RMB553.5 million, representing an increase of 53.0% as compared to RMB361.7 million for the same period of 2020. Net profit margin for the Period was 9.9%, with an increase of 1.7 percentage points from 8.2% for the same period of 2020.
- Basic earnings per share was RMB0.17, based on the weighted average of 3,232,657,000 ordinary shares during the Period.
- The Group's cash and cash equivalents amounted to RMB4,016.2 million as at 30 June 2021, declining by 27.1% from RMB5,512.9 million as at 30 June 2020.
- 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 2021 — unaudited

(Expressed in Renminbi Yuan)

		Six months ended 30 June	
	<i>Note</i>	2021	2020
		RMB'000	RMB'000
Revenue	3	5,595,888	4,400,129
Cost of sales		<u>(4,472,980)</u>	<u>(3,495,060)</u>
Gross profit		1,122,908	905,069
Other revenue	4	47,256	60,025
Other net income	4	127,829	77,229
Selling and marketing expenses		(84,778)	(55,210)
Administrative expenses		(448,539)	(366,207)
Impairment losses on trade and other receivables		(54,245)	(102,473)
Other operating expenses		<u>(10,477)</u>	<u>(22,203)</u>
Profit from operations		<u>699,954</u>	496,230
Finance income		38,472	19,642
Finance costs		<u>(32,145)</u>	<u>(26,631)</u>
Net finance income/(costs)	5(a)	<u>6,327</u>	<u>(6,989)</u>
Share of profits less losses of associates		8,891	(2,313)
Share of profits less losses of joint ventures		(551)	1,511
Gain/(loss) on disposal of subsidiaries		1,511	(46)
Gain on disposal of associates		–	1,139
Gain on deemed disposal of an associate		<u>–</u>	<u>10,063</u>
Profit before taxation	5	716,132	499,595
Income tax	6	<u>(162,596)</u>	<u>(137,897)</u>
Profit for the period		<u>553,536</u>	<u>361,698</u>

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Equity shareholders of the Company		546,745	373,608
Non-controlling interests		6,791	(11,910)
		<u>546,745</u>	<u>373,608</u>
Profit for the period		553,536	361,698
		<u>553,536</u>	<u>361,698</u>
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		25,054	–
Equity investments at FVOCI — net movement in fair value reserves		(1,476)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income of a joint venture		(5,531)	1,082
Exchange differences on translation of financial statements of entities outside the mainland of the People's Republic of China (the "PRC")		(55,234)	10,615
		<u>(55,234)</u>	<u>10,615</u>
Total comprehensive income for the period		516,349	373,395
		<u>516,349</u>	<u>373,395</u>
Attributable to:			
Equity shareholders of the Company		508,818	382,187
Non-controlling interests		7,531	(8,792)
		<u>508,818</u>	<u>382,187</u>
Total comprehensive income for the period		516,349	373,395
		<u>516,349</u>	<u>373,395</u>
Earnings per share			
Basic (RMB)	<i>7(a)</i>	0.17	0.13
		<u>0.17</u>	<u>0.13</u>
Diluted (RMB)	<i>7(b)</i>	0.17	0.13
		<u>0.17</u>	<u>0.13</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 — unaudited

(Expressed in Renminbi Yuan)

		At 30 June 2021	At 31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Investment properties	9(a)	255,391	479,467
Property, plant and equipment	9(b)	735,654	694,749
Right-of-use assets	9(c)	783,923	746,914
Intangible assets		351,664	362,225
Goodwill		279,072	284,077
Interest in associates		468,174	453,911
Interest in joint ventures		215,084	226,922
Other financial assets		1,120,330	885,723
Deferred tax assets		232,076	200,789
Deposits and prepayments		59,111	14,682
Time deposits		385,000	120,000
		<u>4,885,479</u>	<u>4,469,459</u>
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Current assets			
Other financial assets		878,916	572,284
Inventories		315,072	345,505
Trade and other receivables	10	3,106,337	1,990,178
Restricted bank balances		463,408	283,512
Time deposits		301,000	980,664
Cash and cash equivalents		4,016,218	4,437,192
		<u>9,080,951</u>	<u>8,609,335</u>
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		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
Current liabilities			
Bank loans		9,980	6,000
Contract liabilities		1,583,930	1,112,286
Trade and other payables	11	3,478,748	2,963,378
Lease liabilities		127,644	163,730
Current taxation		435,523	404,411
Provisions		38,928	36,008
		<u>5,674,753</u>	<u>4,685,813</u>
Net current assets		<u>3,406,198</u>	<u>3,923,522</u>
Total assets less current liabilities		<u>8,291,677</u>	<u>8,392,981</u>
Non-current liabilities			
Bank loans		140,731	140,456
Trade and other payables		–	1,868
Lease liabilities		958,008	1,037,449
Deferred tax liabilities		74,878	75,821
Provisions		22,912	25,344
		<u>1,196,529</u>	<u>1,280,938</u>
Net assets		<u>7,095,148</u>	<u>7,112,043</u>
Capital and reserves			
Share capital		28	28
Reserves		6,815,885	6,820,631
Total equity attributable to equity shareholders of the Company		<u>6,815,913</u>	<u>6,820,659</u>
Non-controlling interests		<u>279,235</u>	<u>291,384</u>
Total equity		<u>7,095,148</u>	<u>7,112,043</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	214,424	217,491
Income tax paid	(163,629)	(178,729)
	<hr/>	<hr/>
Net cash generated from operating activities	50,795	38,762
	<hr/>	<hr/>
Investing activities		
Payments for the purchase of investment properties, property, plant and equipment, right-of-use assets and intangible assets	(202,929)	(136,628)
Proceeds from disposal of property, plant and equipment	507	1,368
Acquisitions of subsidiaries, net of cash acquired	—	(13,520)
Disposals of subsidiaries, net of cash disposed	(28,209)	(710)
Payments for purchase of:		
— financial assets classified as fair value through profit or loss (“FVPL”)	(908,410)	(334,553)
— listed debt investments	(87,115)	(7,131)
— time deposits	(971,000)	(80,000)
Proceeds from redemption of:		
— financial assets classified as FVPL	559,660	24,461
— listed debt investments	9,032	—
— time deposits	1,385,664	—
Placement of guarantee deposits for foreign exchange forward contracts, net	(161,503)	—
Payment for investment in associates	(3,255)	(233,773)
Interest received	38,472	19,602
Dividends received from joint ventures	32,008	—
Investment income received from other financial assets	3,158	—
Payments for loans and advances	(15,930)	(3,000)
Proceeds from repayment of loans and advances	26,000	8,200
Proceeds from disposal of investment in an associate	—	3,394
	<hr/>	<hr/>
Net cash used in investing activities	(323,850)	(752,290)
	<hr/>	<hr/>

