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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 2022

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 2022, together with the comparative figures for the year ended 31 December 2021, as follows.

HIGHLIGHTS

The Group’s financial performance

- Revenue was RMB14,856.3 million. Compared with that for the year of 2021, which was RMB12,566.1 million, the growth rate on year-on-year (“**Y/Y**”) basis reached 18.2%.
- The Group’s revenue comes from four major businesses: (i) property services, (ii) community living services, (iii) consulting services and (iv) technology services. During the year, (i) revenue from the property services reached RMB9,446.3 million, accounting for 63.6% of the Group’s overall revenue. Compared with RMB7,769.6 million in 2021, there was a Y/Y growth of 21.6%; (ii) revenue from community living services reached RMB2,853.9 million, accounting for 19.2% of the Group’s overall revenue. Compared with RMB2,615.7 million for the year of 2021, there was a Y/Y growth of 9.1%; and (iii) revenue from consulting services amounted to RMB2,066.8 million, accounting for 13.9% of the Group’s overall revenue. There was a Y/Y growth of 5.4% compared with RMB1,960.1 million for the year of 2021; (iv) revenue from technology services amounted to RMB489.4 million, accounting for 3.3% of the overall revenue, representing an increase of 121.6% from the year of 2021 that was RMB220.8 million.

- Gross profit reached RMB2,402.0 million, a growth of 3.1% compared with RMB2,330.5 million in 2021. Gross profit margin was 16.2%, decreased by 2.3 percentage points compared with 18.5% for the year of 2021.
- Profit from core operations* was RMB980.9 million, representing a decline of 9.1% compared with RMB1,079.5 million for the year of 2021.
- Profit attributable to equity shareholders of the Company for the year was RMB547.5 million, representing a decrease of 35.3% as compared with RMB846.3 million for the year of 2021. This was mainly due to our decision to increase the impairment provisions for accounts receivable and other receivables and the impairment provisions for assets such as financial instruments, which was based on prudent considerations such as the general atmosphere of the domestic real estate industry environment, the impact of the repeated outbreaks of the COVID-19 pandemic, a decrease in the revenue growth of the Company and an increase in cost.
- Net profit margin for the year was 4.3%, a decrease of 2.8 percentage points compared with 7.1% for the year of 2021.
- As at 31 December 2022, cash and cash equivalents of the Group amounted to RMB4,183.4 million, representing a decrease of 2.9% compared with RMB4,306.6 million as at 31 December 2021.
- The Board recommended the payment of a final dividend of HK\$0.100 per share for 2022 (2021: a final dividend of HK\$0.160 per share and a special dividend of HK\$0.040 per share).

* *Profit for core operation: Gross profit – Administrative expenses – Selling and marketing expenses*

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

*for the year ended 31 December 2022
(Expressed in Renminbi Yuan)*

| | <i>Note</i> | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| Revenue | 2 | 14,856,343 | 12,566,131 |
| Cost of sales | | <u>(12,454,390)</u> | <u>(10,235,605)</u> |
| Gross profit | | 2,401,953 | 2,330,526 |
| Other revenue | 3 | 157,135 | 97,929 |
| Other net income | 3 | (8,302) | 100,907 |
| Selling and marketing expenses | | (266,274) | (200,553) |
| Administrative expenses | | (1,154,772) | (1,050,482) |
| Impairment loss on trade and other receivables | | (142,056) | (90,167) |
| Other operating expenses | | <u>(124,824)</u> | <u>(38,196)</u> |
| Profit from operations | | 862,860 | 1,149,964 |
| Finance income | | 48,267 | 80,180 |
| Finance costs | | <u>(85,502)</u> | <u>(54,378)</u> |
| Net finance (costs)/income | | (37,235) | 25,802 |
| Share of profits less losses of associates | | 26,458 | 20,681 |
| Share of profits less losses of joint ventures | | 2,079 | (79) |
| Gain on disposal of subsidiaries | | 10,064 | 1,902 |
| Loss on disposal of associates | | <u>(285)</u> | <u>(7,228)</u> |
| Profit before taxation | 4 | 863,941 | 1,191,042 |
| Income tax | 5 | <u>(232,518)</u> | <u>(300,598)</u> |
| Profit for the year | | 631,423 | 890,444 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 547,501 | 846,275 |
| Non-controlling interests | | <u>83,922</u> | <u>44,169</u> |
| Profit for the year | | 631,423 | 890,444 |

| | <i>Note</i> | 2022 RMB'000 | 2021 RMB'000 |
|--|-------------|-------------------------------|-----------------|
| 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 | | (39,948) | (27,296) |
| Financial investments at fair value through other comprehensive income (“FVOCI”) — net movement in fair value reserves | | (561) | (1,501) |
| | | (40,509) | (28,797) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Share of other comprehensive income of the investees | | 2,964 | 8,075 |
| Exchange differences on translation of financial statements of entities outside the mainland of the People’s Republic of China (the “PRC”) | | 188,281 | (146,433) |
| | | 191,245 | (138,358) |
| Other comprehensive income for the year | | 150,736 | (167,155) |
| Total comprehensive income for the year | | 782,159 | 723,289 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 697,275 | 680,649 |
| Non-controlling interests | | 84,884 | 42,640 |
| Total comprehensive income for the year | | 782,159 | 723,289 |
| Earnings per share | | | |
| Basic (RMB) | 6 6(a) | 0.17 | 0.26 |
| Diluted (RMB) | 6(b) | 0.17 | 0.26 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

(Expressed in Renminbi Yuan)

| | <i>Note</i> | 2022 RMB'000 | 2021 RMB'000 |
|--|-------------|-------------------------------|------------------------|
| Non-current assets | | | |
| Investment properties | | 528,397 | 244,939 |
| Property, plant and equipment | | 917,242 | 772,835 |
| Right-of-use assets | | 937,618 | 872,281 |
| Intangible assets | | 529,028 | 430,470 |
| Goodwill | | 657,562 | 450,988 |
| Interest in associates | | 659,203 | 656,002 |
| Interest in joint ventures | | 28,681 | 66,111 |
| Other financial assets | | 1,038,902 | 877,032 |
| Deferred tax assets | | 355,640 | 236,978 |
| Trade and other receivables | 8 | 215,555 | 63,326 |
| Prepayments | | 66,546 | 46,766 |
| Time deposits | | 78,723 | 378,786 |
| | | <u>6,013,097</u> | <u>5,096,514</u> |
| Current assets | | | |
| Other financial assets | | 882,056 | 1,178,642 |
| Inventories | | 570,217 | 434,078 |
| Trade and other receivables | 8 | 4,840,364 | 3,054,668 |
| Restricted bank balances | | 364,577 | 282,903 |
| Time deposits | | – | 21,327 |
| Cash and cash equivalents | | 4,183,381 | 4,306,619 |
| | | <u>10,840,595</u> | <u>9,278,237</u> |
| Current liabilities | | | |
| Bank loans | | 124,294 | 5,205 |
| Contract liabilities | | 1,528,834 | 1,343,105 |
| Trade and other payables | 9 | 4,733,736 | 3,706,352 |
| Lease liabilities | | 257,762 | 184,745 |
| Current taxation | | 684,553 | 512,094 |
| Provisions | | 58,295 | 37,218 |
| | | <u>7,387,474</u> | <u>5,788,719</u> |
| Net current assets | | <u>3,453,121</u> | <u>3,489,518</u> |
| Total assets less current liabilities | | <u>9,466,218</u> | <u>8,586,032</u> |

| | <i>Note</i> | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| Non-current liabilities | | | |
| Bank loans | | 186,638 | 147,282 |
| Trade and other payables | 9 | 5,000 | – |
| Lease liabilities | | 1,257,608 | 965,593 |
| Deferred tax liabilities | | 100,514 | 76,322 |
| Provisions | | 40,315 | 26,573 |
| | | <u>1,590,075</u> | <u>1,215,770</u> |
| NET ASSETS | | <u>7,876,143</u> | <u>7,370,262</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 28 | 28 |
| Reserves | | 7,120,961 | 7,019,284 |
| Total equity attributable to equity shareholders of the Company | | 7,120,989 | 7,019,312 |
| Non-controlling interests | | 755,154 | 350,950 |
| TOTAL EQUITY | | <u>7,876,143</u> | <u>7,370,262</u> |

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2022

(Expressed in Renminbi Yuan)

