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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Greentown Service Group Co. Ltd. (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows.

HIGHLIGHTS

The Group’s financial performance

- Revenue was RMB12,566.1 million. Compared with that for the year of 2020, which was RMB10,105.6 million, the growth rate on year-on-year (“**Y/Y**”) basis reached 24.3%.
- The Group’s revenue comes from three major businesses: (i) property services, (ii) community living services, and (iii) consulting services. During the year, (i) revenue from the property services reached RMB7,769.6 million, accounting for 61.8% of the Group’s overall revenue. Compared with RMB6,428.8 million in 2020, there was a Y/Y growth of 20.9%; (ii) revenue from community living services reached RMB2,836.5 million, accounting for 22.6% of the Group’s overall revenue. Compared with RMB2,177.0 million for the year of 2020, there was a Y/Y growth of 30.3%; and (iii) revenue from consulting services amounted to RMB1,960.1 million, accounting for 15.6% of the Group’s overall revenue. There was a Y/Y growth of 30.7% compared with RMB1,499.9 million for the year of 2020.

- Gross profit reached RMB2,330.5 million, a growth of 21.2% compared with RMB1,922.8 million in 2020. Gross profit margin was 18.5%, decreased by 0.5 percentage points compared with 19.0% for the year of 2020.
- Profit from operations was RMB1,150.0 million, representing a growth of 18.6% compared with RMB969.6 million for the year 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 relief of contributions to social insurance during COVID-19 pandemic in 2020.
- Profit for the year was RMB890.4 million, representing an increase of 20.2% compared with RMB740.7 million for the year of 2020.
- Net profit margin for the year was 7.1%, a decrease of 0.2 percentage points compared with 7.3% for the year of 2020.
- As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB4,306.6 million, representing a decrease of 2.9% compared with RMB4,437.2 million as at 31 December 2020.
- The Board recommended the payment of a final dividend of HK\$0.160 per share and a special dividend of HK\$0.040 per share for 2021 (2020: a final dividend of HK\$0.120 per share and a special dividend of HK\$0.080 per share).

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

*for the year ended 31 December 2021
(Expressed in Renminbi Yuan)*

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	2(a)	12,566,131	10,105,646
Cost of sales		<u>(10,235,605)</u>	<u>(8,182,812)</u>
Gross profit		2,330,526	1,922,834
Other revenue	3	97,929	137,977
Other net income	3	100,907	98,829
Selling and marketing expenses		(200,553)	(155,849)
Administrative expenses		(1,050,482)	(891,362)
Impairment loss on trade and other receivables		(90,167)	(99,599)
Other operating expenses		<u>(38,196)</u>	<u>(43,189)</u>
Profit from operations		<u>1,149,964</u>	<u>969,641</u>
Finance income		80,180	49,307
Finance costs		<u>(54,378)</u>	<u>(49,437)</u>
Net finance income/(costs)	4(a)	<u>25,802</u>	<u>(130)</u>
Share of profits less losses of associates		20,681	23,603
Share of profits less losses of joint ventures		(79)	4,596
Gain/(loss) on disposal of subsidiaries		1,902	(6,304)
(Loss)/gain on disposal of associates		<u>(7,228)</u>	<u>11,605</u>
Profit before taxation	4	1,191,042	1,003,011
Income tax	5	<u>(300,598)</u>	<u>(262,354)</u>
Profit for the year		<u>890,444</u>	<u>740,657</u>
Attributable to:			
Equity shareholders of the Company		846,275	710,414
Non-controlling interests		<u>44,169</u>	<u>30,243</u>
Profit for the year		<u>890,444</u>	<u>740,657</u>

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Other comprehensive income for the year			
(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		(27,296)	176,021
Equity investments at fair value through other comprehensive income (“FVOCI”) — net movement in fair value reserves		<u>(1,501)</u>	<u>(1,984)</u>
		<u>(28,797)</u>	<u>174,037</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income of the investees		8,075	(8,929)
Exchange differences on translation of financial statements of entities outside the mainland of the People’s Republic of China (the “PRC”)		<u>(146,433)</u>	<u>(324,469)</u>
		<u>(138,358)</u>	<u>(333,398)</u>
Other comprehensive income for the year		<u>(167,155)</u>	<u>(159,361)</u>
Total comprehensive income for the year		<u>723,289</u>	<u>581,296</u>
Attributable to:			
Equity shareholders of the Company		680,649	553,384
Non-controlling interests		<u>42,640</u>	<u>27,912</u>
Total comprehensive income for the year		<u>723,289</u>	<u>581,296</u>
Earnings per share			
Basic (<i>RMB</i>)	6	<u>0.26</u>	<u>0.23</u>
Diluted (<i>RMB</i>)		<u>0.26</u>	<u>0.23</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Expressed in Renminbi Yuan)

	<i>Note</i>	2021	2020
		RMB'000	RMB'000
Non-current assets			
Investment properties		244,939	479,467
Property, plant and equipment		772,835	694,749
Right-of-use assets		872,281	746,914
Intangible assets		430,470	362,225
Goodwill		450,988	284,077
Interest in associates		656,002	453,911
Interest in joint ventures		66,111	226,922
Other financial assets		877,032	885,723
Deferred tax assets		236,978	200,789
Trade and other receivables	8	63,326	–
Prepayments		46,766	14,682
Time deposits		378,786	120,000
		5,096,514	4,469,459
Current assets			
Other financial assets		1,178,642	572,284
Inventories		434,078	345,505
Trade and other receivables	8	3,054,668	1,990,178
Restricted bank balances		282,903	283,512
Time deposits		21,327	980,664
Cash and cash equivalents		4,306,619	4,437,192
		9,278,237	8,609,335
Current liabilities			
Bank loans		5,205	6,000
Contract liabilities		1,343,105	1,112,286
Trade and other payables	9	3,706,352	2,963,378
Lease liabilities		184,745	163,730
Current taxation		512,094	404,411
Provisions		37,218	36,008
		5,788,719	4,685,813
Net current assets		3,489,518	3,923,522
Total assets less current liabilities		8,586,032	8,392,981

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current liabilities			
Bank loans		147,282	140,456
Trade and other payables	9	–	1,868
Lease liabilities		965,593	1,037,449
Deferred tax liabilities		76,322	75,821
Provisions		26,573	25,344
		<u>1,215,770</u>	<u>1,280,938</u>
NET ASSETS		<u>7,370,262</u>	<u>7,112,043</u>
CAPITAL AND RESERVES			
Share capital		28	28
Reserves		7,019,284	6,820,631
Total equity attributable to equity shareholders of the Company		7,019,312	6,820,659
Non-controlling interests		350,950	291,384
TOTAL EQUITY		<u>7,370,262</u>	<u>7,112,043</u>

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021

(Expressed in Renminbi Yuan)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Operating activities		
Cash generated from operations	1,260,693	1,536,891
Income tax paid	(241,987)	(220,897)
Net cash generated from operating activities	1,018,706	1,315,994
Investing activities		
Payments for the purchase of investment properties, property, plant and equipment, right-of-use assets and intangible assets	(409,424)	(347,572)
Proceeds from disposal of property, plant and equipment	1,328	3,494
Acquisition of subsidiaries, net of cash acquired	(65,612)	(6,315)
Disposal of subsidiaries, net of cash disposed	(26,331)	(1,082)
Payments for purchase of:		
— financial assets classified as fair value through profit or loss (“FVPL”)	(1,944,694)	(1,204,838)
— listed debt investments	(85,977)	(6,668)
Proceeds from redemption of:		
— FVPL	1,396,030	578,207
— listed debt investments	12,745	37,192
Payment for interests in associates and joint ventures	(166,212)	(308,859)
Proceeds from disposal of interest in associates and joint ventures	6,003	3,394
Investment income received from other financial assets	56,310	7,390
Dividends received from associates and joint ventures	143,560	1,553
Interest received	69,345	44,725
Placement of time deposits, net	715,664	(1,080,664)
Payments for loans and advances	(41,648)	(4,029)
Proceeds from repayment of loans and advances	37,400	19,760
Net cash used in investing activities	(301,513)	(2,264,312)