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Financing activities		
Proceeds from new bank loans and other borrowings	10,280	6,000
Repayment of bank loans	(6,300)	(5,000)
Repayment of loan from a third party	–	(6,965)
Proceeds from issue of shares, net of issuing costs	–	3,647,785
Capital injection from non-controlling interests	8,114	6,918
Proceeds from exercise of share options	127,691	32,333
Capital element of lease rentals paid	(62,997)	(58,829)
Interest element of lease rentals paid	(29,081)	(15,570)
Payment for acquisition of non-controlling interests	(153,750)	(11,036)
Dividends paid to non-controlling interests	(16,870)	(2,611)
Interest paid	(3,064)	(12,917)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(125,977)	3,580,108
	<hr/> <hr/>	<hr/> <hr/>
Net (decrease)/increase in cash and cash equivalents	(399,032)	2,866,580
Cash and cash equivalents at 1 January	4,437,192	2,641,334
Effect of foreign exchanges rate changes	(21,942)	4,988
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	4,016,218	5,512,902
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 BASIS OF PREPARATION

a. General Information

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”).

b. Basis of preparation

The interim financial report of the Company as at and for the six months ended 30 June 2021 comprises the Company and its subsidiaries (together referred to as the “Group”). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with 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 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with 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 information is unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

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 HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

Other than the amendment to HKFRS 16, 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:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year and the amendment does not have an impact on this interim financial report.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on this interim financial report as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue by major service lines is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
<i>Disaggregated by major service lines</i>		
Property services	3,625,611	3,021,096
Community living services	1,154,483	757,156
Consulting services	790,202	613,364
	5,570,296	4,391,616
Revenue from other sources		
Consulting services		
— Gross rentals from investment properties	25,592	8,513
	5,595,888	4,400,129

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	
	2021	2020
	RMB'000	RMB'000
Revenue recognised over time:		
Property services		
Property services	3,625,611	3,021,096
Community living services		
Community products and services	50,942	70,682
Home living services	82,458	61,592
Community space services	99,889	84,448
Property asset management services	26,804	52,603
Cultural & education services	232,653	112,076
	<u>492,746</u>	<u>381,401</u>
Consulting services		
Property under construction services	641,702	493,420
Management consulting services	148,500	119,944
	<u>790,202</u>	<u>613,364</u>
	<u>4,908,559</u>	<u>4,015,861</u>
Revenue recognised at point in time:		
Community living services		
Community products and services	387,282	195,266
Property asset management services	274,455	180,489
	<u>661,737</u>	<u>375,755</u>
	<u>5,570,296</u>	<u>4,391,616</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 2021									
	Hangzhou		Yangtze River Delta Region		Pearl River Delta Region	Bohai Economic Rim Region	Australia	Other overseas and Hong Kong Regions	Other Mainland China Regions	Total
	Hangzhou (exclude Yuhang)	Yuhang Region	Yangtze River Region (exclude Ningbo)	Ningbo Region						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 30 June 2021 Reportable segment assets	6,970,178	459,917	4,263,398	911,482	679,145	1,408,665	1,346,599	3,721,498	1,120,592	20,881,474
As at 30 June 2021 Reportable segment liabilities	6,670,597	245,030	2,753,965	539,762	362,723	772,667	960,309	575,917	589,197	13,470,167

Six months ended 30 June 2020

	Hangzhou		Yangtze River Delta Region		Pearl River Delta Region	Bohai Economic Rim Region	Australia	Other overseas and Hong Kong Regions	Other Mainland China Regions	Total
	Hangzhou (exclude Yuhang) RMB'000	Yuhang Region RMB'000	Yangtze River Region (exclude Ningbo) RMB'000	Ningbo Region 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	1,260,582	206,433	1,307,828	249,359	261,423	600,250	103,574	-	453,088	4,442,537
Reportable segment profit	40,685	9,939	169,516	64,574	41,090	57,574	8,024	13,883	95,075	500,360
As at 31 December 2020 Reportable segment assets	6,142,606	416,854	3,104,150	898,641	841,642	1,212,627	1,235,169	3,882,146	947,120	18,680,955
As at 31 December 2020 Reportable segment liabilities	6,150,429	213,945	1,794,895	566,270	587,259	586,373	769,465	103,752	517,081	11,289,469

(ii) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Reportable segment profits	716,132	500,360
Elimination of inter-segment profits	-	(765)
Reportable segment profit derived from the Group's external customers	716,132	499,595
Consolidated profit before taxation	716,132	499,595

4 OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other revenue		
Government grants (<i>note (i)</i>)	44,501	58,225
Others	2,755	1,800
	<u>47,256</u>	<u>60,025</u>

- (i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities. During the six months ended 30 June 2021, the Group received the subsidy income of RMB2,706,000 (six months ended 30 June 2020: RMB25,835,000) from the relevant government in relation to the impact of the Coronavirus Disease 2019 (“COVID-19”) and value-added tax refund of RMB16,858,000 (six months ended 30 June 2020: RMB11,817,000).