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Operating activities | | |
| Cash generated from operations | 896,863 | 1,260,693 |
| Income tax paid | (201,587) | (241,987) |
| Net cash generated from operating activities | 695,276 | 1,018,706 |
| Investing activities | | |
| Payments for the purchase of investment properties, property, plant and equipment, right-of-use assets and intangible assets | (453,793) | (409,424) |
| Proceeds from disposal of property, plant and equipment | 3,419 | 1,328 |
| Acquisition of subsidiaries, net of cash acquired | (3,394) | (65,612) |
| Disposal of subsidiaries, net of cash disposed | 6,208 | (26,331) |
| Payments for purchase of: | | |
| — financial assets classified as fair value through profit or loss (“FVPL”) | (1,018,236) | (1,944,694) |
| — financial assets classified as fair value through Other comprehensive income (“FVOCI”) | (7,117) | — |
| — listed debt investments | — | (85,977) |
| Proceeds from redemption of: | | |
| — FVPL | 1,147,526 | 1,396,030 |
| — listed debt investments | 27,998 | 12,745 |
| Payment for interests in associates and joint ventures | (28,800) | (166,212) |
| Proceeds from disposal of interest in associates and joint ventures | 10,967 | 6,003 |
| Investment income received from other financial assets | 35,806 | 56,310 |
| Dividends received from associates and joint ventures | 4,564 | 143,560 |
| Interest received | 62,645 | 69,345 |
| Placement of time deposits, net | 307,000 | 715,664 |
| Payments for loans and advances | (261,665) | (41,648) |
| Proceeds from repayment of loans and advances | 26,103 | 37,400 |
| Net cash used in investing activities | (140,769) | (301,513) |

| | 2022 | 2021 |
|--|-------------------------|------------------|
| | RMB'000 | RMB'000 |
| Financing activities | | |
| Proceeds from new bank loans and other borrowings | 480,725 | 34,156 |
| Repayment of bank loans | (321,325) | (29,085) |
| Capital injection from non-controlling interests | 24,449 | 13,680 |
| Proceeds from exercise of share options | 24,585 | 131,287 |
| Capital element of lease rentals paid | (159,092) | (147,122) |
| Interest element of lease rentals paid | (58,852) | (50,340) |
| Proceeds from partial disposal of equity interests in subsidiaries | – | 1,101 |
| Payment for acquisition of non-controlling interests | (56,387) | (163,284) |
| Payment on repurchase of shares | (78,079) | – |
| Dividends paid to equity shareholders of the Company | (542,837) | (542,030) |
| Dividends paid to non-controlling interests | (5,283) | (18,349) |
| Interest paid | (28,327) | (8,706) |
| | <u>(720,423)</u> | <u>(778,692)</u> |
| Net cash used in financing activities | | |
| | (720,423) | (778,692) |
| Net decrease in cash and cash equivalents | (165,916) | (61,499) |
| Cash and cash equivalents at 1 January | 4,306,619 | 4,437,192 |
| Effect of foreign exchange rate changes | 42,678 | (69,074) |
| | <u>4,183,381</u> | <u>4,306,619</u> |
| Cash and cash equivalents at 31 December | | |

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 amendments to 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 2022 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 subsidiary 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.

(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:

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

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

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

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

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

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

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

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

Disaggregation of revenue by major service line is as follows:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major service lines | | |
| Property services | 9,446,258 | 7,769,559 |
| Community living services | 2,820,751 | 2,589,430 |
| Consulting services | 2,066,796 | 1,938,704 |
| Technology services | 489,390 | 220,802 |
| | <u>14,823,195</u> | <u>12,518,495</u> |
| Revenue from other sources | | |
| Gross rentals from investment properties | | |
| — Community living services | 33,148 | 26,253 |
| — Consulting services | — | 21,383 |
| | <u>33,148</u> | <u>47,636</u> |
| | <u>14,856,343</u> | <u>12,566,131</u> |

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

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--------------------------------------|------------------------|------------------------|
| Revenue recognised over time: | | |
| Property services | | |
| Property services | 9,446,258 | 7,769,559 |

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Community living services | | |
| Home living services | 256,420 | 193,517 |
| Community space services | 249,788 | 223,971 |
| Property asset management services | 148,343 | 152,713 |
| Cultural & education services | 547,740 | 460,367 |
| | <u>1,202,291</u> | <u>1,030,568</u> |
| Consulting services | | |
| Property under construction services | 1,821,093 | 1,598,010 |
| Management consulting services | 245,703 | 340,694 |
| | <u>2,066,796</u> | <u>1,938,704</u> |
| Technology services | | |
| Technology services | 448,796 | 220,802 |
| | <u>13,164,141</u> | <u>10,959,633</u> |
| Revenue recognised at point in time: | | |
| Community living services | | |
| Community products and services | 1,138,251 | 958,686 |
| Property asset management services | 480,209 | 600,176 |
| | <u>1,618,460</u> | <u>1,558,862</u> |
| Technology services | | |
| Technology services | 40,594 | – |
| | <u>1,659,054</u> | <u>1,558,862</u> |
| | <u>14,823,195</u> | <u>12,518,495</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.*

(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 2022 and 2021 is set out below:

| | Year ended 31 December 2022 | | | | | | | | | | |
|--|--|-----------------------------|--------------------------------|-----------------------------|--|--|----------------------|--|--|-------------------|-------|
| | Hangzhou | | Yangtze River Delta Region | | | | | Other | | Other | Total |
| | Hangzhou (exclude Yuhang) RMB'000 | Yuhang Region RMB'000 | Yangtze River Region | | | Bohai Economic Rim Region RMB'000 | Australia RMB'000 | Other Overseas and Hong Kong Regions RMB'000 | Other Mainland China Regions RMB'000 | | |
| | | | (exclude Ningbo) RMB'000 | Ningbo Region RMB'000 | Pearl River Delta Region RMB'000 | | | | | | |
| | | | | | | | | | | | |
| Revenue from external customers | 4,560,537 | 606,385 | 4,066,425 | 899,388 | 954,900 | 1,824,951 | 452,385 | 2,727 | 1,488,645 | 14,856,343 | |
| Inter-segment revenue | 111,145 | 20,371 | 46,563 | 2,295 | 3,875 | 5,182 | - | - | 18,829 | 208,260 | |
| Reportable segment revenue | 4,671,682 | 626,756 | 4,112,988 | 901,683 | 958,775 | 1,830,133 | 452,385 | 2,727 | 1,507,474 | 15,064,603 | |
| Reportable segment profit | 180,228 | 38,642 | 354,260 | 79,362 | 95,136 | 81,030 | 5,589 | (99,171) | 128,865 | 863,941 | |
| Interest income | 26,971 | 10 | 3,085 | 223 | 225 | 438 | 286 | 15,712 | 1,317 | 48,267 | |
| Interest expense (excluding expense capitalised) | (18,183) | (1,607) | (2,325) | (2,005) | (278) | (2,791) | (51,963) | - | (6,350) | (85,502) | |
| Share of profits less losses of associates | 7,586 | - | - | - | - | (57) | - | 21,698 | (2,769) | 26,458 | |
| Share of profits less losses of joint ventures | 1,456 | - | (11) | - | - | (161) | 795 | - | - | 2,079 | |
| Loss on disposal of associates | (285) | - | - | - | - | - | - | - | - | (285) | |
| Depreciation and amortisation for the year (excluding expense capitalised) | (178,023) | (10,209) | (42,743) | (23,614) | (5,500) | (44,925) | (105,454) | (13) | (22,841) | (433,322) | |
| Reportable segment assets | 28,237,360 | 758,271 | 7,810,053 | 2,280,655 | 1,512,795 | 2,412,364 | 1,573,667 | 2,552,473 | 2,617,079 | 49,754,717 | |
| Including: | | | | | | | | | | | |
| Interest in joint ventures | 6,008 | - | 447 | - | - | 88 | - | 22,138 | - | 28,681 | |
| Interest in associates | 372,411 | - | - | - | - | 287 | - | 286,505 | - | 659,203 | |
| Other financial assets | 910,499 | - | 5 | - | - | - | 2,954 | 1,007,500 | - | 1,920,958 | |
| Additions to property, plant and equipment, right-of-use assets, investment properties, intangible assets and goodwill during the year | 489,013 | 20,663 | 55,207 | 262,455 | 19,862 | 37,519 | 229,385 | - | 22,912 | 1,137,016 | |
| Reportable segment liabilities | 27,493,635 | 572,583 | 5,926,684 | 1,606,459 | 1,070,210 | 1,676,333 | 1,259,811 | 60,093 | 1,783,339 | 41,449,147 | |

Year ended 31 December 2021

| | Hangzhou | | Yangtze River Delta Region | | | | | Other Overseas and Hong Kong Regions RMB'000 | Other Mainland China Regions RMB'000 | Total RMB'000 |
|--|--|-----------------------------|--|-----------------------------|--|--|----------------------|--|--|-------------------|
| | Hangzhou (exclude Yuhang) Region RMB'000 | Yuhang Region RMB'000 | Yangtze River Region | | | Bohai Economic Rim Region RMB'000 | Australia RMB'000 | | | |
| | | | (exclude Ningbo) Region RMB'000 | Ningbo Region RMB'000 | Pearl River Delta 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 |