	2021	2020
	RMB'000	RMB'000
Financing activities		
Proceeds from new bank loans and other borrowings	34,156	6,000
Repayment of bank loans	(29,085)	(345,532)
Repayment of loan from a third party	–	(9,661)
Proceeds from issue of shares, net of issuing costs	–	3,647,785
Capital injection from non-controlling interests	13,680	29,343
Proceeds from exercise of share options	131,287	43,575
Capital element of lease rentals paid	(147,122)	(113,752)
Interest element of lease rentals paid	(50,340)	(35,530)
Proceeds from partial disposal of equity interests in subsidiaries	1,101	4,658
Payment for acquisition of non-controlling interests	(163,284)	(19,068)
Dividends paid to equity shareholders of the Company	(542,030)	(220,450)
Dividends paid to non-controlling interests	(18,349)	(2,933)
Interest paid	(8,706)	(7,415)
	<u>(778,692)</u>	<u>2,977,020</u>
Net cash (used in)/generated from financing activities		
	(61,499)	2,028,702
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at 1 January	4,437,192	2,641,334
Effect of foreign exchange rate changes	(69,074)	(232,844)
Cash and cash equivalents at 31 December	4,306,619	4,437,192

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in associates and joint ventures.

The Company was incorporated in the Cayman Islands on 24 November 2014 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The Company’s shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2016 (the “**Listing**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis except for certain financial assets that are stated at their fair value as explained in the accounting policies set out below:

— investments in equity and debt financial instruments measured at fair value

RMB is the functional currency for the Company’s subsidiaries established in the mainland China. The functional currency of the Company and the Company’s subsidiaries outside the mainland China are Hong Kong dollars and Australia dollars, respectively.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

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

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 amended HKFRSs are discussed below:

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 (the “**IBOR reform**”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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 has no significant impact on these financial statements.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

Disaggregation of revenue by major service line is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
Property services	7,769,559	6,428,756
Community living services	2,810,232	2,177,001
Consulting services	1,938,704	1,427,895
	<u>12,518,495</u>	<u>10,033,652</u>
Revenue from other sources		
Gross rentals from investment properties		
— Community living services	26,253	—
— Consulting services	21,383	71,994
	<u>21,383</u>	<u>71,994</u>
	<u>12,566,131</u>	<u>10,105,646</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised over time:		
Property services		
Property services	7,769,559	6,428,756
Community living services		
Community products and services	186,880	172,694
Home living services	193,517	147,241
Community space services	223,971	194,632
Property asset management services	152,713	130,992
Cultural & education services	460,367	316,840
	<u>1,217,448</u>	<u>962,399</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Consulting services		
Property under construction services	1,598,010	1,189,722
Management consulting services	<u>340,694</u>	<u>238,173</u>
	<u>1,938,704</u>	<u>1,427,895</u>
	<u>10,925,711</u>	<u>8,819,050</u>
Revenue recognised at point in time:		
Community living services		
Community products and services	992,608	634,518
Property asset management services	<u>600,176</u>	<u>580,084</u>
	<u>1,592,784</u>	<u>1,214,602</u>
	<u>12,518,495</u>	<u>10,033,652</u>

Disaggregation of revenue from contracts with customers by geographical location is disclosed in note 2(b)(i).

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

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

For property services and consulting services, the Group recognises revenue as the services are provided and recognises to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. The majority of the property service contracts do not have a fixed term. The term of the contracts for consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community living services that involved provision of services and goods, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of respective periods.

(iii) There were no significant incremental costs to obtain a contract.

(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) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets with the exception of deferred tax assets. Segment liabilities include trade and other payables of the individual segments and bank borrowings managed directly by the segments with exceptions of current taxation and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The measure used for reporting segment profit is profit before taxation. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by segments, depreciation and amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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 years ended 31 December 2021 and 2020 is set out below:

	Year ended 31 December 2021										
	Hangzhou		Yangtze River Delta Region						Other overseas and Hong Kong Regions	Other mainland China Regions	Total
	Hangzhou (exclude Yuhang) Yuhang) RMB'000	Yuhang Region RMB'000	Yangtze River Region		Pearl River Delta Region RMB'000	Bohai Economic Rim Region RMB'000	Australia Region RMB'000	Ningbo Region RMB'000			
			(exclude Ningbo) Region RMB'000	(include Ningbo) Region RMB'000							
Revenue from external customers	3,702,059	538,668	3,679,847	785,486	769,605	1,630,294	381,114	-	1,079,058	12,566,131	
Inter-segment revenue	106,701	8,799	34,251	1,251	2,397	10,944	-	-	12,152	176,495	
Reportable segment revenue	3,808,760	547,467	3,714,098	786,737	772,002	1,641,238	381,114	-	1,091,210	12,742,626	
Reportable segment profit	231,548	41,694	407,402	89,289	87,248	139,618	16,794	62,596	134,532	1,210,721	
Interest income	56,980	11	1,058	2,553	96	404	1	18,785	292	80,180	
Interest expense (excluding expense capitalised)	(7,801)	(649)	(2,378)	(368)	(132)	(4,871)	(37,420)	(125)	(634)	(54,378)	
Share of profits less losses of associates	5,311	-	-	-	-	165	-	15,205	-	20,681	
Share of profits less losses of joint ventures	(625)	-	(21)	-	-	(6)	573	-	-	(79)	
Loss on disposal of associates	(2,844)	-	-	-	-	-	-	(4,384)	-	(7,228)	
Depreciation and amortisation for the year (excluding expense capitalised)	(172,327)	(8,838)	(35,333)	(9,516)	(4,484)	(37,254)	(84,593)	(1)	(25,793)	(378,139)	
Reportable segment assets	18,838,178	474,013	4,756,015	1,055,950	827,835	1,578,562	1,354,268	2,708,185	1,264,489	32,857,495	
Including:											
Interest in joint ventures	5,061	-	458	-	-	249	1,499	58,844	-	66,111	
Interest in associates	347,447	-	40,000	-	-	344	-	268,211	-	656,002	
Other financial assets	967,552	-	19,239	-	-	-	-	1,068,883	-	2,055,674	
Additions to property, plant and equipment, right-of-use assets, investment properties intangible assets and goodwill during the year	427,177	6,203	52,245	11,751	7,732	133,925	276,026	-	80,916	995,975	
Reportable segment liabilities	18,112,926	214,506	3,096,669	655,146	474,923	866,487	966,722	60,027	688,389	25,135,795	

Year ended 31 December 2020

	Hangzhou		Yangtze River Delta Region						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	Pearl River Delta Region RMB'000	Bohai Economic Rim Region RMB'000	Australia Region RMB'000				
Revenue from external customers	2,940,990	446,525	3,112,391	670,681	582,696	1,310,678	278,058	-	763,627	10,105,646	
Inter-segment revenue	54,204	11,766	15,099	2,463	430	7,481	-	895	1,515	93,853	
Reportable segment revenue	2,995,194	458,291	3,127,490	673,144	583,126	1,318,159	278,058	895	765,142	10,199,499	
Reportable segment profit	184,403	28,491	340,856	99,216	63,645	72,894	59,547	60,527	93,432	1,003,011	
Interest income	28,768	21	1,088	129	43	334	102	18,599	223	49,307	
Interest expense (excluding expense capitalised)	(16,595)	(394)	(1,403)	(410)	(20)	(103)	(23,042)	(7,414)	(56)	(49,437)	
Share of profits less losses of associates	15,329	-	-	-	-	(251)	-	8,525	-	23,603	
Share of profits less losses of joint ventures	4,617	-	(21)	-	-	-	-	-	-	4,596	
Gain on disposal of associates	11,605	-	-	-	-	-	-	-	-	11,605	
Depreciation and amortisation for the year (excluding expense capitalised)	(176,385)	(7,597)	(12,891)	(7,200)	(2,132)	(11,340)	(64,095)	(285)	(3,307)	(285,232)	
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	
Including:											
Interest in joint ventures	6,687	-	479	-	-	-	1,033	218,723	-	226,922	
Interest in associates	182,204	-	149	-	-	-	-	271,558	-	453,911	
Other financial assets	557,428	-	47,585	-	-	-	-	852,994	-	1,458,007	
Additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets during the year	353,333	15,695	54,042	6,293	4,993	25,502	269,372	518	4,323	734,071	
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) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	12,742,626	10,199,499
Elimination of inter-segment revenue	(176,495)	(93,853)
Consolidated revenue (note 2(a))	12,566,131	10,105,646