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other net income		
Net loss on sale of property, plant and equipment	(325)	(147)
Net realised and unrealised (losses)/gains on FVPL		
— Listed equity securities	145,705	48,688
— Convertible notes	—	11,235
— Unlisted equity investments	(17,084)	5,729
— Treasury products	1,166	405
Net foreign exchange (losses)/gain	(1,633)	11,319
	<u>127,829</u>	<u>77,229</u>

5 PROFIT BEFORE TAXATION

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

(a) Net finance (income)/costs

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on listed debt instruments	(1,939)	(2,206)
Interest income on bank deposits	(36,533)	(17,436)
Interest expense on bank loans	3,064	11,633
Interest expense on lease liabilities	36,645	23,207
Less: interest expense capitalised into assets under construction	(7,564)	(8,209)
	<u>(6,327)</u>	<u>6,989</u>

(b) Staff costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries and other benefits	1,567,358	1,226,136
Equity settled share-based payment expenses	25,239	24,081
Contributions to defined contribution scheme (note (i))	214,894	131,994
	<u>1,807,491</u>	<u>1,382,211</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.

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.

(c) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Impairment losses		
— trade and other receivables	54,245	102,473
— interest in an associate	—	18,000
	<u>54,245</u>	<u>120,473</u>
Depreciation		
— property, plant and equipment	59,297	50,709
— right-of-use assets	97,202	89,788
Amortisation of intangible assets	20,094	17,138
Expense relating to short-term leases and other leases	58,765	41,574
Cost of inventories	260,030	247,552
Outsourcing labor costs	1,827,440	1,495,811

6 INCOME TAX

Taxation in profit or loss represents:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax — PRC corporate income tax		
Provision for the period	183,604	194,728
Under/(over)-provision in respect of prior years	2,149	(7,983)
	185,753	186,745
Current tax — Overseas corporate income tax		
Provision for the period	8,915	3,365
	8,915	3,365
Deferred taxation		
Origination and reversal of temporary differences	(32,072)	(52,213)
	(32,072)	(52,213)
	162,596	137,897

- (i) 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%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 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 2021 and 2020.

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%.

(ii) PRC Corporate Income tax

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

- For certain subsidiaries recognised as a small profit enterprise in 2021, 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 2020: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2020: 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 50% (six months ended 30 June 2020: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2020: 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”) obtained a high and new technology enterprise certification in 2018 and was entitled to a preferential income tax rate of 15% from 2018 to 2020. Greentown IT were in the renewal approval process during the six months ended 30 June 2021, and management believe that it could continue to be qualified as high and new technology enterprise in 2021, and accordingly it could continue to be 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”) 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.

The Group's subsidiary, Zhejiang Huixiang Information and Technology Company Limited (“浙江慧享信息科技有限公司”) 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.

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 RMB546,745,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB373,608,000) and the weighted average number of 3,232,657,000 ordinary shares (six months ended 30 June 2020: 2,867,686,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	2021	2020
	'000	'000
Issued ordinary shares at 1 January	3,220,086	2,789,484
Effect of share options exercised	12,571	2,437
Effect of shares issued	–	75,765
	<u>3,232,657</u>	<u>2,867,686</u>
Weighted average number of ordinary shares at 30 June	<u>3,232,657</u>	<u>2,867,686</u>

(b) Diluted earnings per share

For the six months period ended 30 June 2021, 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 2021.

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 RMB546,745,000 (six months ended 30 June 2020: RMB373,608,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 3,239,940,000 ordinary shares (six months ended 30 June 2020: 2,885,822,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021	2020
	'000	'000
Weighted average number of ordinary shares at 30 June	3,232,657	2,867,686
Effect of equity settled share-based transactions	7,283	18,136
	<u>3,239,940</u>	<u>2,885,822</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>3,239,940</u>	<u>2,885,822</u>

8 DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

(a) Additions and disposals of investment properties

During the six months ended 30 June 2021, the Group acquired items of leasehold improvement with a cost of RMB25,615,000 (six months ended 30 June 2020: RMB35,317,000).

During the six months ended 30 June 2021, the Group disposed of investment properties with a net book value of RMB329,961,000 when the Group disposed of 65% of its equity interests in Greentown Technology Industry Group Company Limited, the then subsidiary of the Group in March 2021.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of office equipment and furniture, motor vehicles, leasehold improvement and construction in progress with a cost of RMB116,662,000 (six months ended 30 June 2020: RMB65,561,000). Items of office equipment and furniture with a net book value of RMB832,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB1,515,000), resulting in a loss on disposal of RMB325,000 (six months ended 30 June 2020: RMB147,000).

(c) Right-of-use assets

During the six months ended 30 June 2021, 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 RMB174,748,000 (six months ended 30 June 2020: RMB102,921,000).

During the six months ended 30 June 2021, the Group disposed of right-of-use assets with a net book value of RMB37,818,000 (six months ended 30 June 2020: RMB14,251,000) when the Group terminated the lease of certain service apartments, resulting in a loss on disposal of RMB1,646,000 (six months ended 30 June 2020: RMB2,151,000).

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 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year	2,088,249	1,137,070
1 to 2 years	151,949	107,550
Over 2 years	15,246	13,504
	<hr/>	<hr/>
Total trade and bills receivable from third parties, net of loss allowance	2,255,444	1,258,124
Other receivables, net of loss allowance	418,291	377,727
Amounts due from related parties		
— trade nature	7,958	6,478
— non-trade nature	65,613	24,036
Amounts due from staff	16,510	12,806
Deposits and prepayments	342,521	311,007
	<hr/>	<hr/>
	3,106,337	1,990,178
	<hr/> <hr/>	<hr/> <hr/>

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

11 TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables	809,287	922,290
— Billed trade payables	627,761	812,322
— Accrued trade payables	181,526	109,968
Bills payable	18,953	25,491
	<hr/>	<hr/>
	828,240	947,781
Less: trade payables due after one year	—	(1,868)
	<hr/>	<hr/>
Trade payables (current)	828,240	945,913
	<hr/> <hr/>	<hr/> <hr/>