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

| | 2022 | 2021 |
|---|-------------------|------------|
| | RMB'000 | RMB'000 |
| Revenue | | |
| Reportable segment revenue | 15,064,603 | 12,742,626 |
| Elimination of inter-segment revenue | (208,260) | (176,495) |
| Consolidated revenue (note 2(a)) | 14,856,343 | 12,566,131 |

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|--------------------------|--------------------------|
| Profit | | |
| Reportable segment profit | 863,941 | 1,210,721 |
| Elimination of inter-segment profits | <u>–</u> | <u>(19,679)</u> |
| Reportable segment profit derived from the Group's external customers | <u>863,941</u> | <u>1,191,042</u> |
| Consolidated profit before taxation | <u><u>863,941</u></u> | <u><u>1,191,042</u></u> |
| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
| Assets | | |
| Reportable segment assets | 49,754,717 | 32,857,495 |
| Elimination of inter-segment receivables | (33,256,665) | (18,719,722) |
| Deferred tax assets | <u>355,640</u> | <u>236,978</u> |
| Consolidated total assets | <u><u>16,853,692</u></u> | <u><u>14,374,751</u></u> |
| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
| Liabilities | | |
| Reportable segment liabilities | 41,449,147 | 25,135,795 |
| Elimination of inter-segment payables | (33,256,665) | (18,719,722) |
| Current taxation | 684,553 | 512,094 |
| Deferred tax liabilities | <u>100,514</u> | <u>76,322</u> |
| Consolidated total liabilities | <u><u>8,977,549</u></u> | <u><u>7,004,489</u></u> |

3. OTHER REVENUE AND OTHER NET INCOME

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---------------------------------------|------------------------|------------------------|
| Other revenue | | |
| Government grants (<i>note (i)</i>) | 145,009 | 88,670 |
| Others | 12,126 | 9,259 |
| | <u>157,135</u> | <u>97,929</u> |

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

During the year ended 31 December 2022, the Group received the subsidy income of RMB7,914,000 (2021: RMB2,745,000) from the relevant government in relation to the impact of the Coronavirus Disease 2019 (“COVID-19”) and value-added tax refund of RMB51,949,000 (2021: RMB41,248,000).

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Other net income | | |
| Net loss on sale of property, plant and equipment | (1,273) | (464) |
| Net realised and unrealised (losses)/gains on FVPL | | |
| — Convertible notes | — | 20,161 |
| — Project investments | 27,383 | — |
| — Unlisted equity investments | 963 | 2,981 |
| — Treasury products | 5,730 | 10,069 |
| — Listed equity securities | (19,937) | 48,740 |
| — Funds | 2,710 | 8,573 |
| Net foreign exchange (losses)/gains | (23,878) | 10,847 |
| | <u>(8,302)</u> | <u>100,907</u> |

4. PROFIT BEFORE TAXATION

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| (a) Net finance costs | | |
| Interest income on listed debt instruments | (7,293) | (6,138) |
| Interest income on bank deposits | (40,974) | (74,042) |
| Interest expense on bank loans | 28,327 | 4,359 |
| Interest on lease liabilities | 68,265 | 64,248 |
| Less: interest expense capitalised into assets under construction* | <u>(11,090)</u> | <u>(14,229)</u> |
| Net finance costs/(income) | <u><u>37,235</u></u> | <u><u>(25,802)</u></u> |

* The interest expense have been capitalised at a rate of 4.30% per annum (2021: 4.65%).

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|-------------------------|-------------------------|
| (b) Staff costs | | |
| Salaries and other benefits | 4,355,298 | 3,600,928 |
| Equity-settled share-based payment expense | 39,396 | 58,337 |
| Contributions to defined contribution scheme (note (i)) | <u>669,834</u> | <u>512,393</u> |
| | <u><u>5,064,528</u></u> | <u><u>4,171,658</u></u> |
| Included in: | | |
| — Cost of sales | 4,114,336 | 3,359,953 |
| — Administrative expenses | 795,868 | 701,737 |
| — Selling and marketing expenses | <u>154,324</u> | <u>109,968</u> |
| | <u><u>5,064,528</u></u> | <u><u>4,171,658</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.

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| (c) Other items | | |
| Impairment losses | | |
| — trade and other receivables | 142,056 | 90,167 |
| — listed debt investments | 51,062 | 21,371 |
| — interest in an associate | 25,759 | — |
| | <u>142,056</u> | <u>90,167</u> |
| Depreciation charge | | |
| — property, plant and equipment | 147,060 | 138,614 |
| — right-of-use assets | 186,782 | 170,078 |
| — investment properties | 50,245 | 26,742 |
| Amortisation charge | | |
| — intangible assets | 49,235 | 42,705 |
| Expense relating to short-term leases | 130,904 | 99,916 |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | 849 | 594 |
| Cost of inventories | 771,689 | 768,532 |
| Outsourcing labor costs | 4,652,133 | 3,858,294 |
| Auditors' remuneration | | |
| — annual audit services | 3,850 | 3,700 |
| — review services | 1,150 | 1,150 |
| | <u>1,150</u> | <u>1,150</u> |

5. INCOME TAX

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Current tax — PRC corporate income tax | | |
| Provision for the year | 333,044 | 333,327 |
| Under-provision in respect of prior years | 3,218 | 2,149 |
| | <u>336,262</u> | <u>335,476</u> |
| Current tax — Overseas corporate income tax | | |
| Provision for the year | 10,232 | 13,124 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (113,976) | (48,002) |
| | <u>(113,976)</u> | <u>(48,002)</u> |
| | <u>232,518</u> | <u>300,598</u> |

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Profit before taxation | <u>863,941</u> | <u>1,191,042</u> |
| National tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (<i>note (i)</i>) | 224,113 | 290,417 |
| Tax benefit of subsidiaries subject to preferential tax rates (<i>note (ii)</i>) | (21,770) | (16,678) |
| Tax effect of non-deductible expenses, net of non-taxable income | 18,759 | (1,205) |
| Additional deduction for qualified research and development cost (<i>note (iii)</i>) | (7,128) | (8,988) |
| Tax effect of unused tax losses not recognised | 23,149 | 39,729 |
| Recognition of temporary deductible differences and tax losses not recognised as deferred tax assets in previous years | (6,610) | (6,367) |
| Reversal of deferred tax in prior years | 5,126 | 6,039 |
| Tax effect of share of results of associates and joint ventures | (6,339) | (4,498) |
| Under-provision in respect of prior years | <u>3,218</u> | <u>2,149</u> |
| Actual tax expense | <u>232,518</u> | <u>300,598</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 2022 and 2021.

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

- (ii) PRC Corporate Income Tax

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

- For certain subsidiaries recognised as a small profit enterprise in 2022, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 12.5% (2021: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (2021: 20%). And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 25% (2021: 50%) as taxable income amount, and be subject to enterprise income tax at 20% (2021: 20%).

- Pursuant to Chapter 28 of the Law of the People’s Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise.

The following list contains subsidiaries of the Group obtained high and new technology enterprise certifications and entitled to a preferential income tax rate of 15%.

| | Concessionary tax rate | Applicable period |
|--|-----------------------------------|------------------------------|
| Hangzhou Greentown Information and Technology Company Limited (杭州綠城信息技術有限公司) | 15% | 2021 to 2023 |
| Lvman Technology Company Limited (綠漫科技有限公司) | 15% | 2022 to 2024 |
| Zhejiang Huixiang Information and Technology Company Limited (浙江慧享信息科技有限公司) | 15% | 2020 to 2022 |
| Zhejiang Greentown Architectural Technology Co., Ltd. (浙江綠城建築科技有限公司) | 15% | 2020 to 2022 |
| Caizhiyunxiang (Hangzhou) Data Information Technology Co., Ltd. (財智雲享(杭州)數據信息技術有限公司) | 15% | 2022 to 2024 |
| Zhejiang Greentown Housing Service System Co., Ltd. (浙江綠城房屋服務系統有限公司) | 15% | 2021 to 2023 |
| Zhejiang Chunling Technology Group Co., Ltd (浙江椿齡科技集團有限公司) | 15% | 2022 to 2024 |

- (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 RMB547,501,000 (2021: RMB846,275,000) and the weighted average of 3,243,688,000 ordinary shares (2021: 3,238,695,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | 2022 '000 | 2021 '000 |
|---|-------------------------|-------------------------|
| Issued ordinary shares at 1 January | 3,245,296 | 3,220,086 |
| Effect of share options exercised | 2,801 | 18,609 |
| Effect of shares repurchased | <u>(4,409)</u> | <u>–</u> |
| Weighted average number of ordinary shares at 31 December | <u><u>3,243,688</u></u> | <u><u>3,238,695</u></u> |

(b) Diluted earnings per share

For the year ended 31 December 2022, the Company has one category of dilutive potential ordinary shares, which is the share options granted to certain directors and employees of the Group which were vested at 11 September 2018.