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit		
Reportable segment profit	1,210,721	1,003,011
Elimination of inter-segment profits	<u>(19,679)</u>	<u>–</u>
Reportable segment profit derived from Group's external customers	<u>1,191,042</u>	<u>1,003,011</u>
Consolidated profit before taxation	<u>1,191,042</u>	<u>1,003,011</u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets		
Reportable segment assets	32,857,495	18,680,955
Elimination of inter-segment receivables	(18,719,722)	(5,802,950)
Deferred tax assets	<u>236,978</u>	<u>200,789</u>
Consolidated total assets	<u>14,374,751</u>	<u>13,078,794</u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Liabilities		
Reportable segment liabilities	25,135,795	11,289,469
Elimination of inter-segment payables	(18,719,722)	(5,802,950)
Current taxation	512,094	404,411
Deferred tax liabilities	<u>76,322</u>	<u>75,821</u>
Consolidated total liabilities	<u>7,004,489</u>	<u>5,966,751</u>

3 OTHER REVENUE AND OTHER NET INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other revenue		
Government grants (<i>note (i)</i>)	88,670	129,701
Others	<u>9,259</u>	<u>8,276</u>
	<u>97,929</u>	<u>137,977</u>

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

During the year ended 31 December 2021, the Group received the subsidy income of RMB2,745,000 (2020: RMB45,003,000) from the relevant government in relation to the impact of the Coronavirus Disease 2019 (“COVID-19”) and value-added tax refund of RMB41,248,000 (2020: RMB38,208,000).

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other net income		
Net loss on sale of property, plant and equipment	(464)	(371)
Net realised and unrealised gains/(losses) on FVPL		
— Convertible notes	20,161	18,381
— Unlisted equity investments	2,981	(6,660)
— Treasury products	10,069	4,381
— Listed equity securities	48,740	77,321
— Funds	8,573	3,076
Net foreign exchange gains	<u>10,847</u>	<u>2,701</u>
	<u>100,907</u>	<u>98,829</u>

4 PROFIT BEFORE TAXATION

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(a) Net finance costs		
Interest income on listed debt instruments	(6,138)	(4,942)
Interest income on bank deposits	(74,042)	(44,365)
Interest expense on bank loans	4,359	13,907
Interest on lease liabilities	64,248	51,275
Less: interest expense capitalised into assets under construction*	<u>(14,229)</u>	<u>(15,745)</u>
Net finance (income)/costs	<u><u>(25,802)</u></u>	<u><u>130</u></u>

* The interest expense have been capitalised at a rate of 4.65% per annum (2020: 4.9%).

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(b) Staff costs		
Salaries and other benefits	3,600,928	3,003,136
Equity-settled share-based payment expense	58,337	57,200
Contributions to defined contribution scheme (note (i))	<u>512,393</u>	<u>300,459</u>
	<u><u>4,171,658</u></u>	<u><u>3,360,795</u></u>
Included in:		
— Cost of sales	3,359,953	2,695,355
— Administrative expenses	701,737	580,091
— Selling and marketing expenses	<u>109,968</u>	<u>85,349</u>
	<u><u>4,171,658</u></u>	<u><u>3,360,795</u></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 RMB119,909,000 to defined contribution scheme during the year ended 31 December 2020.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(c) Other items		
Impairment losses		
— trade and other receivables	90,167	99,599
— interest in an associate	—	16,000
	<u> </u>	<u> </u>
Depreciation charge		
— property, plant and equipment	138,614	109,306
— right-of-use assets	170,078	127,801
— investment properties	26,742	12,558
Amortisation charge		
— intangible assets	42,705	35,567
Expense relating to short-term leases (including other leases with remaining lease term ended on or before 31 December 2020)	99,916	89,039
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	594	210
Cost of inventories	768,532	492,130
Outsourcing labor costs	3,858,294	3,181,199
Auditors' remuneration		
— annual audit services	3,700	3,350
— review services	1,150	1,150
	<u> </u>	<u> </u>

5 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax — PRC corporate income tax		
Provision for the year	333,327	279,492
Under/(over)-provision in respect of prior years	2,149	(2,515)
	<u> </u>	<u> </u>
	335,476	276,977
	-----	-----
Current tax — Overseas corporate income tax		
Provision for the year	13,124	12,757
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	(48,002)	(27,380)
	<u> </u>	<u> </u>
	300,598	262,354
	<u> </u>	<u> </u>

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	<u>1,191,042</u>	<u>1,003,011</u>
National tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (<i>notes (i)</i>)	290,417	252,587
Tax benefit of subsidiaries subject to preferential tax rates (<i>note (ii)</i>)	(16,678)	(11,099)
Tax effect of non-deductible expenses, net of non-taxable income	(1,205)	4,432
Additional deduction for qualified research and development cost (<i>note (iii)</i>)	(8,988)	(3,445)
Tax effect of unused tax losses not recognised	39,729	25,749
Recognition of temporary deductible differences and tax losses not recognised as deferred tax assets in previous years	(6,367)	(3,776)
Reversal of deferred tax in prior years	6,039	8,066
Tax effect of share of results of associates and joint ventures	(4,498)	(7,645)
Under/(over)-provision in respect of prior years	<u>2,149</u>	<u>(2,515)</u>
Actual tax expense	<u>300,598</u>	<u>262,354</u>

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

The income tax rate applicable to Group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year ended 31 December 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 reporting period is 30%.

- (ii) *PRC Corporate Income Tax*

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

- For certain subsidiaries recognised as a small profit enterprise in 2021, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (2020: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (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% (2020: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (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) has obtained a high and new technology enterprise certification in 2018 and renewed the qualification in 2021. It is entitled to a preferential income tax rate of 15% from 2021 to 2023.

The Group’s subsidiary, Lvman Technology Company Limited (綠漫科技有限公司) has 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) has obtained a high and new technology enterprise certification in 2020 and is entitled to a preferential income tax rate of 15% from 2020 to 2022.

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

- (iii) Under the PRC Corporate Income Tax Law and its relevant regulations, additional tax deduction is allowed for qualified research and development costs.

6. 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 RMB846,275,000 (2020: RMB710,414,000) and the weighted average of 3,238,695,000 ordinary shares (2020: 3,044,192,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary shares at 1 January	3,220,086	2,789,485
Effect of share options exercised	18,609	4,499
Effect of share issued	—	250,208
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	3,238,695	3,044,192
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted earnings per share

For the year ended 31 December 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 11 September 2018 and 23 January 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 RMB846,275,000 (2020: RMB710,414,000) and the weighted average number of ordinary shares outstanding after adjusting of all dilutive potential ordinary shares amounting to 3,256,481,000 ordinary shares (2020: 3,060,738,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021	2020
	'000	'000
Weighted average number of ordinary shares at 31 December	3,238,695	3,044,192
Effect of equity settled share-based transactions	17,786	16,546
	<u>3,256,481</u>	<u>3,060,738</u>
Weighted average number of ordinary shares (diluted) at 31 December	3,256,481	3,060,738

7. CAPITAL AND DIVIDENDS

(a) Share capital

(i) Issued share capital

	2021		2020	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	3,220,086	28	2,789,484	24
Shares issued under share option scheme	25,210	*	8,793	*
Issue of shares	–	–	421,809	4
	<u>3,245,296</u>	<u>28</u>	<u>3,220,086</u>	<u>28</u>

* Amount less than 1,000.