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Other payables		
Refundable deposits	393,783	370,529
Escrow funds held on behalf of customers	84,025	71,582
Cash collected on behalf of the owners' associations	205,442	199,368
Other payables and accruals	217,157	150,016
Temporary receipts	600,883	554,940
Amounts due to related parties	20,629	3,295
Loan from a third party	21,144	21,385
Dividends payable to equity shareholders	539,772	–
Dividends payable to non-controlling interests	340	10,551
Accrued payroll and other benefits	280,520	405,046
Other tax and charges payable	286,813	230,753
	<u>2,650,508</u>	<u>2,017,465</u>
	<u>3,478,748</u>	<u>2,963,378</u>

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 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	480,766	625,026
After 1 month but within 3 months	65,573	74,959
After 3 months but within one year	81,422	112,337
	<u>627,761</u>	<u>812,322</u>

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to a resolution of shareholders of the Company passed on 25 May 2018, a share option scheme was adopted (“**Share Option Scheme**”). On 26 July 2021, an aggregate of 33,130,200 share options at an exercise price of HKD8.902 to subscribe for shares of the Company were granted to certain employees of the Group (“**the Fourth Grantees**”) under the Share Option Scheme. The options have vesting periods of 3 years commencing after 12 months from the date on which the Fourth Grantees have achieved the length of service and performance in the Group and have a contractual life of 10 years, subject to the Eligible Participants’ achievement of certain performance as the conditions of exercise. Each option gives the holders the right to subscribe for one ordinary share in the Company.

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 2021.

The clouds no longer show their summer look as the trees and leaves begin whispering in the autumn breeze. At this time last year, we were reconstructing following the devastation of the pandemic, rebuilding the order of services in our homes and public places, a system of methods to face unpredictable difficulties, and an unstoppable system of capacities to reach for a better life. In fact, this experience has given us a consistent awareness that our country is putting the people in the core, and that health and quality of life are at the forefront of its priorities, the economic environment is recovering at the same time, development figures are rising and common prosperity is on the move. Although there were still regional outbreaks of the COVID-19 pandemic in the first half of the year, overall we were in a safe and secure situation with strong development. This momentum is exactly where Greentown Service has been in the first half of 2021. We are grateful to our investors for their trust and understanding, and for joining us on this robust and progressive journey of service delivery.

The bottom of a ballast is solid and luminous. During the Period, we adhered to our market strategy of gathering internal momentum, building up quality growth and implementing synergistic value. The property services sector played the role of a solid ballast, with key indicators frequently showing positive figures. With the quality of services in place, property services revenue increased by 20.0% over the same period in 2020 and gross profit margin reached 14.4%, representing a steady and progressive growth. Overall average property service fee also increased by 1.25 percentage points compared to the same period in 2020, with 68 projects achieving price increases during the Period. In terms of property market expansion, the managed gross floor area (“GFA”) reached 272.7 million sq.m., representing an increase of 20.7% over the same period in 2020. We are grateful to our close strategic partners for their full commitment. We are also impressed by the growth we have achieved through internal efforts in an increasingly competitive environment, with a reserved GFA of 302.3 million sq.m., which continues to be larger than the managed GFA, giving us a solid base for future growth.

Resumption of live leads to the rebound of quality. Once our lives were comprehensively resumed, consumption continued its upward trend from the second half of last year. During the Period, revenue from community living services grew by 52.5%. Revenue from community living products and services accounted for over 30% of the segment and also increased by 64.8% over the same period in 2020. This fully demonstrates that our services and products, which are positioned ahead of our customers' needs, are accelerating to meet the gradually growing demand side. The cultural & education services in and around the communities also experienced a growth of over 100% after coming out of the pandemic. The new value of these non-compulsory school-age education service packages is that they provide a commercially designed and socially responsible combination of high-quality childcare, while alleviating the anxiety of the national childbirth policy for young couples and helping them to embrace the policy's orientation.

We focus on innovation and advance with a light-asset approach. Another engine of the Company's development, the consulting services segment, continued to improve the quality of its management consulting services under the increased property regulations and the policy of "no speculation in housing". It has also adopted a light-asset approach in its traditional consulting business to enhance its competitiveness and focus on large clients. During the Period, the average contract value of management consulting services increased by almost 30% compared with the same period in 2020. In order to advance the deployment of the new course, we have improved the new capacity of our consulting services. Recently, the service segment has achieved new breakthroughs in government-led areas such as future communities and urban regeneration.

Work diligently to invigorate the Company, as those who are competent shall be crowned the king. Since January this year, a number of national ministries and commissions have continued to promulgate new management policies in relation to the property services industry, with strengthening and improvement being the major keynotes, and supervision and encouragement being the relevant measures. This demonstrates that we operate in a livelihood-oriented service industry, and that we will never forget our primitive dedication. Property services should adopt an industrial mindset and approach to continuously improve the service capacity, service pattern and service value to meet the growing demand of people's livelihood. With this awareness, Greentown Service, in the process of scaling up its development, has kept its primitive dedication with craftsmanship and committed itself to the quality of its services to ensure that satisfaction is not compromised or overlooked. At the same time, the new living service system, which is built around "elderly (elderly care and association), young (childcare services), wellness (integrated wellness services) and home (home services)", integrates and creates a new value space by revitalizing the numerous service capabilities incubated by the Company. For example, the "Happiness Land" owners' self-governing organization that we have initiated has been incubated in the Happiness Land Foundation, which has expanded to many old neighborhoods in the community, and the "Happiness Hut" has been built to bring warmth to people's hearts.

FUTURE OUTLOOK

The future is here, and we are in this together. The Group has a base of tens of thousands of employees across all business lines. We are aware that every step forward of the Company's development is not only about the needs of millions of property owners for a better life, but also about the dependability of the basic labor force. We rely on and respect each and every one of our foundational employees with a spirit of service, and the quality of their work and life is embedded in the strategic top-level design. In the new five-year development plan being formulated by the Company, the "common prosperity" scheme for foundational employees is also an important and crucial component. The labor-intensive nature of our industry provides us with the opportunity to fulfill our social responsibility. With a combination of technology, training, cultural nourishment and new business guidance, we hope to gradually achieve the goal that "service providers should be the full enjoyers of service results".