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 RMB547,501,000 (2021: RMB846,275,000) and the weighted average number of ordinary shares outstanding after adjusting of all dilutive potential ordinary shares amounting to 3,248,462,000 ordinary shares (2021: 3,256,481,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

| | 2022 '000 | 2021 '000 |
|---|-------------------------|-------------------------|
| Weighted average number of ordinary shares at 31 December | 3,243,688 | 3,238,695 |
| Effect of equity settled share-based transactions | <u>4,774</u> | <u>17,786</u> |
| Weighted average number of ordinary shares (diluted) at 31 December | <u><u>3,248,462</u></u> | <u><u>3,256,481</u></u> |

7. SHARE CAPITAL AND DIVIDENDS

(a) Share capital

(i) Issued share capital

| | 2022 | | 2021 | |
|--|----------------------|-----------|----------------------|-----------|
| | No. of shares ('000) | RMB'000 | No. of shares ('000) | RMB'000 |
| Ordinary shares, issued and fully paid: | | | | |
| At 1 January | 3,245,296 | 28 | 3,220,086 | 28 |
| Shares issued under share option scheme | 4,684 | * | 25,210 | * |
| Cancellation of shares | (17,600) | * | – | – |
| | <u>3,232,380</u> | <u>28</u> | <u>3,245,296</u> | <u>28</u> |
| At 31 December | <u>3,232,380</u> | <u>28</u> | <u>3,245,296</u> | <u>28</u> |

* Amount less than 1,000.

(b) Dividends

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|-----------------|-----------------|
| A final dividend of HKD0.100 per share proposed after the end of reporting period (2021: a final dividend of HKD0.160 per share and a special dividend of HKD0.040 per share) | <u>288,739</u> | <u>530,671</u> |

The final 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:

| | 2022 RMB'000 | 2021 RMB'000 |
|--|-----------------|-----------------|
| A final dividend of HKD0.160 per share and a special dividend of HKD0.040 per share in respect of the previous financial year, approved and paid during the year (2021: a final dividend of HKD0.120 per share and a special dividend of HKD0.080 per share) | <u>542,837</u> | <u>542,030</u> |

The dividends approved during the year ended 31 December 2022 and 2021 were paid on 12 July 2022 and 13 July 2021 respectively.

8. TRADE AND OTHER RECEIVABLES

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables from third parties | 3,805,724 | 2,401,735 |
| Less: Allowance for impairment of trade receivables | <u>(324,094)</u> | <u>(213,837)</u> |
| | 3,481,630 | 2,187,898 |
| Less: trade receivables due after one year, net of loss allowance | <u>—</u> | <u>(63,326)</u> |
| | 3,481,630 | 2,124,572 |
| Other receivables, net of loss allowance | 851,365 | 417,393 |
| Amounts due from related parties | | |
| — trade nature | 29,504 | 20,201 |
| — non-trade nature, net of loss allowance | 70,388 | 55,687 |
| Amounts due from other staff | <u>17,937</u> | <u>15,702</u> |
| Less: other receivables due after one year, net of loss allowance | <u>(215,555)</u> | <u>—</u> |
| Financial assets measured at amortised cost | 4,235,269 | 2,633,555 |
| Deposits and prepayments | <u>605,095</u> | <u>421,113</u> |
| | <u>4,840,364</u> | <u>3,054,668</u> |

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

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---------------|------------------------|------------------------|
| Within 1 year | 2,672,873 | 1,997,311 |
| 1 to 2 years | 733,746 | 170,468 |
| 2 to 3 years | 58,119 | 17,993 |
| 3 to 4 years | 14,011 | 1,801 |
| 4 to 5 years | 343 | 325 |
| Over 5 years | 2,538 | – |
| | <u>3,481,630</u> | <u>2,187,898</u> |

9. TRADE AND OTHER PAYABLES

| | <i>Note</i> | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|--|-------------|------------------------|------------------------|
| Trade payables | | 1,924,162 | 1,191,547 |
| — Billed trade payables | (a) | 1,783,300 | 1,070,337 |
| — Accrued trade payables | | 140,862 | 121,210 |
| Bills payable | | 226,734 | 58,771 |
| | | <u>2,150,896</u> | <u>1,250,318</u> |
| Less: trade payables due after one year | | (5,000) | – |
| Trade payables (current) | | 2,145,896 | 1,250,318 |
| Refundable deposits | (b) | 537,477 | 431,971 |
| Accrued payroll and other benefits | | 504,880 | 477,456 |
| Escrow funds held on behalf of customers | | 45,900 | 32,696 |
| Cash collected on behalf of the owners' associations | | 272,609 | 226,552 |
| Other payables and accruals | | 262,656 | 206,911 |
| Temporary receipts | (c) | 502,237 | 577,172 |
| Amounts due to related parties | | 109,166 | 173,631 |
| Loan from a third party | | 22,698 | 20,775 |
| Dividends payable to non-controlling interests | | – | 249 |
| Financial liabilities measured at amortised cost | | 4,403,519 | 3,397,731 |
| Other tax and charges payable | | 330,217 | 308,621 |
| | | <u>4,733,736</u> | <u>3,706,352</u> |

- (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:

| | 2022 | 2021 |
|------------------------------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 month | 1,319,800 | 851,860 |
| After 1 month but within 3 months | 135,019 | 90,545 |
| After 3 months but within one year | 183,618 | 127,932 |
| After one year | 144,863 | – |
| | <u>1,783,300</u> | <u>1,070,337</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

- (a) Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 7(b).
- (b) On 21 March 2023, the Group noted a judgment from the court in relation to a claim. The Group is still conducting analysis and research with its legal adviser on the judgment and is in the course of formulating its litigation strategies. The Group will continue to monitor the claim and continue its assessment of the impact of the claim on the Group.

CHAIRMAN’S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present the annual results of the Group for the year 2022.

The year 2022 is destined to be an unforgettable year. Externally, the complex and changing environment has resulted in a generally turbulent global climate. Internally, there was a need for changes and innovation under pressure on consumer confidence due to the rampant pandemic. We have encountered many difficulties, but also witnessed a lot of extraordinary things.

Despite the uncertainty and frustration, we continued to move forward, and our persistence in foresight has given us the resilience to develop our business steadily, and enabled us to emerge through cyclical fluctuations. During the year, our performance growth momentum remained unchanged, with revenue reaching RMB14,856.3 million, an increase of 18.2% compared to the same period in 2021.

In addition, we have an insight into the changes in the environment and made timely responses accordingly. We are committed to gradually achieving enterprise transformation through organizational innovation; ensuring the steady development of main businesses with premium service quality; and strengthening market expansion with strong efforts.

Innovative and steady reform in structure

“Prompt adjustment for high efficiency”. We accelerated the internal integration and development of the Company by streamlining and simplifying the structure based on regions to achieve professional management. The functional business center was simplified with a focus on vertical implementation; the professional companies strived for excellence with a focus on clear division of specialized duties; and the city companies gathered for synergy effects with a focus on simplified and efficient management. The Company developed the strategy of integration and development at the highest levels of commands, laying a solid foundation for business innovation and transformation.

“Accelerating transformation under consistent strategy”. With the mission of being a happy living service provider, we guaranteed our quality service mainly in four aspects based on basic property services and initiated four happiness plans to build our home through park service upgrade. We also made contribution to advance urban transformation by launching four innovative businesses and achieved stable business operating by virtue of four major systems based on refined operating management. We strive to create a happier life for people with our full strengths.

Begin with quality and end at satisfaction

“Build up reputation with self-discipline”. Quality service will eventually receive affirmation from customers, recognition from the industry, praise from the public. For 13 consecutive years, we have maintained the first place of “China’s Top 100 Leading Enterprises in Terms of Property Service Satisfaction” and “China’s Enterprises in 10 Cities in Terms of Urban Property Service Satisfaction”, respectively. In addition, we not only have been awarded 6 provincial outstanding demonstration projects and 30 municipal outstanding demonstration projects, but have also been awarded 26 red property demonstration projects in Zhejiang Province, ranking the first in the province.

“Implement co-governance to step forward”. We focus on the innovation of grassroots governance and integrate the strengths of more owner volunteers to jointly build a beautiful home with security, quality, humanity and benefit. Safety inspection and joint prevention and interaction are the bases of a secure community; civilization and happiness pact cultivate cultural ethos; caring for the old and the young and mutual assistance in neighborhood forms a feeling of home, and thus creating a friendly community ecosystem for the old and the young.