(b) Dividends

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
A final dividend of HKD0.160 per share and a special dividend of HKD0.040 per share proposed after the end of reporting period (2020: a final dividend of HKD0.120 per share and a special dividend of HKD0.080 per share)	<u>530,671</u>	<u>542,030</u>

The final dividend and special dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
A final dividend of HKD0.120 per share and a special dividend of HKD0.080 per share in respect of the previous financial year, approved and paid during the year (2020: a final dividend of HKD0.075 per share)	<u>542,030</u>	<u>220,450</u>

The dividends approved during the year ended 31 December 2021 and 2020 were paid on 13 July 2021 and 15 July 2020 respectively.

8. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables from third parties	2,401,735	1,395,209
Less: Allowance for impairment of trade receivables	<u>(213,837)</u>	<u>(137,085)</u>
	2,187,898	1,258,124
Less: trade receivables due after one year, net of loss allowance	<u>(63,326)</u>	<u>–</u>
	2,124,572	1,258,124
Other receivables, net of loss allowance	417,393	377,727
Amounts due from related parties		
— trade nature	20,201	6,478
— non-trade nature	55,687	24,036
Amounts due from other staff	<u>15,702</u>	<u>12,806</u>
Financial assets measured at amortised cost	2,633,555	1,679,171
Deposits and prepayments	<u>421,113</u>	<u>311,007</u>
	<u><u>3,054,668</u></u>	<u><u>1,990,178</u></u>

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

Ageing analysis

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	1,997,311	1,137,070
1 to 2 years	170,468	107,550
2 to 3 years	17,993	13,504
3 to 4 years	1,801	–
4 to 5 years	<u>325</u>	<u>–</u>
	<u><u>2,187,898</u></u>	<u><u>1,258,124</u></u>

9. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Trade payables		1,191,547	922,290
— Billed trade payables	<i>(a)</i>	1,070,337	812,322
— Accrued trade payables		121,210	109,968
Bills payable		58,771	25,491
		1,250,318	947,781
Less: trade payables due after one year		—	(1,868)
Trade payables (current)		1,250,318	945,913
Refundable deposits	<i>(b)</i>	431,971	370,529
Accrued payroll and other benefits		477,456	405,046
Escrow funds held on behalf of customers		32,696	71,582
Cash collected on behalf of the owners' associations		226,552	199,368
Other payables and accruals		206,911	150,016
Temporary receipts	<i>(c)</i>	577,172	554,940
Amounts due to related parties		173,631	3,295
Loan from a third party		20,775	21,385
Dividends payable to non-controlling interests		249	10,551
Financial liabilities measured at amortised cost		3,397,731	2,732,625
Other tax and charges payable		308,621	230,753
		3,706,352	2,963,378

- (a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, landscaping, maintenance and security services provided by suppliers, and payable for the purchase of goods and car parking places.

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	848,857	625,026
After 1 month but within 3 months	90,545	74,959
After 3 months but within one year	127,932	112,337
	<u>1,067,334</u>	<u>812,322</u>

- (b) Refundable deposits represent miscellaneous decoration deposits received from property owners during the decoration period.
- (c) Temporary receipts represent utility charges received from residents on behalf of utility companies.

10. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the directors proposed a final dividend and a special dividend. Further details are disclosed in note 7(b).

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present the annual results of the Group for the year 2021.

Everything sprouts while competitions are keen. In 2021, the Group forged ahead to plan high quality development riding on its well-established business foundation. We upheld our philosophy within the industry, reinforced our positioning in providing quality services and sought innovation and changes amidst the competitive market, and independently delivered satisfactory results. We are well aware of the high quality needs of millions of owners and the high growth demands of shareholders and investors. We strive to live up to the expectations of all parties.

We continue to abide by our core principles as we progress towards the future. In 2021, we continued to place emphasis and high regard on the needs of property owners and the satisfaction of property owners. We understand that owner satisfaction is the foundation of the Group's scalability and value-added business growth. According to the satisfaction survey conducted by the China Index Academy, the satisfaction of our owners was further improved during the year, and we continued to maintain our leading position in the country. Thanks to this, the total revenue of the Group reached RMB12,566.1 million, and the segmental revenue structure was further optimized, with property services, community living services and consulting services accounting for 61.8%, 22.6% and 15.6% of the Group's total revenue respectively. This also laid a solid foundation for the Group's transformation from a focus of three business segments to a more multi-dimensional and in-depth business portfolio, and to achieve capacity upgrade and service transition. During the year, we remained steadfast in terms of our property service expansion. Through our refined market competitiveness and the explosive power of our cultivated multi-business combination, we added 128.3 million square meters of new floor space and the single-year contract value of projects newly signed by the Group amounted to approximately RMB4,510.0 million per year. The Group continued to demonstrate its market model and advantages over its competitors by expanding its property services in both volume and price. The new expansion area was mainly located in first- and second-tier or provincial capital cities in the Yangtze River Delta, Bohai Rim and Pearl River Delta, which provided greater certainty for the Group to continue its high-quality development in the future.

It is often the fine details that give critical indications. Taking a closer look at the projects signed, we can see that we have already seized key opportunities in the core areas, such as in the West Science and Technology Innovation Corridor in Hangzhou City. We have taken the lead in serving key projects such as the Overseas High-level Entrepreneurship and Innovation Park and Zhijiang Laboratory, and have successively taken over the large-scale Zhejiang University Alumni Enterprise Headquarters Economic Park and many commercial entities and high-end residences in the Qingshan Lake Science and Technology Park. This large corridor stretches over dozens of kilometers, built with the collective effort of the whole Zhejiang Province, has laid a foundation for all-round services. In the Yangtze River Delta region, after the first phase of the Hefei Zhongan Innovation Valley Technology Park, we won the tender for its second phase at the beginning of the new year of 2022, with a total construction volume of nearly one million square meters, which is the future-oriented headquarters base of this large technology city in Hefei. During the year, we also signed projects in CCCC Binhai Plaza in Guangdong-Hong Kong-Macau Greater Bay Area, China Urban and Rural Headquarters Industrial Park in Wuhan, and Zhongbang Financial Port. The common feature of these projects is that they are government-led and closely linked to sustainable urban development.

The above key opportunities are not only the strength of the current competitive development, but also the strategic direction of the country in the economic bay area and core cities. On the one hand, these service opportunities are the result of our consistent endeavours on quality, our business acumers established from our experience and our strong third-party business development capabilities; on the other hand, they are the result of the Group's key capability to converge its multi-businesses and connect the value of its services from chain to network.

We take advantage of the situation and make the best of new opportunities. During the year, we maintained a healthy and strong momentum with our close strategic partners, providing us with ample room for growth in the coming year. In the field of property services, we plan to leverage on our strategic partnerships to further develop new services such as housing renovation and urban renewal to expand our service boundaries, and to establish and promote joint consultation mechanisms in the two key areas of digital and quality construction. Our cooperation with many regional and professional companies of China Communications Construction Group is broadening, which shows that our cooperation with central and state-owned enterprises, represented by the China Communications Construction Group companies, is increasing. In the future, we will provide a better service system to meet the increasing cooperation with feedback and achieve strategic interoperability and win-win cooperation with our partners.

We also believe that humanity prospers with the development of science and technology. We are a company with humanistic ideals, and our business philosophy of “public welfare with business design” helps to introduce mutually beneficial services and connect more social resources for service enhancement. In 2021, the Group established Shuzhi Technology Group, which will continue to empower technology integration internally, optimize service processes and enhance service efficiency, and increase the export of technological achievements, with the construction of future community and government and enterprise services as the main battlefield. This has enabled us to transform our 20 years of experience in community services into a competitive application system through technology extraction and development, adding a brighter color of technology to the Group’s business development. The development of technology is supported by humanism. During the year, our management had been evolving through learning, constantly learning from Konosuke Matsushita’s management philosophy, be virtuous (doing our best, practicing our business ethics), be close to the people (maintaining good interpersonal relationships with owners and customers), and demonstrate perfection (striving to achieve the goal of perfection).