The future is the future of people, but also the future of technology leadership. We have outlined a new service system for the future by focusing on the value points and satisfaction of our customers, property owners and employees. The Company is also integrating internal and external technological strengths by using internal empowerment to improve efficiency and external marketing to maintain the ambition of changing the industry connotation with technology in order to keep up with the times. The pursuit and aspiration of the two civilizations of people and technology make us feel confident about the development measures in the next five years and beyond. Together with all investors, we are ready to create a better future.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. In the “2021 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 RMB5,595.9 million, representing an increase of 27.2% y/y from the same period of 2020 that was RMB4,400.1 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 reached RMB3,625.6 million, accounting for 64.8% of the overall revenue and representing an increase of 20.0% y/y from the same period of 2020 that was RMB3,021.1 million; (ii) as for community living services, the revenue amounted to RMB1,154.5 million, accounting for 20.6% of the overall revenue and representing a y/y increase of 52.5% compared with the same period of 2020 that was RMB757.2 million; (iii) as for consulting services, the revenue amounted to RMB815.8 million, which contributed 14.6% of the overall revenue, representing an increase of 31.2% y/y from the same period of 2020 that was RMB621.9 million.

	Six months ended 30 June				Y/Y increase
	2021	% of the total revenue	2020	% of the total revenue	
	RMB'000		RMB'000		
Property services					
Property services	<u>3,625,611</u>	<u>64.8%</u>	<u>3,021,096</u>	<u>68.7%</u>	<u>20.0%</u>
	<u>3,625,611</u>	<u>64.8%</u>	<u>3,021,096</u>	<u>68.7%</u>	<u>20.0%</u>
Community living services					
Community products and services	438,224	7.8%	265,948	6.0%	64.8%
Home living services	82,458	1.5%	61,592	1.4%	33.9%
Community space services	99,889	1.8%	84,448	1.9%	18.3%
Property asset management services	301,259	5.4%	233,092	5.3%	29.2%
Cultural & education services	232,653	4.1%	112,076	2.6%	107.6%
	<u>1,154,483</u>	<u>20.6%</u>	<u>757,156</u>	<u>17.2%</u>	<u>52.5%</u>
Consulting services					
Property under construction services	641,702	11.5%	493,420	11.2%	30.1%
Management consulting services	174,092	3.1%	128,457	2.9%	35.5%
	<u>815,794</u>	<u>14.6%</u>	<u>621,877</u>	<u>14.1%</u>	<u>31.2%</u>
	<u>5,595,888</u>	<u>100.0%</u>	<u>4,400,129</u>	<u>100.0%</u>	<u>27.2%</u>

Cost of Sales

During the Period, the cost of sales amounted to RMB4,473.0 million, representing a 28.0% y/y increase from the same period of 2020 that was RMB3,495.1 million. The increase in cost of sales was generally consistent with the increase in revenue.

Gross Profit

Gross profit reached RMB1,122.9 million, increasing by 24.1% y/y from the same period of 2020 that was RMB905.1 million. Gross profit margin was 20.1%, representing a decrease of 0.5 percentage points from 20.6% for the same period of 2020. This was mainly due to the restructuring of the business of community living services and the rapid growth of such revenue, which resulted in corresponding cost investment.

Gross profit margins for the three business segments were 14.4% for property services, 27.2% for community living services and 35.2% for consulting services. For the same period of 2020, these gross profit margins were 14.3%, 32.0% and 37.0% respectively, whilst for the full year 2020, these were 12.8%, 28.2% and 32.6%, respectively.

- Gross profit margin for property services was 14.4%, basically flat from 14.3% for the same period of 2020, and slightly higher than 12.8% for the full year of 2020, which was mainly due to the Group's effective measures for strengthening the cost control.
- Gross profit margin for community living services was 27.2%, representing a decrease as compared to 32.0% for the same period of 2020 and 28.2% for the full year of 2020, mainly due to the continuous optimization and adjustment of the business structure of the community living services.
- Gross profit margin for consulting services was 35.2%, slightly lower than 37.0% for the same period of 2020, which was mainly due to the decline in gross margin of the property services under construction segment as market competition intensified but better than 32.6% for the full year of 2020.

Selling and marketing expenses

Selling and marketing expenses amounted to RMB84.8 million, representing an increase of 53.6% as compared to RMB55.2 million for the same period in 2020. This was mainly due to the increase in costs associated with the growth in revenue from community living services, including the increase in sales staff and venue rental costs.

Administrative expenses

Our administrative expenses reached RMB448.5 million, representing an increase of 22.5% from RMB366.2 million for the same period of 2020, remaining below the revenue growth rate. The administrative expense ratio was 8.0%, representing a decrease of 0.3 percentage points compared to the same period in 2020. The control measures adopted by the Group were effective.

Impairment losses on trade and other receivables

The impairment losses on trade and other receivables decreased by 47.1% to RMB54.2 million for the Period from RMB102.5 million for the same period of 2020, primarily due to the increased provision of impairment on other receivables affected by COVID-19 epidemic, which there was no such effect for the Period.

Other operating expenses

Other operating expenses decreased by 52.8% to RMB10.5 million for the Period from RMB22.2 million for the same period of 2020, primarily due to the increased provision for impairment on an associate affected by COVID-19 epidemic, and there was no such effect for the Period.

Profit from operations

The profit from operations reached RMB700.0 million, representing an increase of 41.1% from RMB496.2 million for the same period of 2020.

The operating margin was 12.5%, representing an increase of 1.2 percentage points from 11.3% for the same period of 2020. This was mainly due to the corresponding increase in profit arising from the growth in the Group's revenue and the effect of the increase in the fair value of certain financial instruments.

Net finance income/(cost)

During the Period, net finance income of the Group was RMB6.3 million, increasing by 190.5% compared to the same period of 2020 with the net finance cost of RMB7.0 million, which was mainly due to the interest income on bank deposits for the Period of RMB36.5 million, representing an increase of 109.5% as compared to RMB17.4 million for the same period of 2020.