Every small step will make a difference in the ever-changing market

“Focus on penetration while expanding business type”. Upholding the development strategy of “based in Yangtze River Delta, tapping into the Beijing-Tianjin-Hebei region and vigorously expanding to the Greater Bay Area”, our new floor space increased by 123.4 million sq.m. and achieved annual saturation revenue of RMB45.8 million. The managed GFA was 384.1 million sq.m., representing an increase of 26.3% from the same period of 2021; and the reserved GFA reached 379.0 million sq.m., representing an increase of 9.0% from the same period of 2021, laying a solid foundation for the Company’s continuously steady growth. During the year, we upgraded our service pattern for commercial offices, further developed event services, made several breakthroughs in projects including universities, hospitals, and transportation hubs and steadily improved comprehensive regional development and urban services, which increased the certainty for our high-quality growth in the future.

“Strong cooperation for mutual benefit”. The Company entered into equity and strategic cooperation with major central and state-owned enterprises such as Cinda and Xi’an High-Tech (西安高新), cultivating deep and close partnerships and strong alliances to consolidate its scale advantage. At the same time, the Company established a new business model with urban services as a new flagship business to form a full-cycle digital service system covering consulting, construction and operation: with the partial governance model of “platform + butler + common governance”, the Company created a leading global platform for new urbanisation across China; and with the service operation model of “property + technology”, the Company created a dual benchmarking project of provincial urban and rural landscape and future community construction.

FUTURE OUTLOOK

A new journey comes after challenges. The year 2022, although difficult, marked a renewal for the industry. In the coming year, we will run our business in a high-density and refined manner with a focus on “two cores and four enhancements”. We will create new value and growth based on employees’ growth and property owners’ demands, and constantly enhance our core competitiveness by strengthening quality, integrating organizations, improving development efficiency and transforming our business to life-oriented, so as to achieve our strategic goal of being the most valuable happy living service provider in China.

With perseverance, no mountain is too high to scale and no destination too far to reach. We will continue to fight for our property owners’ wishes to live a better life. We believe that only in keeping our original aspiration can we serve in quality and move forward with courage.

Remaining true to our original aspiration and with determination, we will weather storms to create a brighter future!

Yang Zhangfa
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. In the “2022 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 and appreciation of our services by the owners, and is the solid foundation for the continuous expansion of our management scale and sustained growth in performance.

During the year, the product structure of the Group’s technology service continued to optimize and the business grew rapidly. In order to enable the shareholders and potential investors to have a more clear picture of the Group’s business segments, after careful study and careful discussion by the Board, we decided to reclassify the main business of the Group by splitting off the technology services from the community living services as a separate business segment. After the adjustment, the Group’s main business is divided into: (i) property services; (ii) community living services; (iii) consulting services; and (iv) technology services. The above business classification adjustment does not change the nature of the Group’s main business, but aims to more clearly reflect the Group’s business classification and growth potential.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group achieved the following:

Revenue

Revenue was RMB14,856.3 million. Compared with that for the year of 2021, which was RMB12,566.1 million, the growth rate on year-on-year (“Y/Y”) basis reached 18.2%.

The Group’s revenue comes from four major businesses: (i) property services, (ii) community living services, (iii) consulting services and (iv) technology services. During the year, (i) revenue from the property services reached RMB9,446.3 million, accounting for 63.6% of the Group’s overall revenue. Compared with RMB7,769.6 million in 2021, there was a Y/Y growth of 21.6%; (ii) revenue from community living services reached RMB2,853.9 million, accounting for 19.2% of the Group’s overall revenue. Compared with RMB2,615.7 million for the year of 2021, there was a Y/Y growth of 9.1%; (iii) revenue from consulting services amounted to RMB2,066.8 million, accounting for 13.9% of the Group’s overall revenue. There was a Y/Y growth of 5.4% compared with RMB1,960.1 million for the year of 2021; and (iv) revenue from technology services amounted to RMB489.4 million, accounting for 3.3% of the overall revenue, representing an increase of 121.6% from the year of 2021 that was RMB220.8 million.

| | 2022 | | 2021 | | |
|--------------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|---------------|
| | <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>9,446,258</u> | <u>63.6%</u> | <u>7,769,559</u> | <u>61.8%</u> | <u>21.6%</u> |
| | <u>9,446,258</u> | <u>63.6%</u> | <u>7,769,559</u> | <u>61.8%</u> | <u>21.6%</u> |
| Community living services | | | | | |
| Community products & services | 1,138,251 | 7.6% | 958,686 | 7.6% | 18.7% |
| Home living services | 256,420 | 1.7% | 193,517 | 1.5% | 32.5% |
| Community space services | 249,788 | 1.7% | 223,971 | 1.8% | 11.5% |
| Property asset management services | 661,700 | 4.5% | 779,142 | 6.2% | -15.1% |
| Cultural & education services | 547,740 | 3.7% | 460,367 | 3.7% | 19.0% |
| | <u>2,853,899</u> | <u>19.2%</u> | <u>2,615,683</u> | <u>20.8%</u> | <u>9.1%</u> |
| Consulting services | | | | | |
| Property under construction services | 1,821,093 | 12.2% | 1,598,010 | 12.7% | 14.0% |
| Management consulting services | 245,703 | 1.7% | 362,077 | 2.9% | -32.1% |
| | <u>2,066,796</u> | <u>13.9%</u> | <u>1,960,087</u> | <u>15.6%</u> | <u>5.4%</u> |
| Technology Services | | | | | |
| Technology services | <u>489,390</u> | <u>3.3%</u> | <u>220,802</u> | <u>1.8%</u> | <u>121.6%</u> |
| | <u>489,390</u> | <u>3.3%</u> | <u>220,802</u> | <u>1.8%</u> | <u>121.6%</u> |
| | <u>14,856,343</u> | <u>100.0%</u> | <u>12,566,131</u> | <u>100.0%</u> | <u>18.2%</u> |

Cost of sales

During the year, the cost of sales was RMB12,454.4 million, which was an increase of 21.7% compared with that of RMB10,235.6 million for the year of 2021. The increase in the percentage of the cost of sales was higher than the increase rate of the revenue, which was mainly due to the general atmosphere of the domestic real estate industry environment and the impact of the repeated outbreaks of the COVID-19 pandemic, leading to a higher growth rate of cost than the growth rate of revenue.

Gross profit margin

Gross profit has reached RMB2,402.0 million, a growth of 3.1% compared with RMB2,330.5 million in 2021. Gross profit margin was 16.2%, which decreased by 2.3 percentage points compared with 18.5% for the year of 2021.

- Gross profit margin for property service was 12.1%, which decreased by 0.4 percentage points compared with 12.5% for the year of 2021, which was mainly due to the impact of the repeated outbreaks of the COVID-19 pandemic and higher costs incurred for the provision of higher quality services during the year.
- Gross profit margin for community living service was 20.8%, which decreased by 4.9 percentage points as compared with 25.7% for the year of 2021, which was mainly due to the corresponding adjustment in product structure for community living services.
- Gross profit margin for consulting service was 22.7%, which was comparatively lower than the 30.0% profit margin for consulting services in 2021 by 7.3 percentage points, mainly due to the general atmosphere of the domestic real estate industry environment and the impact of the repeated outbreaks of the COVID-19 pandemic, consequentially leading to stagnated business activities and a decrease in gross margin of property services under construction, and reducing the overall revenue growth and gross margin of consulting services.
- Gross profit margin for technology service was 40.9%, which decreased by 1.9 percentage points compared with 42.8% for the year of 2021.

Selling and marketing expenses

Selling and marketing expenses were RMB266.3 million, an increase of 32.8% compared with RMB200.6 million in 2021. This was mainly due to the increase in costs associated with the growth in revenue from the corresponding business of the community living services, including the increase in sales staff and venue rental costs.

Administrative expenses

Administrative expenses were RMB1,154.8 million, an increase of 9.9% compared with RMB1,050.5 million in 2021 which was lower than the growth rate of the revenue. The main reasons being that the administrative expenses were effectively controlled as a result of the Group's continuous effort in strengthening the control of costs and expenses.

Impairment losses on trade and other receivables

The impairment losses on trade and other receivables increased by 57.5% to RMB142.1 million from RMB90.2 million for the year of 2021. The main reason was the general atmosphere of the domestic real estate industry environment and the impact of the repeated outbreaks of the COVID-19 pandemic, and simultaneous increase in the Group's accounts receivable balance, and the corresponding impairment loss.

Other operating expenses

Other operating expenses increased by 226.7% to RMB124.8 million from RMB38.2 million for the year of 2021, primarily due to impairment provisions for some financial assets made by the Group pursuant to the overall economic environment after taking into account prudent considerations.