It depends on people, because people make things happen. At the end of this year, the Group carried out restructuring of our human resources. Facing the new situation and development, we inherited the Group’s accumulated talent resources on the one hand, and brought in professionals to join us on the other. The management team has rich experience in property management and a strong determination to transform and innovate. Each of them has their own strengths, complementing each other and cooperating tacitly. The industry is changing and advancing by leaps and bounds. The future of the Group depends on a group of staff that is constantly motivated. I will boldly employ and promote outstanding young cadres, and through experiencing hardships and difficulties will they be better equipped to support a stronger group.

We uphold the value of not shying away from responsibilities and continue to provide support. In the summer of 2021, heavy rainfall and flooding occurred in Zhengzhou, Henan. We utilized our nationwide emergency resource integration capabilities, mobilized forces from our headquarters and gathered assistance from Zhejiang, Shandong, and Anhui provinces, not only to solve the problems of the properties we served, but also to relieve the city in danger of flooding. During the year, the COVID-19 pandemic was still spreading across the country from time to time, and epidemic prevention has become the norm. We have integrated epidemic prevention and control discipline, skills, and emergency supplies and equipment, abiding by the government’s prevention and control system, so that we are ready to fight the pandemic. During the year, we continued to strengthen the ESG standard system. Internally, we encouraged green office and travel, strengthened internal control, and firmly established bottom-line awareness; in the public interface of the projects under our management, we refined and implemented energy-saving measures, and led the owners’ autonomous organization “Happy Lane” to devote more actions to community environmental protection; in terms of corporate social responsibility, we continued to support public welfare activities which plant haloxylon ammodendron in the barren beach of Minqin area in Gansu Province.

FUTURE OUTLOOK

We adapt our strategies to build a more promising future. With the opening of the development plan in 2022, the Group has completed the strategic renewal and proposed the four protection projects of “security, maintenance, environmental and greening” with the grasp of basic property services, and the four happiness plans of “recreation, learning, joy and longevity” with the focus on park service upgrade to stabilize the service foundation, promote the happiness of the owners and jointly construct the spiritual home of the community; with the four new directions of “non-residential, consulting, marketing, and housing 4S” as the centre of demand innovation services, we will build a new race track, incubate new businesses, and promote the transformation to urban services; with the four strong objectives of “human resource, technology, market, and operation” as the pillar for operation management, we will build four pillars of capability to support the operation of various business modules.

Target the above sixteen strategic update scenarios. At the planning work meeting held recently, all management were held accountable at every level and each of them signed a letter of responsibility to fulfill their contracts with their superiors. This responsibility letter is not only an order focusing on the numerical results, but also a baton in the process of compliance. I myself have fully integrated into this responsibility letter, internalized the responsibilities therein, and at the same time put forward strict requirements to all management of the Group: focus on the high quality and rapid development, and be relentless in striving to provide quality, innovative and transformative services.

Travel far and work hard to achieve success. May 2022 be the year in which we work together to promote growth and a better, promising outlook for the Group and our stakeholders, and to harvest a better future together.

Yang Zhangfa
Chairman of the Board

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 maintained the first place of “China’s Top 100 Leading Enterprises in Terms of Property Service Satisfaction”, which is the result of the praise of our services by the owners, and is a solid foundation for the continuous expansion of our management scale, and sustained growth of performance. 2021 was the first year of our new five-year plan, with a more optimized main business distribution structure and a more solid development foundation. We also faced more new opportunities and challenges.

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group achieved:

Revenue

Revenue was RMB12,566.1 million. Compared with that for the year of 2020, which was RMB10,105.6 million, the growth rate on Y/Y basis reached 24.3%.

The Group’s revenue comes from three major businesses: (i) property services, (ii) community living services, and (iii) consulting services. During the year, (i) the revenue from the property services was still the Group’s largest source of revenue and profit, which reached RMB7,769.6 million, accounting for 61.8% of the Group’s overall revenue. Compared with RMB6,428.8 million in 2020, there was a Y/Y growth of 20.9%; (ii) revenue from community living services reached RMB2,836.5 million, accounting for 22.6% of the Group’s overall revenue. Compared with RMB2,177.0 million for the year of 2020, there was a Y/Y growth of 30.3%; and (iii) revenue from consulting services amounted to RMB1,960.1 million, accounting for 15.6% of the Group’s overall revenue. There was a Y/Y growth of 30.7% compared with RMB1,499.9 million for the year of 2020.

	2021		2020		
	<i>RMB'000</i>	<i>% of the total revenue</i>	<i>RMB'000</i>	<i>% of the total revenue</i>	<i>Y/Y%</i>
Property services					
Property services	<u>7,769,559</u>	<u>61.8%</u>	<u>6,428,756</u>	<u>63.6%</u>	<u>20.9%</u>
	<u>7,769,559</u>	<u>61.8%</u>	<u>6,428,756</u>	<u>63.6%</u>	<u>20.9%</u>
Community living services					
Community products & services	<u>1,179,488</u>	<u>9.4%</u>	<u>807,212</u>	<u>8.0%</u>	<u>46.1%</u>
Home living services	<u>193,517</u>	<u>1.5%</u>	<u>147,241</u>	<u>1.5%</u>	<u>31.4%</u>
Community space services	<u>223,971</u>	<u>1.8%</u>	<u>194,632</u>	<u>1.9%</u>	<u>15.1%</u>
Property asset management services	<u>779,142</u>	<u>6.2%</u>	<u>711,076</u>	<u>7.0%</u>	<u>9.6%</u>
Cultural & education services	<u>460,367</u>	<u>3.7%</u>	<u>316,840</u>	<u>3.1%</u>	<u>45.3%</u>
	<u>2,836,485</u>	<u>22.6%</u>	<u>2,177,001</u>	<u>21.5%</u>	<u>30.3%</u>
Consulting services					
Property under construction services	<u>1,598,010</u>	<u>12.7%</u>	<u>1,189,722</u>	<u>11.8%</u>	<u>34.3%</u>
Management consulting services	<u>362,077</u>	<u>2.9%</u>	<u>310,167</u>	<u>3.1%</u>	<u>16.7%</u>
	<u>1,960,087</u>	<u>15.6%</u>	<u>1,499,889</u>	<u>14.9%</u>	<u>30.7%</u>
	<u>12,566,131</u>	<u>100.0%</u>	<u>10,105,646</u>	<u>100.0%</u>	<u>24.3%</u>

Cost of sales

During the year, the cost of sales was RMB10,235.6 million, which was an increase of 25.1% compared with that of RMB8,182.8 million for the year of 2020. The increase in the percentage of the cost of sales is slightly higher than the increase rate of the revenue, which was mainly due to the impact of the relief of contribution to social insurance during the COVID-19 pandemic in 2020 and corresponding cost input brought about by the structural adjustment of the community living services.

Gross profit margin

- Gross profit has reached RMB2,330.5 million, a growth of 21.2% compared with RMB1,922.8 million in 2020. Gross profit margin was 18.5%, decreased by 0.5 percentage points compared with 19.0% for the year of 2020.
- Gross profit margin for property service was 12.5%, decreased by 0.3 percentage points compared with 12.8% for the year of 2020, which was mainly due to the partial reduction of social security costs for employees during the COVID-19 pandemic in 2020.
- Gross profit margin for community living services was 27.1%, decreased by 1.1 percentage points as compared with 28.2% for the year of 2020, which was mainly due to the corresponding cost input brought by the continuous adjustment in product structure for community products and services during the year.
- Gross profit margin for consulting service was 30.0%, lower than 32.6% in 2020 by 2.6 percentage points, which was mainly due to the decrease in gross profit margin in property under construction services resulting from intensified market competitions.

Selling and marketing expenses

Selling and marketing expenses were RMB200.6 million, an increase of 28.7% compared with RMB155.8 million in 2020. This was mainly due to the increase in costs associated with the growth in revenue from community living products and services, including the increase in sales staff and venue rental costs.

Administrative expenses

Administrative expenses were RMB1,050.5 million, an increase of 17.8% compared with RMB891.4 million in 2020. This growth rate was 6.5 percentage points lower than the revenue growth rate. The main reasons being that the Group has adopted a series of cost reduction and efficiency enhancement measures to continuously strengthen the control of costs and expenses, the business sectors related to community living services were also gradually on the right track, and the administrative expenses were effectively controlled.