	Six months ended 30 June		Y/Y%
	2021	2020	
	RMB'000	RMB'000	
Interest income on listed debt instruments	1,939	2,206	-12.1
Interest income on bank deposits	36,533	17,436	109.5
Interest expense on bank loans	(3,064)	(11,633)	-73.7
Interest expense on lease liabilities	(36,645)	(23,207)	57.9
Less: interest expense capitalised into assets under construction	7,564	8,209	-7.9
Net finance income/(cost)	<u>6,327</u>	<u>(6,989)</u>	<u>190.5</u>

Share of profit less losses of associates

During the Period, share of profit of associates amounted to RMB8.9 million, representing an increase of RMB11.2 million compared to losses of RMB2.3 million for the same period of 2020, this was mainly due to the impact of a new associate of the Group.

Income tax

During the Period, income tax amounted to RMB162.6 million, representing a 17.9% y/y increase compared to RMB137.9 million for the same period of 2020. The effective tax rate was 22.7%, representing a decrease of 4.9 percentage points from 27.6% for the same period of 2020. Such decrease was mainly due to the increase in the fair value of certain financial instruments held by the Group during the Period, but the income tax rate in the Cayman Islands and Hong Kong on the amount charged to profit or loss was zero. The rates of income tax are set out in note 6 on pages 16 to 17 of this announcement.

Profit before taxation

During the Period, profit before taxation reached RMB716.1 million, representing an increase of RMB216.5 million from RMB499.6 million for the same period of 2020, or representing a 43.3% y/y increase, mainly due to the corresponding increase in profit arising from the growth in the Group's revenue and the impact of the increase in the fair value of certain financial instruments.

Profit for the Period

Profit for the Period was RMB553.5 million, representing an increase of 53.0% as compared to RMB361.7 million for the same period of 2020.

During the Period, the profit attributable to equity shareholders of the Company was RMB546.7 million, representing an increase of 46.3% as compared to RMB373.6 million for the same period of 2020. This was mainly due to the corresponding increase in profit arising from the growth in the Group's revenue and the impact of the increase in the fair value of certain financial instruments.

Net profit margin for the Period was 9.9%, with a y/y increase of 1.7 percentage points from 8.2% for the same period of 2020.

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

As at 30 June 2021, the net book value of investment property, property, plant and equipment and right-of-use assets amounted to RMB1,775.0 million, representing a y/y increase of 8.9% as compared to RMB1,629.2 million as at 30 June 2020. Such increase 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 expansion of its new retail, cultural & education and property asset management businesses.

Trade and other receivables

As at 30 June 2021, trade and other receivables reached RMB3,106.3 million, being 20.1% y/y increase from RMB2,586.9 million as at 30 June 2020, which was lower than the growth of the revenue of the Group for the Period. This was mainly due to the fact that the Group maintained a good level of collection rate and enhanced the management of receivables.

Trade and other payables

As at 30 June 2021, trade and other payables was RMB3,478.7 million, representing an increase of 21.4% y/y from RMB2,864.8 million as at 30 June 2020, which was lower than the growth of the revenue of the Group for the Period. This was mainly due to the expansion of procurement volume resulting from the growth of business scale.

Lease liabilities

As at 30 June 2021, lease liabilities payable due within one year, which were included in current liabilities, were RMB127.6 million, while lease liabilities payable due after one year, which were included in non-current liabilities, were RMB958.0 million. The total lease liabilities increased to RMB1,085.7 million as at 30 June 2021, representing a y/y increase of 5.0% as compared to RMB1,033.5 million as at 30 June 2020. which was mainly due to new leased properties for cultural and education business.

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).

During the Period, HK\$589.2 million has been used for investments, working capital and general purposes. The remaining net proceeds raised amounted to HK\$2,077.4 million as of 30 June 2021. 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.

Liquidity, reserves and capital structure

The Group maintained a good financial condition during the Period. The current assets as at 30 June 2021 was RMB9,081.0 million, decreasing by 2.3% compared to RMB9,299.2 million as at 30 June 2020. As at 30 June 2021, the Group’s cash and cash equivalents amounted to RMB4,016.2 million, decreasing by 27.1% y/y from RMB5,512.9 million as at 30 June 2020, which was mainly because the Group repaid the loans for the acquisition of Montessori Academy Group Holdings Pty. Ltd. (“**MAG**”), the subsidiary of the Group, payments for the acquisition, payments of dividends and the purchase of certain lower risk financial instruments to improve the efficiency of capital management. During the Period, net cash generated from operating activities amounting to RMB50.8 million, increasing by RMB12.0 million from the net cash of RMB38.8 million generated from operating activities for the same period of 2020.

During the Period, long-term loans amounted to RMB140.7 million (equivalent to AU\$29.0 million), which was borrowed by MAG from bank for supplementing its working capital. The secured bank loan bears interest rate of 4.5% (31 December 2020: 4.5%). The loans will be repayable in July 2022. 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 2021, none of the covenants relating to drawn down facility had been breached.

The gearing ratio (total liabilities/total assets) of the Group was 49.2%, representing an increase of 1.5 percentage points compared to 47.7% for the same period of 2020, which was the same as previous year.

Property services — 64.8% of total revenue, 46.4% 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 RMB3,625.6 million, a 20.0% increase from the same period of 2020 that was RMB3,021.1 million. This was mainly due to the stable increase of managed GFA.
- Gross profit was RMB521.5 million, a 20.7% increase from the same period of 2020 that was RMB432.2 million, and gross margin was 14.4%, basically flat with that of 14.3% for the same period of 2020.
- The managed GFA was 272.7 million sq.m., representing an increase of 20.7% or 46.8 million sq.m., from the same period of 2020 that was 225.9 million sq.m. Based on the Group's strategy of endogenous growth and quality improvement, the growth in managed GFA continued to increase. During the Period, with the steady development of the existing advantageous residential properties, we also made certain breakthroughs in various new business tracks, such as the commercial business represented by Ningbo Hankyu, the municipal services represented by Hangzhou Qinghefang, and the scenic services represented by Taizhou Botanical Garden.
- Reserved GFA, as one of the most important sources of managed GFA, reached a new high of 302.3 million sq.m. as at 30 June 2021, a growth of 19.8%, or a net increase of 49.9 million sq.m. compared with 252.4 million sq.m. for the same period in 2020, showing that the Group retains a sufficient reserve of projects and will continue to provide a solid foundation for the Group's future growth. Endogenous property project expansion remains to be one of the main driving forces of the Group's development. We will continue to take consulting services as the vanguard, basic services as the cornerstone, living services as the two wings, and technology services as the supporting force, and build up our industrial ecology by focusing on services and operations, and actively expand externally with a better quality, improved and compatible product system.