Profit from operations

Profit from operations was RMB862.9 million, which decreased by 25.0% compared with RMB1,150.0 million for the year of 2021. This was mainly due to the increase in impairment provisions for accounts receivable and other receivables and the impairment of assets such as financial instruments, and the general atmosphere of the domestic real estate industry environment and the impact of the repeated outbreaks of the COVID-19 pandemic, a decrease in the revenue growth of the Company and an increase in the cost.

Net finance costs/(income)

The net finance costs during the year was RMB37.2 million, which decreased by RMB63.0 million compared with the net finance income of RMB25.8 million for the year of 2021. This was mainly due to the decrease of interest income on bank deposits for the year in the amount of RMB33.1 million.

| | 2022 | 2021 | |
|--|----------------------|------------------------|-----------------------|
| | RMB'000 | RMB'000 | Y/Y% |
| Interest income on listed debt instruments | (7,293) | (6,138) | 18.8% |
| Interest income on bank deposits | (40,974) | (74,042) | -44.7% |
| Interest expense on bank loans | 28,327 | 4,359 | 549.9% |
| Interest expense on lease liabilities | 68,265 | 64,248 | 6.3% |
| Less: interest expense capitalised into assets under construction | (11,090) | (14,229) | -22.1% |
| Net finance costs/(income) | <u>37,235</u> | <u>(25,802)</u> | <u>-244.3%</u> |

Share of profits/losses of associates and joint ventures

Share of profit of associates for the year amounted to RMB26.5 million, compared to that of RMB20.7 million for the year of 2021, representing an increase of 28.0%. It was mainly due to the improved profit increase of some associated companies as a result of the improvement in operating results.

Share of profit of joint ventures for the year amounted to RMB2.1 million, a Y/Y increase of RMB2.2 million compared with the loss of RMB0.1 million for the year of 2021. This was mainly due to the increase of profit in certain joint ventures.

Income Tax

The income tax for the year was RMB232.5 million, which decreased by 22.7% from RMB300.6 million for the year of 2021. The effective income tax rate increased by 1.7 percentage points from 25.2% in 2021 to 26.9%. 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 RMB863.9 million, which decreased by 27.5% from RMB1,191.0 million for the year of 2021. This was mainly due to our decision based on prudent consideration to increase the impairment provisions for accounts receivable and other receivables and the impairment of assets such as financial instruments, the general atmosphere of the domestic real estate industry environment, the impact of the repeated outbreaks of the COVID-19 pandemic, a decrease in the revenue growth of the Company and an increase in cost.

Profit for the year

Profit for the year was RMB631.4 million, representing a decrease of 29.1% compared with RMB890.4 million for the year of 2021.

The profit attributable to equity shareholders of the Company for the year was RMB547.5 million, representing a decrease of 35.3% as compared with RMB846.3 million for the year of 2021. This was mainly due to decision based on prudent consideration to increase the impairment provisions for accounts receivable and other receivables and the impairment of assets such as financial instruments, the general atmosphere of the domestic real estate industry environment, the impact of the repeated outbreaks of the COVID-19 pandemic, a decrease in the revenue growth of the Company and an increase in cost.

Net profit margin for the year was 4.3%, a decrease of 2.8 percentage points compared with 7.1% in 2021.

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, Such Financing balance was HK\$1,133.6 million.

As at 31 December 2022, the HK\$1,133.6 million has been used for investment, working capital and general purposes, and all the proceeds raised from Such Financing have been used up.

Liquidity, reserves and capital structure

The Group maintained good financial condition during the year. The current assets as at 31 December 2022 amounted to RMB10,840.6 million, which increased by 16.8% compared to RMB9,278.2 million as at 31 December 2021. The Group's cash and cash equivalents amounted to RMB4,183.4 million as at 31 December 2022, which decreased by 2.9% Y/Y compared with RMB4,306.6 million as at 31 December 2021.

Net cash generated from operating activities amounted to RMB695.3 million during the year, which declined by 31.7% Y/Y from RMB1,018.7 million in 2021. Net cash used in investing activities amounted to RMB140.8 million, down by 53.3% compared with RMB301.5 million in 2021. Net cash used in financing activities was RMB720.4 million, down by 7.5% from net cash used for financing activities of RMB778.7 million in 2021.

As at 31 December 2022, long-term loans amounted to RMB186.6 million, among which RMB183.8 million (equivalent to approximately AUD39.0 million) was borrowed by Montessori Academy Group Holdings Pty. Ltd. (“**MAG**”), from a bank for supplementing its working capital. The bank loan bears interest rate of 3.47–6.55% (31 December 2021: 3.47%). The tenor of 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 2022, none of the covenants relating to the drawn down facility had been breached. As at 31 December 2022, the short-term loan of RMB124.3 million, of which RMB100 million, was borrowed by a subsidiary of the Company from the bank due to the daily operation needs. The interest rate of the bank loan is 3.6%, and the loan will expire on 31 August 2023. As at 31 December 2022, the subsidiary did not violate the financing contract.

The debt ratio (total liabilities divided by total assets) of the Group was 53.3%, an increase of 4.6 percentage points compared with 48.7% at the end of 2021.

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

As at 31 December 2022, the value of investment properties, property, plant and equipment and right-of-use assets amounted to RMB2,383.3 million, which increased by 26.1% Y/Y from RMB1,890.1 million as at 31 December 2021, among which investment by properties amounted to RMB528.4 million, representing an increase of 115.8% from RMB244.9 million as at 31 December 2021. This was mainly due to the equity cooperation with Beijing Cinda Yue Life Service Co., Ltd. (“**Cinda Yue Life**”) (北京信達悦生活服務有限公司) and several new operation projects relating to new assets during the year.

Intangible assets

As at 31 December 2022, intangible assets amounted to RMB529.0 million, representing an increase of 22.9% compared with RMB430.5 million as at 31 December 2021, which was due to the increase of intangible assets brought by the internal information technology construction and equity cooperation with Cinda Yue Life.

Trade and other receivables

As at 31 December 2022, trade and other receivables amounted to RMB5,055.9 million, increased by 62.2% from RMB3,118.0 million as at 31 December 2021. The main reason was due to the general atmosphere of the domestic real estate industry environment, the related business collection rate became slower, coupled with the increased trade and other receivables as a result of the equity cooperation between the Group and Cinda Yue Life, and Greentown Ideal Life Service Group Co., Ltd. (綠城理想生活服務集團有限公司) (“**Greentown Ideal Life**”, a subsidiary of Greentown China Holding Group Co., Ltd. (the share of which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), stock code: 3900)) on Zhejiang Greentown Housing Service System Co., Ltd. (浙江綠城房屋服務系統有限公司) (“**Housing 4S**”).

Trade and other payables

As at 31 December 2022, trade and other payables amounted to RMB4,738.7 million, increased by 27.9% from RMB3,706.4 million as at 31 December 2021. This was mainly due to the expansion of procurement volume resulting from the growth of business scale.

Lease liabilities

As at 31 December 2022, lease liabilities due within one year, which were included in current liabilities, were RMB257.8 million, increased by 39.6% from RMB184.7 million as at 31 December 2021. The lease liabilities due after one year, which were included in long-term lease liabilities, were RMB1,257.6 million, representing an increase of 30.2% compared with RMB965.6 million as at 31 December 2021. The reason was mainly due to the increase in rental property in the process of the expansion of cultural and education services and property asset management services business, and equity cooperation with Cinda Yue Life.

Property Services — accounting for 63.6% of total revenue, and 47.5% of total gross profit

Property services remain 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, 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 2022:

- Revenue reached RMB9,446.3 million, an increase of 21.6% compared with RMB7,769.6 million for the year of 2021. The growth was mainly due to the steady growth of the managed GFA.
- Gross profit reached RMB1,140.4 million, up by 17.0% from RMB974.9 million in 2021.

| | 2022 | | 2021 | |
|--|--|------------------------|--|------------------------|
| | % of property service revenue | % of managed GFA | % of property service revenue | % of managed GFA |
| Contracted GFA under management | | | | |
| — Residential | 71.7 | 80.9 | 69.2 | 78.7 |
| — Non-residential | 28.3 | 19.1 | 30.8 | 21.3 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

- The managed GFA reached 384.1 million square meters (“sq.m”), representing an increase of 26.3% or net increase of 80.0 sq.m compared with 304.1 million square meters in 2021, or a net increase of 34.8 sq.m compared with 349.3 sq.m for the interim period of 2022. The consistent and steady increase in GFA under management was due to the Group’s strategy of endogenous growth and quality improvement strategy.
- Reserve GFA of 379.0 sq.m, as a major source of the future managed GFA, reached a new height during the year, an increase of 9.0% compared with 347.7 sq.m in 2021, or a net increase of 31.3 million square meters. The Group retains a sufficient reserve GFA will continue to provide a solid foundation for the Group’s future growth.