Impairment losses on trade and other receivables

The impairment losses on trade and other receivables decreased by 9.5% to RMB90.2 million from RMB99.6 million for the year of 2020.

Other operating expenses

Other operating expenses decreased by 11.6% to RMB38.2 million from RMB43.2 million for the year of 2020, primarily due to the decreased provision of impairment on certain associates.

Profit from operations

Profit from operations was RMB1,150.0 million, a growth of 18.6% compared with RMB969.6 million for the year of 2020.

Operating profit margin was 9.2%, a decrease of 0.4 percentage points compared to 9.6% in 2020. This was mainly due to the corresponding increase in profit arising from the revenue growth and the effect of the relief of contributions to social insurance during COVID-19 pandemic in 2020.

Net finance (income)/costs

The net finance income during the year was RMB25.8 million, increased RMB25.7 million compared with the net finance costs of RMB0.1 million for the year of 2020. The Group relied on the financial sharing centre to strengthen its fund management. Interest income on bank deposits for the year was RMB74.0 million, representing an increase of 66.9% as compared to RMB44.4 million for the year of 2020.

	2021	2020	
	RMB'000	RMB'000	Y/Y%
Interest income on listed debt instruments	(6,138)	(4,942)	24.2
Interest income on bank deposits	(74,042)	(44,365)	66.9
Interest expense on bank loans	4,359	13,907	-68.7
Interest expense on lease liabilities	64,248	51,275	25.3
Less: interest expense capitalised into assets under construction	(14,229)	(15,745)	-9.6
Net finance (income)/costs	(25,802)	130	19,947.7

Share of profits/losses of associates and joint ventures

Share of profit of associates for the year amounted to RMB20.7 million, compared to the profit of RMB23.6 million for the year of 2020, decreased by approximately 12.3 percentage points.

Share of loss of joint ventures for the year amounted to RMB0.1 million, a Y/Y decrease of RMB4.7 million compared with the profit of RMB4.6 million for the year of 2020. This was mainly due to the loss in certain joint ventures.

Income Tax

The income tax for the year was RMB300.6 million, increased by 14.6% from RMB262.4 million for the year of 2020. The effective income tax rate decreased by 1.0 percentage points from 26.2% in 2020 to 25.2%. For the applicable tax rate of income tax, please refer to Note 5 to the financial statements on pages 19 to 21 of this announcement.

Profit before taxation

For the year, profit before taxation reached RMB1,191.0 million, increased by 18.7% from RMB1,003.0 million for the year of 2020. This was mainly due to the corresponding increase in profit arising from the revenue growth and the effect of the relief of contributions to social insurance during COVID-19 pandemic in 2020.

Profit for the year

Profit for the year was RMB890.4 million, representing an increase of 20.2% compared with RMB740.7 million for the year of 2020.

The profit attributable to equity shareholders of the Company for the year was RMB846.3 million, representing an increase of 19.1% as compared with RMB710.4 million for the year of 2020. This was mainly due to the corresponding increase in profit arising from the revenue growth and the effect of the relief of contributions to social insurance during COVID-19 pandemic in 2020.

Net profit margin for the year was 7.1%, a decrease of 0.2 percentage points compared with 7.3% in 2020.

Major investments, major acquisitions and disposals

On 21 October 2021, a subsidiary of the Company (the “**Purchaser A**”) and Hangzhou Chunzhen Investment Company Limited* (杭州醇臻投資有限公司) (the “**Vendor A**”) entered into the equity transfer agreement, in relation to the acquisition of 20% of the equity interest in Hangzhou Jiancheng Asset Management Company* (杭州健成資產管理有限公司) held by the Vendor A for a consideration of RMB22.0 million by the Purchaser A (the “**Acquisition A**”). The subsequent obligations of capital contribution to be assumed by the Purchaser A upon completion of the Acquisition A (including contributing registered capital and providing shareholder’s loan or guarantee) shall be no more than RMB278.0 million. The change of business registration was completed on 24 November 2021.

For details, please refer to the announcements of the Company dated 21 October 2021 and 19 November 2021 respectively.

On 14 December 2021, a subsidiary of the Company (the “**Purchaser B**”) and Bluetown Real Estate Construction Management Group Limited* (藍城房產建設管理集團有限公司) (the “**Vendor B1**”) and Yingkou Aixun Enterprise Management Partnership (Limited Partnership)* (營口市艾勛企業管理合夥企業(有限合夥)) (the “**Vendor B2**”) (among other parties) entered into the equity transfer agreement, pursuant to which the Purchaser B agreed to purchase 51%, and Vendor B1 and Vendor B2 agreed to sell 30% and 21% respectively, of the equity interest in Zhejiang Greentown Architectural Technology Co., Ltd.* (浙江綠城建築科技有限公司) for an aggregate consideration of RMB209.1 million (the “**Acquisition B**”). The change of business registration was completed on 28 December 2021.

For details, please refer to the announcements of the Company dated 14 December 2021 and 10 January 2022 respectively.

Save as disclosed above, during the year ended 31 December 2021, the Group had no major investments, major acquisitions and disposals.

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 31 December 2021, HK\$1,533.2 million has been used for investment, working capital and general purposes.

The remaining net proceeds raised amounted to HK1,133.6 million as at 31 December 2021. The Group will use the proceeds as disclosed in the Announcements, mainly for potential future investments, working capital and general purposes. It is expected that the remaining proceeds from Such Financing will be fully utilized before 31 December 2023. The expected timeline for utilizing the remaining unutilized net proceeds from Such Financing is based on the best estimation of the future market conditions made by the Group and is subject to change based on the current and future development of market conditions.

Liquidity, reserves and capital structure

The Group maintained a good financial condition during the year. The current assets as at 31 December 2021 amounted to RMB9,278.2 million, increased by 7.8% compared to RMB8,609.3 million as at 31 December 2020. The Group's cash and cash equivalents amounted to RMB4,306.6 million as at 31 December 2021, decreased by 2.9% Y/Y compared with RMB4,437.2 million as at 31 December 2020. This was mainly because the Company paid for acquisition and dividends and purchased certain lower risk bank wealth management products to improve the efficiency of capital management.

Net cash generated from operating activities amounting to RMB1,018.7 million during the year, declined by 22.6% Y/Y from RMB1,316.0 million in 2020. Net cash used in investing activities amounted to RMB301.5 million, down by 86.7% compared with RMB2,264.3 million in 2020. Net cash used in financing activities was RMB778.7 million, down 126.2% from net cash generated from financing activities of RMB2,977.0 million in 2020.

As at 31 December 2021, long-term loans amounted to RMB147.3 million. Among which RMB143.2 million (equivalent to approximately AUD31.0 million), was borrowed by Montessori Academy Group Holdings Pty. Ltd. (“MAG”) from bank for supplementing its working capital. The bank loan bears interest rate of 3.5% (31 December 2020: 4.5%). The loans have been extended and will be repayable in May 2024. Such loan is subject to the fulfilment of certain financial covenants of MAG. If MAG was to breach the covenants, the drawn down facility would become payable on demand. MAG regularly monitors its compliance with these covenants. As at 31 December 2021, none of the covenants relating to drawn down facility had been breached.

The debt ratio (total liabilities divided by total assets) of the Group was 48.7%, an increase of 3.1 percentage points compared with 45.6% at the end of 2020.

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

As at 31 December 2021, the value of investment properties, property, plant and equipment and right-of-use assets amounted to RMB1,890.1 million, decreased by 1.6% Y/Y from RMB1,921.1 million as at 31 December 2020. Among which, investment property amounted to RMB244.9 million, representing a decrease of 48.9% from RMB479.5 million as at 31 December 2020. This was mainly due to the restructuring of some of the Group's businesses during the year and the disposal of the rights to use certain operating projects.

Intangible assets

As at 31 December 2021, intangible assets amounted to RMB430.5 million, representing an increase of 18.9% compared with RMB362.2 million as at 31 December 2020, which was due to the increase of intangible assets related to daily business activities, such as software.