— Managed projects reached 1,905, covering 30 provinces, municipalities and autonomous regions and 189 cities in the nation.

	Six months ended 30 June			
	2021		2020	
	% of property management revenue	% of managed GFA	% of property management revenue	% of managed GFA
Contracted GFA				
— Residential	68.2	77.5	68.9	77.8
— Non-residential	31.8	22.5	31.1	22.2
Total	100.0	100.0	100.0	100.0

	Six months ended 30 June			
	2021		2020	
	% of managed GFA	% of total revenue	% of managed GFA	% of total revenue
Greater Hangzhou	19.2%	33.8%	20.9%	33.0%
— Hangzhou	14.0%	29.3%	14.9%	28.4%
— Yu Hang	5.2%	4.5%	6.0%	4.6%
Ningbo	6.2%	5.1%	6.8%	5.6%
Yangtze River Delta	38.7%	30.4%	39.6%	29.4%
Bohai Economic Rim	15.6%	12.4%	14.0%	13.5%
Pearl River Delta	7.5%	6.2%	7.6%	5.9%
Others	12.8%	12.1%	11.2%	12.6%
	100%	100%	100%	100%

Community living services — 20.6% of total revenue, 28.0% 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 domestic COVID-19 pandemic was effectively controlled, and the loss was further reduced while the community living services revenue grew rapidly compared to the same period in 2020.

During the Period:

- Revenue was RMB1,154.5 million, an increase of 52.5% from RMB757.2 million in the same period of 2020. Among them,
 - (1) income from community products and services (accounting for 38.0% of the community living services' total income) reached RMB438.2 million, representing an increase of 64.8% compared with RMB265.9 million for the same period of 2020.
 - (2) income from home living services (accounting for 7.0% of the community living services' total income) reached RMB82.5 million, representing an increase of 33.9% compared with RMB61.6 million for the same period of 2020.
 - (3) income from community space services (accounting for 8.7% of the community living services' total income) reached RMB99.9 million, an increase of 18.3% compared with RMB84.4 million for the same period of 2020.
 - (4) income from property asset management services (accounting for 26.1% of the community living services' total income) reached RMB301.3 million, an increase of 29.2% compared with RMB233.1 million for the same period of 2020.
 - (5) income from cultural & education services (accounting for 20.2% of the community living services' total income) reached RMB232.7 million, an increase of 107.6% compared with RMB112.1 million for the same period of 2020.
- Gross profit was RMB314.6 million, an increase of 29.7% as compared with that of the same period of 2020, lower than the revenue growth rate. This was mainly due to the fact that the structure of the products in this segment was still in optimization and adjustment, and the revenue from community living products and services continued to increase as a percentage of this segment, which might have a certain impact on the gross profit of community living services, but was expected to become more stable gradually.

	Six months ended 30 June					
	2021			2020		
	Revenue			Revenue		
	RMB'000	% of total	Y/Y %	RMB'000	% of total	
Community products and services	438,224	38.0	64.8	265,948	35.1	
Home living services	82,458	7.0	33.9	61,592	8.1	
Community space services	99,889	8.7	18.3	84,448	11.2	
Property asset management services	301,259	26.1	29.2	233,092	30.8	
Cultural & education services	232,653	20.2	107.6	112,076	14.8	
Total	<u>1,154,483</u>	<u>100</u>	<u>52.5</u>	<u>757,156</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 elderly 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 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 the “Greentown Fresh” app, the “Greentown Life” APP, community warehouses and “Community Bazaar”. During the Period, through the segmentation of community retail business and its customers, we provided targeted products in line with customers’ needs, and constantly optimized the product and supply system, to create Greentown “gold standard” and “black standard” products. At the same time, we built a sharing platform for community living through the continuous promotion of the public health examiner and other models.

— *Home living services:*

Based on the “Four Seasons Housekeeping” home service platform, we will accelerate the integration of existing home life service products, complete pilot sites in core regions and expand nationwide through the self-operated + business cooperation model, and build a home care service system. In terms of “property services + home-based elderly care services”, the Group has started from the operation of the existing elderly care projects, and front-loaded the living scenes of recreation and rehabilitation, thereby reducing the pressure of profitability in the latter stage of operation while gradually realizing sustainable quality operation and developing the export of the recreation and rehabilitation service system. During the Period, the Group’s “Chunling Kangyang” was awarded the title of “China’s Top Ten Brands for the Elderly” jointly by the China Health Union Health Research Institute (中健聯康養研究院) and other third party institutions.

— *Community space services:*

With the limitations of the traditional community space services, we integrated the online and offline resources (including advertising, marketing activities, markets activities), continuously extended the community space services’ boundary. At the same time, all business systems of the Group were connected and enabled to form the whole chain community space services system, which pushed the transformation and upgrading of community space services’ products, and was actually exported to third party customers. For example, the joint movement market active products brand marketing, promoting education, elderly health and other business, increasing offline 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. Revenue for the first half of 2021 reached RMB301.3 million, representing an increase of 29.2% compared to the same period in 2020, of which revenue from replacement services increased by 55.9% compared to the same period in 2020. The replacement business has been extensively developed in communities of Green City to increase its market share, and through focusing on developing cities and incubating secondary cities, the business management and expansion capability of cities has been enhanced. The development of diversified products targeting customers with high net worth, including the expansion of non-restricted projects such as high-end properties, apartments and large flats, the increase in market share of rental business and the breakthrough in new housing business in first and second tier cities led to the rapid growth of the replacement business in the first half of the year.