- If excluding the impact of equity cooperation with Cinda Yue Life during the year, the managed GFA would increase by 21.4% compared with the year of 2021, and the reserved GFA would increase by 7.4% compared with the year of 2021.
- Managed projects reached 2,630, covering 215 cities in 30 provinces, municipalities and autonomous regions in China.
- Regional distribution: as at 31 December 2022, our managed GFA and revenue by region were distributed as follows:

| | 2022 | | 2021 | |
|---------------------|------------------|--------------------|------------------|--------------------|
| | % of managed GFA | % of total revenue | % of managed GFA | % of total revenue |
| Greater Hangzhou | 16.8 | 34.8 | 18.6 | 33.8 |
| — Hangzhou | 12.1 | 30.7 | 13.2 | 29.5 |
| — Yuhang | 4.7 | 4.1 | 5.4 | 4.3 |
| Ningbo | 6.8 | 6.0 | 6.1 | 6.3 |
| Yangtze River Delta | 35.5 | 27.4 | 38.0 | 29.2 |
| Bohai Economic Rim | 16.1 | 12.3 | 16.2 | 13.0 |
| Pearl River Delta | 8.4 | 6.4 | 7.6 | 6.1 |
| Others | 16.4 | 13.1 | 13.5 | 11.6 |
| | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |

Community living services — accounting for 19.2% of our total revenue, and 24.7% of our total gross profit

Community living services is a systematic product and service solution applied based on practical needs of owners and supplementing the business cycle of the real estate industry, which is an extension of property services.

During the year, the community living services revenue was RMB2,853.9 million, an increase of 9.1% compared with RMB2,615.7 million in 2021. Among them:

- (1) Community products and services (accounting for 39.8% of the revenue from community living services): in 2022, the annual revenue reached RMB1,138.3 million, a Y/Y increase of 18.7% compared with RMB958.7 million in 2021.
- (2) Home living services (accounting for 9.0% of the revenue from community living services): in 2022, the annual revenue reached RMB256.4 million, an increase of 32.5% Y/Y compared with RMB193.5 million in 2021.

- (3) Community space services (accounting for 8.8% of the revenue from community living services): in 2022, the annual revenue reached RMB249.8 million, an increase of 11.5% Y/Y compared with RMB224.0 million for 2021.
- (4) Property asset management services (accounting for 23.2% of the revenue from community living services): in 2022, the revenue reached RMB661.7 million, which decreased by 15.1% Y/Y compared with RMB779.1 million for the year of 2021.
- (5) Cultural and education services (accounting for 19.2% of the revenue from the community living services): in 2022, the revenue reached RMB547.7 million, an increase of 19.0% Y/Y compared with RMB460.4 million for the year of 2021.

| | 2022 | | Y/Y % | 2021 | |
|------------------------------------|------------------|-------------------------|-------------|------------------|-------------------------|
| | Revenue | % | | Revenue | % |
| | <i>RMB'000</i> | <i>of total revenue</i> | | <i>RMB'000</i> | <i>of total revenue</i> |
| Community products and services | 1,138,251 | 39.8 | 18.7% | 958,686 | 36.6 |
| Home living services | 256,420 | 9.0 | 32.5% | 193,517 | 7.4 |
| Community space services | 249,788 | 8.8 | 11.5% | 223,971 | 8.6 |
| Property asset management services | 661,700 | 23.2 | -15.1% | 779,142 | 29.8 |
| Cultural and education services | 547,740 | 19.2 | 19.0% | 460,367 | 17.6 |
| Total | <u>2,853,899</u> | <u>100</u> | <u>9.1%</u> | <u>2,615,683</u> | <u>100</u> |

In light of the needs of property owners' daily life, the Group continued to establish a living service platform to cater for their practical needs of daily life based on the integration of five ecosystems, including community retail, home living, space service, assets operation and culture and education into one. During the year, we continued to optimize our service mix, focusing on core ecosystems and enhancing operation capacity based on strategic planning and actual conditions.

— *Community products and services*

The Group relied on the support of the “Accessibility + Relationship” community retail system and continued to drive the growth of its community retail business products by focusing on the demand for basic living products through offline scenarios and online operations and with the value of “high-quality products + effective promotion + convenient service” superimposed, to promote the growth of the performance of the division. At present, the aforesaid products and services have been extended to cover quality scenarios (such as campuses and government enterprises), through multiple promotion methods (such as our “Greentown strict Selection” and “Owner Representative Recommended” initiatives) integrated into business model of multiple communities and parks (community warehouses and markets) and high-quality scene coverage (business + government enterprise, etc.). In the future, we will further expand the business coverage and target customer group, while continuously improving the existing business penetration and customer repurchase rate, so as to assist the sustained and stable growth of this business segment. During the year, Zhejiang Greentown New Retail Technology Group Co., Ltd.* (浙江綠城新零售科技集團有限公司), a subsidiary of the Group, was awarded the title of “2022 China Community Retail Excellent Enterprise*” (2022中國社區零售優秀企業) by Beijing China Index Academy* (北京中指信息技術研究院), an independent third-party organization.

— *Home living services*

The Group, based on the “Four Seasons living” home service platform, to cater for the needs of property owners’ living service and through the self-operated + business cooperation model, built a home care service system, initially forming a comprehensive product system of “home maintenance + cleaning and maintenance + health care service”, and at the same time, combined with the needs of owners’ home living services to constantly enrich the service content, and continue to create service advantages. In terms of “home maintenance”, during the year, the Group reached equity cooperation with Greentown Ideal Life in Housing 4S (a comprehensive housing service provider with building repair, decoration and home maintenance as the main products), providing an important support for improving the home maintenance service capacity of the Group and transformation from community services to urban services. In terms of “property services + home-based elderly care services”, the Group formed the main products of home care, institutional care, and health care community, and the community pension service system with major modes of “property management + elderly care” and “Joyful health care + health care”. During the year, Chunlin Health Group (a subsidiary of the Company) was awarded the title of “2022 China Health Care Operation Leading Brand*” (2022中國康養運營領先品牌) by independent third party organizations

such as China Enterprise Evaluation Association* (中國企業評論協會), Real Estate Research Institute of Tsinghua University* (清華大學房地產研究所) and Beijing China Index Academy* (北京中指信息技術研究院).

— *Property asset management services*

Based on the service value chain and the asset management service needs of property owners as the starting point, the Group deeply cultivates the communities covered by property services, builds a community asset management service system, and takes replacement services, marketing services and asset management (e.g. parking space operation) as the main service products. Due to the general atmosphere of the real estate industry environment, the impact of the repeated outbreaks of COVID-19 pandemic, and the impact of product structure adjustment, the revenue of property asset management services decreased by 15.1% compared with that for 2021, but compared with the overall market situation of the major cities where the business is located, it still showed good business development ability. In the future, we will continue to go through expanded our sales strategy through universal brokers, pipeline and other modes of distribution and other multiple modes to alleviate the negative impact of brought by the real estate industry environment. At the same time, in terms of parking business, we are gradually shifting to the direction of an asset light, weighting the importance of various business factors, continuously optimizing the business structure, and paying attention to cultivating and enhancing the core service competitiveness of asset management, so as to promote the orderly and healthy development of the business of the division.

— *Cultural and education services*

The Group continued to implement the multi-brand strategy in terms of childcare services through our three brand systems: “Wonderful Garden Daycare Center + Montessori Academy Daycare Center + Lezhen Daycare Center”* (綠城奇妙園+澳蒙國際園+普惠托育園), with the main products of “childcare + preschool education + community education”, and formed a multi-level community education service system of “high-end + middle-to-high-end + universal benefit”. In the future, we will continue to promote the cooperation with the government in Lezhen Daycare Center to jointly set up daily care centers, set up the growth stations in the community, develop education business in the PRC and overseas (MAG), continue to strengthen the core competitiveness of the cultural and educational services of the Group, improve the operation efficiency of the center, and improve the service operation efficiency.