Trade and other receivables

As at 31 December 2021, trade and other receivables amounted to RMB3,118.0 million, increased by 56.7% from RMB1,990.2 million as at 31 December 2020. This was mainly due to the downturn in the real estate industry recovery and the related business collection slowed down, and the corresponding increase in trade and other receivables arising from the acquisitions made during the year.

Trade and other payables

As at 31 December 2021, trade and other payables amounted to RMB3,706.4 million, increased by 25.0% from RMB2,965.2 million as at 31 December 2020. This was mainly due to the expansion of procurement volume resulting from the growth of business scale.

Lease liabilities

As at 31 December 2021, lease liabilities due within one year, which were included in current liabilities, were RMB184.7 million, increased by 12.8% from RMB163.7 million as at 31 December 2020. The lease liabilities due after one year, which were included in long-term lease liabilities, were RMB965.6 million, representing a decrease of 6.9% compared with RMB1,037.4 million as at 31 December 2020.

Property Services — accounting for 61.8% of total revenue, and 41.8% of total gross profit

Property services are still the Group’s largest revenue and margin source. The Group has been mainly adopting the overall rationing system for service charging. Based on our management experience and cost control capability over the past 20 years, property services provide us with stable revenue and profit, as well as good reputation, and is the cornerstone of the Group’s implementation of its living services strategy. We will continue to strengthen our core services of “Security”, “Maintenance”, “Environmental” and “Greening” (collectively referred to as “**Four Cores**”), while effectively integrating the service contents of the Group’s various product lines and empowering them with technology to drive the orderly and steady growth of this business segment. Throughout 2021:

- Revenue reached RMB7,769.6 million, an increase of 20.9% compared with RMB6,428.8 million for the year of 2020. The growth was mainly due to the steady growth of the managed GFA.
- Gross profit reached RMB974.9 million, up 18.7% from RMB821.2 million in 2020. Gross profit margin was 12.5%, decreased by 0.3 percentage points compared with 12.8% for the year of 2020. This was mainly due to the effect of the relief of contributions to social insurance during COVID-19 pandemic in 2020.

	2021		2020	
	% of property service revenue	% of managed GFA	% of property service revenue	% of managed GFA
Contracted GFA				
— Residential	69.2	78.7	69.5	78.1
— Non-residential	30.8	21.3	30.5	21.9
Total	100.0	100.0	100.0	100.0

- The managed GFA reached 304.1 million square meters, representing an increase of 21.4% or net increase of 53.6 million square meters compared with 250.5 million square meters in 2020, or a net increase of 31.4 million square meters compared with 272.7 million square meters for the interim period of 2021. Based on the Group's strategy of endogenous growth and new lifestyle services, the increase in GFA under management continued to rise. During the year, the Group made certain breakthroughs in new business tracks while steadily developing its existing residential business. For example, the pioneering parks represented by the Zhejiang University Alumni Enterprise Headquarters Economic Park and the Hefei Zhongan Innovation Valley Technology Park.
- Reserve GFA, as a major source of the future managed GFA, reached a new height during the year to 347.7 million square meters, an increase of 22.3% compared with 284.3 million square meters in 2020, or a net increase of 63.4 million square meters. For the eighth consecutive year, our reserved GFA exceeded the managed GFA, 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 market expansion remains to be one of the main driving forces of the Group's property projects. We will deepen the strong areas (the Yangtze River Delta region), break through the deeply cultivated areas (the Pearl River Delta, the Beijing-Tianjin-Hebei region) and accelerate the development potential areas (other provincial capital cities), and make comprehensive efforts to expand the market.
- Managed projects reached 2,132, covering 196 cities in 30 provinces, municipalities and autonomous regions in China.
- Regional distribution: as at 31 December 2021, our managed GFA and revenue by region were distributed as follows:

	2021		2020	
	% of managed GFA	% of revenue	% of managed GFA	% of revenue
Greater Hangzhou	18.6	33.8	20.2	33.9
— Hangzhou	13.2	29.5	14.5	29.4
— Yuhang	5.4	4.3	5.7	4.5
Ningbo	6.1	6.3	6.7	6.6
Yangtze River Delta	38.0	29.2	39.0	30.7
Bohai Economic Rim	16.2	13.0	14.1	12.9
Pearl River Delta	7.6	6.1	7.3	5.7
Others	13.5	11.6	12.7	10.2
	100	100	100	100
	100	100	100	100

Community living services — accounting for 22.6% of our total revenue, and 32.9% of our total gross profit

Community living services offer systematic product and service solutions for all life service scenes of property owners throughout the life cycle of real estate. They are an extension of property services and an important grasp for us to build an ideal community that integrates “recreation”, “learning”, “joy” and “longevity” (collectively referred to as “**Four Happiness**”). During the year, the domestic COVID-19 pandemic was effectively controlled, and the product structure of community living services continued to optimize. Hence, the loss in community living services further decreased compared with 2020.

During the year, the community living services revenue of RMB2,836.5 million, an increase of 30.3% compared with RMB2,177.0 million in 2020. Among them:

- (1) Community products and services (accounting for 41.6% of the revenue from community living services): in 2021, the annual revenue reached RMB1,179.5 million, a Y/Y increase of 46.1% compared with RMB807.2 million in 2020.
- (2) Home living services (accounting for 6.8% of the revenue from community living services): in 2021, the annual revenue reached RMB193.5 million, an increase of 31.4% Y/Y compared with RMB147.2 million in 2020.
- (3) Community space services (accounting for 7.9% of the revenue from community living services): in 2021, the annual revenue reached RMB224.0 million, an increase of 15.1% Y/Y compared with RMB194.6 million for 2020.
- (4) Property asset management services (accounting for 27.5% of the revenue from community living services): in 2021, the revenue reached RMB779.1 million, increased by 9.6% Y/Y compared with RMB711.1 million for the year of 2020.

- (5) Cultural and education services (accounting for 16.2% of the revenue from the community living services): in 2021, the revenue reached RMB460.4 million, an increase of 45.3% Y/Y compared with RMB316.8 million for the year of 2020.

	2021		Y/Y %	2020	
	Revenue RMB'000	% of total		Revenue RMB'000	% of total
Community products and services	1,179,488	41.6	46.1%	807,212	37.1
Home living services	193,517	6.8	31.4%	147,241	6.8
Community space services	223,971	7.9	15.1%	194,632	8.9
Property asset management services	779,142	27.5	9.6%	711,076	32.7
Cultural and education services	460,367	16.2	45.3%	316,840	14.5
Total	<u>2,836,485</u>	<u>100</u>	<u>30.3%</u>	<u>2,177,001</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, community retail, home services and asset operation, into one, as well as online and offline integration. During the year, we continued to optimize our service mix, focus on core ecosystems and enhance operating capacity based on strategic planning and actual conditions.

— *Community products and services*

During the year, the revenue of community products and services increased rapidly. 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 of the owners through offline scenarios and online operations and by effectively utilizing the “Greentown Fresh” app, and the “Greentown Life” app. At the same time, we constantly optimized the product and supply system, to create Greentown “gold standard” and “black standard” products. We built a sharing platform for community living through the continuous promotion of the owner experience and other models. It basically realized the coverage of various scenes such as residences, commercial offices, campus and enterprises and institutions.

— *Home living services*

During the year, based on the “Four Seasons Housekeeping” home service platform, we accelerated the integration of existing home life service products, through the self-operated + business cooperation model, and built 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. The Group’s “Chunling Kangyang” (椿齡康養) 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) and other third party institutions. At the same time, the Group’s “Xixi Chengyuan” (西溪誠園) home community elderly care project was also selected as the only pilot project of the Ministry of Housing and Urban-Rural Development of the People’s Republic of China for the home community elderly care project in Hangzhou.