— *Culture & education services:*

Focusing on the branding of the Group's childcare services, we will continue to improve the core competitiveness of our cultural & education services. While strengthening the operational efficiency of self-operated childcare centers and other facilities, we continue to promote the development of a light-asset operation model. On the one hand, we will continue to cooperate with the government, universities and high-quality enterprises on light asset projects. During the Period, there were 5 new government and utility co-operative projects. On the other hand, we will accelerate the expansion of market-oriented childcare services in mid-to-high-end and high-end positioning projects to continue to consolidate the Group's competitive advantage in the mid-to-high-end market. During the Period, with further mitigation of the impact of the COVID-19 pandemic in China and overseas, the occupancy rate of the respective communities increased significantly. However, since the end of June 2021, due to the increasing severity of the COVID-19 pandemic in Australia, the development of MAG's operations in Australia and the new development community will be affected by the pandemic and government policies, and there is a certain degree of uncertainty.

Consulting services — 14.6% of total revenue, 25.5% of total 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 31.2% to RMB815.8 million, from the same period of 2020 that was RMB621.9 million.

	Six months ended 30 June				
	2021			2020	
	Revenue RMB'000	% of total	Y/Y %	Revenue RMB'000	% of total
Property under construction services	641,702	78.7	30.1	493,420	79.3
Management consulting services	174,092	21.3	35.5	128,457	20.7
Total	815,794	100	31.2	621,877	100

- Gross profit margin was 35.2%, slightly lower than 37.0% for the same period of 2020, but it has improved from 32.6% for the year 2020. This was mainly due to a decrease in gross margin in the property under construction services segment as market competition intensified.

	Six months ended 30 June				
	2021			2020	
	No. of projects	Y/Y%	Average income/project RMB'000	No. of projects	Average income/project RMB'000
Property under construction services	940	22.1	682.6	770	640.8
Management consulting services	523	4.8	332.9	499	257.4

- *Property Under Construction Services*

Our revenue reached RMB641.7 million, a y/y increase of 30.1% from the same period of 2020. The business growth rate gradually recovered mainly because the COVID-19 pandemic subsided during the Period. Since the transformation of E.O Experience Center, from 101 Contact Points, 399 Beautiful Service Moments to the iterative upgrade of seven-second service, we have always focused on the site experience, focusing on the standardisation of basic services to bring the ultimate service experience to customers, and at the same time, we have also introduced a quality control mechanism to achieve continuous improvement of service quality.

— *Management Consulting Services*

Our revenue reached RMB174.1 million, an increase of 35.5% compared with the same period of 2020, which maintained a high growth rate. On the one hand, it was because we relied on the client resources of property consulting projects, intensified and launched property consulting services, and built product reputation while using external teams to make substantial sales. On the other hand, the alliance business has upgraded its product spectrum to form three lines of products, namely Green Alliance, China Quality, and Alliance Academy. With online and offline training as the contact point, the alliance business will focus on small property companies with backgrounds of state-owned enterprises, central enterprises and real estate developers, and turn customers into in-depth cooperation models while exporting standardised basic training services and customised training services, thereby bringing about business expansion.

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

As the duration of the COVID-19 epidemic cannot be ascertained, and considering that MAG, a subsidiary of the Company, may be further affected by the epidemic in its main business location, it brings uncertainty 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, finance and operation, 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, with most of the transactions conducted in Renminbi. Therefore, the Group is exposed to limited foreign currency exchange rate risk. During the Period, a domestic subsidiary of the Group signed forward foreign exchange contracts with a domestic commercial bank as a foreign exchange management arrangement. Other than this, 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 during the Period. 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 established its human resources policies and systems to provide a wide range of training and personal development programmes to its employees. The remuneration package offered to the staff is 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, 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 2021, the Group had 33,112 employees, an increase of 11.0% from that as at 30 June 2020, which was lower than the growth rate of 20.7% in managed GFA during the Period; the total staff cost was RMB1,807.5 million, a growth rate of 30.8% from RMB1,382.2 million for the same period of 2020, which was higher than the growth rate of 27.2% in revenue during the Period. This was mainly due to the impact of the government's policy on exemption of social insurance premiums for employees for the same period in 2020, as well as salary increases due to staff growth during the Period and the impact of the Group's policy of implementing a people-oriented and common prosperity compensation policy for grassroots employees.

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2021.

Contingent liabilities

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

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 2021, MAG has a loan of AUD\$29.0 million (equivalent to approximately RMB140.7 million) from a bank for its business needs and has secured certain property, plant and equipment held by it (the carrying amount was AUD\$68.6 million, equivalent to approximately RMB333.0 million) as collateral.

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

CHANGE OF DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

Reference is made to the announcement of the Company dated 21 June 2021. As a result of an internal reallocation of responsibilities of senior management, Mr. Wu Zhihua, an executive Director, ceased to serve as the Chief Executive Officer and the Chief Financial Officer of the Company; Ms. Jin Keli was appointed as the Chief Executive Officer and the Chief Financial Officer of the Company with effect from 21 June 2021. The Board considers that the above mentioned adjustment to the functions and responsibilities of Directors and senior management is in line with the overall strategic planning and business development of the Group.

Reference is made to the announcement of the Company dated 20 July 2021. Mr. Wang Guangjian resigned on 20 July 2021 as a non-executive Director. On the same day, Mr. Zeng Yiming has been appointed as a non-executive Director with a term of 3 years and can be automatically renewed upon expiration. Mr. Zeng will hold office until the first general meeting of the Company after his appointment, at which Mr. Zeng will retire and be eligible for re-election.

Save as disclosed above, the Directors confirmed that no other 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 (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 2021, 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 2021.

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 2021.

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 of the Group for the six months ended 30 June 2021 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 2021 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
27 August 2021

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. ZENG Yiming; and the independent non-executive Directors are Mr. LI Feng, Mr. POON Chiu Kwok, Mr. WONG Ka Yi and Ms. WU Aiping.