Consulting services — accounting for 13.9% of the total revenue, 19.5% of the total gross profit

We continued to focus on the full life cycle of real estate products, improved the 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. During the year, due predominately to the general atmosphere of the domestic real estate industry environment and the impact of the repeated outbreaks of the COVID-19 pandemic, business activities in consulting services remained stagnant and showed a decrease in gross margin of property services under construction, and reducing the overall revenue growth and gross margin of consulting services. For the whole year of 2022:

- Revenue reached RMB2,066.8 million, an increase of 5.4% compared with RMB1,960.1 million for the year of 2021.

| | 2022 | | Y/Y % | 2021 | |
|-------------------------------------|--------------------|-----------------------|-------------|--------------------|-----------------------|
| | Revenue RMB'000 | % of total revenue | | Revenue RMB'000 | % of total revenue |
| Project under construction services | 1,821,093 | 88.1 | 14.0% | 1,598,010 | 81.5 |
| Management consulting services | 245,703 | 11.9 | -32.1% | 362,077 | 18.5 |
| Total | <u>2,066,796</u> | <u>100</u> | <u>5.4%</u> | <u>1,960,087</u> | <u>100</u> |

- Our gross profit decreased by 20.3% to RMB468.6 million from RMB588.2 million for the year of 2021 which was due to the decrease of gross profit in projects under construction services.

| | No. of projects as at year end | 2022 | | Y/Y % | No. of projects as at year end | 2021 | |
|-------------------------------------|--------------------------------------|--|--------|----------|--------------------------------------|--|--|
| | | Average revenue per project RMB'000 | | | | Average revenue per project RMB'000 | |
| Project under construction services | 724 | 2,515 | -26.0% | | 979 | 1,632 | |
| Management consulting services | 672 | 366 | -5.9% | | 714 | 507 | |

— *Property Under Construction Services*

Our revenue reached RMB1,821.1 million, an increase of 14.0% compared with RMB1,598.0 million for the year of 2021. It was mainly due to the impact of the general atmosphere of the real estate industry environment and repeated outbreaks of the COVID-19 pandemic, the demand for property services under construction decreased, leading to a slowdown in the revenue growth of this division. As the domestic economic environment continues to improve, we will continue to upgrade our services through provision of quality services and enhancing the integrated competitiveness of our property under construction services (such as, integrating four happiness into marketing activities, restore the services standards and upgrade service perception, etc.). At the same time, we will continue to drive growth of this business division through expansion into other service applications such as exhibitions and conferences and connecting with more customers.

— *Management Consulting Services*

Our revenue reached RMB245.7 million, a decrease of 32.1% compared with RMB362.1 million for year of 2021. It was mainly due to the impact of the general atmosphere of the real estate industry environment and the resurgence of COVID-19 pandemic, reducing customer demand and delayed on-site services, leading to the decline of overall performance. We will focus on product innovation, extend the concept of “future community consultation service” on the basis of traditional property consultation and real estate consultation, turn to global development, and improve our comprehensive capability from consultation to business operations. At the same time, we will strive to enrich the core competence of our alliance products and strengthen control over our business management.

Technology services — 3.3% of total revenue, 8.3% of total gross profit

Technology services is an important basis for building the differentiated product system of the Group, breaking the bottleneck of product efficiency and helping to achieve the strategic goal of becoming the most valuable happy life service provider in China. With digitalization of services at its core, we construct comprehensive platforms and smart property products for the government, the future community and property companies. From the early stages of planning and design, construction of smart hardware to the development and operation of digitized system, our technological services provide customers with intelligent and universally integrated solutions, and facilitate digitalization of customer demands. The main products include “Shanshu Smart Property” for the property industry and “Shanshu Comprehensive platform” for the government and enterprise industry.

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

- Revenue reached RMB489.4 million, a Y/Y increase of 121.6% from RMB220.8 million for the same period of 2021.
- Gross profit reached RMB200.4 million, a Y/Y increase of 112.3% from RMB94.4 million for the same period of 2021.

Major litigation risk

References are made to the announcements of the Company dated 19 July 2022, 20 October 2022 and 21 March 2023 (the “**Announcements**”) in relation to the legal proceedings (the “**Legal Proceedings**”). Pursuant to a judgment from the Shanghai First Intermediate People’s Court* (上海市第一中級人民法院) (the “**First Instance Judgment**”), Greentown Real Estate Company Limited* (綠城房地產諮詢集團有限公司), a subsidiary of the Company shall assume joint and several liability for the payment obligations of the lessee under the First Instance Judgment.

As mentioned in the Announcements, after communication and discussion with our legal adviser, the Company believes that the facts of this case are complex (given the pandemic control and the Plaintiff being taken over by the China Banking and Insurance Regulatory Commission, etc.), and the finding of facts in the First Instance Judgment and the application of the law was wrong. The Company in the process of appointing the legal adviser to file an appeal against the First Instance Judgment before the Deadline. Although the Company is still conducting analysis and research with its legal adviser on the First Instance Judgment and is in the course of formulating its litigation strategies, the Company believes that the Legal Proceedings is not expected to materially affect the normal operations of the Group.

The Legal Proceedings have not been finally adjudicated, and there still exists considerable uncertainty. The Company will continue to closely monitor the progress of the Legal Proceedings, and will take appropriate actions to protect the interest of the Shareholders and minimise the negative impact on the Group when necessary. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) to keep the Shareholders of the Company and potential investors informed of any further material development of the Legal Proceedings.

FOREIGN EXCHANGE RISKS

The Group conducts substantially all of its business in mainland China and in Renminbi. Therefore, the Group is exposed to limited foreign currency exchange rate risk. 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 an impact on the Group's performance. During the year, MAG used interest rate swap instruments to reduce the risk of exchange rate fluctuations. 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

References are made to the announcements of the Group dated 19 July 2022, 20 October 2022 and 21 March 2023 in respect of the claim proceedings that the Group is involved because of guarantee provided to a third party for an associate under a lease arrangement. The Group has made provision, where appropriate, for what may be required for the settlement of this claim.

Save as disclosed in this announcement, the Group did not have any other significant contingent liabilities as at 31 December 2022.

TREASURY POLICY

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

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 8 December 2022, the Company granted an aggregate of 41,464,500 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 8 December 2022.

As at 31 December 2022, the Group had 44,495 employees, an increase of 18.2% compared with the end of 2021, Excluding the impact of the equity cooperation with Cinda Yue Life during the year, the growth rate of the Group's number of employees was about 14.9% which was lower than the revenue growth rate of the Group mainly due to the increase in number of staff for new projects during the year, which was lower than the growth rate of the Group's revenue during the year. The total staff cost was RMB5,064.5 million, an increase of 21.4% compared with that for the year of 2021. This was mainly due to the salary increases as a result of the 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 at 31 December 2022, MAG has obtained a loan of AUD39.0 million (equivalent to approximately RMB183.8 million) from a bank for the purpose of supplementing its working capital and has secured by certain property, plant and equipment held by it with a carrying amount of AUD93.7 million (equivalent to approximately RMB441.9 million) as collateral.

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

ADOPTION OF NEW ARTICLES OF ASSOCIATION

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

DIVIDEND DISTRIBUTION

At the Board meeting held on 24 March 2023, the Board recommended the payment of a final dividend for 2022 of HK\$0.100 per share (2021: HK\$0.160 per share and a special dividend of HK\$0.040 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 16 June 2023.

The final dividend will be paid on or before 11 July 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (“AGM”) will be held on 16 June 2023 and a notice convening the AGM will be published and dispatched in the manner as required by 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 13 June 2023 to 16 June 2023, 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 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 12 June 2023.
- (b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from 22 June 2023 to 26 June 2023, both days inclusive. In order to qualify for the entitlement to the proposed final 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 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 21 June 2023.

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 ended 31 December 2022, the Company was in compliance with all applicable code provisions set out in the Corporate Governance Code, and has adopted most of the recommended best practices set out in the Corporate Governance Code.

CHANGE OF DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

Reference is made to the announcement of the Company dated 10 February 2023. As a result of personal health reasons, Mr. Wu Zhihua, ceased to serve as the executive Director, and an authorised representative of the Company (the “**Authorised Representative**”) owing to personal health reason with effect from 10 February 2023. Ms. Jin Keli was appointed as an Authorised Representative with effect from 10 February 2023.

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

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established an 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 2022 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 2022 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. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the provisions set out in the Model Code throughout the year 2022.

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

During the year ended 31 December 2022, the Company has repurchased a total of 17,600,000 shares of the Company on the Stock Exchange with an aggregate amount of HK\$85,958,949.40, and all those shares were subsequently cancelled on 29 December 2022.

Details of the shares repurchased during the year ended 31 December 2022 are set out as follows:

| Date of Purchase | No. of Shares repurchased by the Company | Price per Share | | Aggregate consideration paid HK\$ |
|-------------------------|---|-------------------------|------------------------|--|
| | | Highest HK\$ | Lowest HK\$ | |
| September 2022 | 12,584,000 | 5.75 | 5.19 | 68,654,741.80 |
| October 2022 | 2,358,000 | 3.50 | 3.27 | 7,991,355.00 |
| November 2022 | 2,658,000 | 3.65 | 3.24 | 9,312,852.60 |

Save as disclosed above, 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 the Stock Exchange (www.hkexnews.hk) and the Company (www.lvchengfuwu.com). The annual report of the Company for the year ended 31 December 2022 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
24 March 2023

As at the date of this announcement, the executive Directors are Mr. YANG Zhangfa (Chairman), Ms. JIN Keli 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.