— *Community space services*

With the limitations of the traditional community space services, through integrating the online and offline resources (including advertising, marketing activities, markets activities, etc.), we 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 were 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 operation) are the largest sources of income of this segment. During the year, the revenue growth of replacement services and asset management slowed down due to the macro policies of the real estate market (restrictions on purchase, sale and lending) and the tightening of the market on the one hand, and the gradual transformation of parking space operation to light assets on the other. For heavy asset projects, we adopted a prudent strategy and upgraded our project selection criteria, which had a significant impact on our revenue growth rate. In the future, we will continue to cultivate our managed communities, focus on the cities and incubate sub-cities to enhance the management and expansion capability of our urban business, and enrich our diversified products to deeply explore and match the needs of our customers, so as to drive the sustainable and steady growth of this part of our business.

— *Cultural and education services*

During the year, with further mitigation of the impact of the COVID-19 pandemic in China and the normalization of the pandemic in Australia, the occupancy rate of the respective communities increased significantly, resulting in increased revenue. In the future, we will focus on the branding of childcare services and continue to improve the core competitiveness of our services. While strengthening the operational efficiency of self-operated childcare centers and other facilities, we will 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 year, there were 12 new government and institutions co-operative childcare 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. Currently, under the normalization of the pandemic overseas, MAG's operations in Australia resumed normal, but given the impact of the pandemic and government's policies, there is still some uncertainty about subsequent operations.

Consulting services — accounting for 15.6% of the total revenue, 25.3% of the total gross profit

During the year, we continued to focus on the full life cycle of real estate products, improved the internal growth of consulting services and strengthened core competitive advantages of our consulting services through methods such as the integration of quality resources, construction of a standardized system and business innovation. For the whole year of 2021:

- Revenue reached RMB1,960.1 million, an increase of 30.7% compared with RMB1,499.9 million for the year of 2020.

	2021		Y/Y %	2020	
	Revenue RMB'000	% of total		Revenue RMB'000	% of total
Project under construction services	1,598,010	81.5	34.3	1,189,722	79.3
Management consulting services	362,077	18.5	16.7	310,167	20.7
Total	<u>1,960,087</u>	<u>100</u>	<u>30.7</u>	<u>1,499,889</u>	<u>100</u>

- Our gross profit increased by 20.5% to RMB588.2 million from RMB488.3 million for the year of 2020. Our gross profit margin decreased slightly to 30.0% from 32.6% for the year of 2020. This was mainly due to the decrease in gross profit margin for project under construction services.

	2021			2020	
	No. of projects as at year end	Y/Y %	Average revenue per project RMB'000	No. of projects as at year end	Average revenue per project RMB'000
Project under construction services	979	9.9	1,632	891	1,335
Management consulting services	714	6.7	507	669	464

— *Property Under Construction Services*

Our revenue reached RMB1,598.0 million, an increase of 34.3% compared with RMB1,189.7 million for the year of 2020. This was mainly due to the stabilization of the COVID-19 pandemic in China and revenue growth from the model upgrade of property under construction services. However, gross margins in this segment declined as competition intensified in the market. To this end, we will continue to strengthen our core strengths in property services under construction: we will enrich our products and set the best standards by restructuring our service standards to incorporate five-sense services and MOT key moments; we will bring new life service experiences to our customers by front-loading our lifestyle services, and promote continuous improvement in service quality. Meanwhile, we are laying out new tracks (such as city hall services) in advance, enriching our service capabilities, expanding the service scenes, and linking more resources.

— *Management Consulting Services*

Our revenue reached RMB362.1 million, an increase of 16.7% compared with RMB310.2 million for year of 2020. This was mainly due to the adjustment of some of our businesses in response to the impact of the real estate environment. In the future, we will continue to rely on the client resources of property consulting projects to deepen and launch property consulting services, and build our own technical team and combine the strength of external teams to enhance the breadth and depth of management consulting services. Meanwhile, the alliance business has upgraded its product spectrum with the dual brand strategy of Green Alliance + China Quality. 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 to this segment.

THE RISK OF BUSINESS OPERATION BEING AFFECTED BY THE COVID-19 PANDEMIC

As the duration of the COVID-19 pandemic 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 pandemic in the main business operation locations, including local policies, etc., to assess its impacts on the Group's 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 pandemic situation, continue to fulfil various business management tasks, 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. During the year, 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 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 year. 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.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 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.

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 and options will be granted 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.

On 26 July 2021, the Company granted an aggregate of 33,130,200 share options to subscribe for ordinary shares of the Company to certain Directors, senior management of the Company and employees of the Group, subject to acceptance of the grantees, under the share option scheme of the Company adopted on 25 May 2018. For more details, please refer to the announcement of the Company dated 26 July 2021.

As at 31 December 2021, the Group had 37,639 employees, an increase of 17.9% compared with the end of 2020, which was lower than the growth rate of the Group's revenue during the year. The total staff cost was RMB4,171.7 million, an increase of 24.1% compared with that for the year of 2020. This was mainly due to the effect of the relief of contributions to social insurance during COVID-19 pandemic in 2020, as well as salary increases due to staff growth during the year and the impact of the Group's policy of implementing a people-oriented and common prosperity compensation policy for grassroots employees.

PLEDGED ASSETS OF THE GROUP

As referred to in the 2019 Annual Report of the Company, MAG has obtained a loan of AUD28.0 million (equivalent to approximately RMB136.2 million) from a bank for the purpose of supplementing its working capital. After MAG renewed contract with the bank, the principal increased up to AUD31.0 million (equivalent to approximately RMB143.2 million) and has secured certain property, plant and equipment held by it with a carrying amount of AUD75.4 million (equivalent to approximately RMB348.6 million) as of 31 December 2021 as collateral.

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

DIVIDEND DISTRIBUTION

At the Board meeting held on 25 March 2022, the Board recommended the payment of a final dividend for 2021 of HK\$0.160 per share and a special dividend of HK\$0.040 per share (2020: HK\$0.120 per share and a special dividend of HK\$0.080 per share), subject to approval by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company (the “**AGM**”) to be held on 17 June 2022.

The final dividend and special dividend will be paid on or before 12 July 2022.

ANNUAL GENERAL MEETING

The AGM will be held on 17 June 2022 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

- (a) For the purpose of determining the qualification of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 14 June 2022 to 17 June 2022, both days inclusive. In order to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates are required to be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 13 June 2022.
- (b) For the purpose of determining the entitlement to the proposed final dividend and special dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from 23 June 2022 to 24 June 2022, both days inclusive. In order to qualify for the entitlement to the proposed final dividend and special dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 June 2022.

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders 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 year, 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.

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 (the “CEO”) and the Chief Financial Officer (the “CFO”) of the Company. Ms. Jin Keli was appointed as the CEO and the CFO 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.

Mr. Poon Chiu Kwok resigned as an independent non-executive director of Honghua Group Limited (a company listed on the Stock Exchange, stock code: 196) on 1 December 2021.

Reference is made to the announcement of the Company dated 30 December 2021. Ms. Li Hairong resigned on 30 December 2021 as the Chairman of the Board and the authorised representative of the Company for the purpose of Rule 3.05 of the Listing Rules (the “**Authorised Representative**”) due to personal reasons and has been re-designated as a non-executive Director. Mr. Yang Zhangfa was appointed as the Chairman of the Board and the Authorised Representative.

Reference is made to the announcement of the Company dated 31 January 2022, Ms. Jin Keli was appointed as an executive Director and resigned as the CFO and the Chief Operating Officer (the “COO”) of the Company with effect from 1 February 2022. Following the abovementioned appointment and resignation, she serves as an executive Director and remains as the CEO. Mr. Li Feng was appointed as the COO and Mr. Xia Yun was appointed as the CFO.

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

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the audit committee (the “**Audit Committee**”). The Audit Committee currently consists of four independent non-executive Directors, namely Mr. Poon Chiu Kwok (Chairman), Mr. Wong Ka Yi, Mr. Li Feng and Ms. Wu Aiping. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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 regarding securities transactions by the Directors and its employees (the “**Securities Dealing Code**”). The Company had made specific enquiry with all Directors as to whether they have complied with the required standard set out in the Model Code and all Directors confirmed in writing that they have complied with the Model Code and the Securities Dealing Code throughout the year 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.lvchengfuwu.com). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

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

Hangzhou, the PRC
25 March 2022

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