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GREENTOWN MANAGEMENT HOLDINGS COMPANY LIMITED

綠城管理控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 09979)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023
AND**

SUPPLEMENTAL ANNOUNCEMENT TO 2022 ANNUAL REPORT

The board (the “**Board**”) of directors (the “**Directors**”) of Greentown Management Holdings Company Limited (“**Greentown Management**” or the “**Company**” or “**We**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**” or the “**Period**”) prepared in accordance with International Financial Reporting Standards, together with comparative figures for the corresponding period in 2022. The interim results have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board.

BUSINESS HIGHLIGHTS

	For the six months ended 30 June		Change Increase %
	2023 (Unaudited) <i>RMB'000</i>	2022 (Unaudited) <i>RMB'000</i>	
Revenue	1,549,009	1,258,509	23.1%
Gross Profit	806,157	634,707	27.0%
Net profits	462,148	365,699	26.4%
Net profit attributable to owners of the Company	473,615	360,825	31.3%
Cash inflows from operating activities	593,045	363,255	63.3%
Earnings per share (ordinary shareholders of the parent company)			
– Basic (<i>RMB</i>)	0.24	0.19	26.3%
– Diluted (<i>RMB</i>)	0.24	0.18	33.3%
	30 June 2023 <i>Million sq.m.</i>	30 June 2022 <i>Million sq.m.</i>	Change %
Total GFA of contracted projects	113.6	94.3	20.4%
Total GFA of newly contracted projects	17.3	13.2	30.6%
	Half-year 2023 <i>RMB100 million</i>	Half-year 2022 <i>RMB100 million</i>	Change %
Project management fee for the newly contracted projects	51.2	40.6	26.3%

The following financial information is extracted from the unaudited condensed consolidated financial statements as set out in the 2023 Interim Report to be published by Group:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>NOTES</i>	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	1,549,009	1,258,509
Cost of sales		(742,852)	(623,802)
Gross profit		806,157	634,707
Other income	4	96,939	81,207
Other gains and losses	5	(52,438)	3,978
Selling and marketing expenses		(44,559)	(46,552)
Administration expenses		(229,277)	(224,607)
Finance costs	6	(2,722)	(3,610)
Impairment losses under expected credit loss model, net of reversal		(1,323)	(7,386)
Loss from changes in fair value of investment properties		(708)	(61)
Gain on disposal of an associate		–	420
Share of results of associates		(975)	10,377
Share of results of joint ventures		22,726	18,358
Profit before tax		593,820	466,831
Income tax expense	7	(131,672)	(101,132)
Profit for the period		462,148	365,699

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	<i>NOTE</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive expense			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of tax		<u>(4,930)</u>	<u>(58)</u>
Total comprehensive income for the period		<u>457,218</u>	<u>365,641</u>
Profit (loss) for the period attributable to:			
Owners of the Company		473,615	360,825
Non-controlling interests		<u>(11,467)</u>	<u>4,874</u>
		<u>462,148</u>	<u>365,699</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		468,685	360,767
Non-controlling interests		<u>(11,467)</u>	<u>4,874</u>
		<u>457,218</u>	<u>365,641</u>
EARNINGS PER SHARE			
– Basic (RMB)	9	<u>0.24</u>	<u>0.19</u>
– Diluted (RMB)	9	<u>0.24</u>	<u>0.18</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-Current Assets			
Property, plant and equipment		108,882	109,328
Intangible assets	10	383,246	412,354
Right-of-use assets		14,149	18,573
Investment properties		44,966	45,641
Goodwill		981,761	981,761
Interests in associates		79,764	79,962
Interests in joint ventures		248,750	236,821
Equity instruments at FVTOCI		60,857	67,430
Other long-term receivables	11	270,147	265,165
Deferred tax assets		40,640	27,529
Deposits for acquisition of properties		159,702	59,192
		<u>2,392,864</u>	<u>2,303,756</u>
Current Assets			
Trade and other receivables	12	851,153	823,930
Contract assets	13	593,202	573,892
Financial assets at fair value through profit or loss (“FVTPL”)		62,212	75,430
Amounts due from related parties		225,323	298,289
Pledged bank deposits		164,826	152,923
Bank balances and cash		2,533,742	1,933,099
		<u>4,430,458</u>	<u>3,857,563</u>
Current Liabilities			
Trade and other payables	14	1,092,134	1,173,275
Amounts due to related parties		310,099	221,366
Dividends payable		765,547	–
Income tax payable		191,994	217,264
Other taxes payable		28,951	34,556
Contract liabilities		593,432	432,867
Lease liabilities		6,118	7,870
		<u>2,988,275</u>	<u>2,087,198</u>
Net Current Assets		<u>1,442,183</u>	<u>1,770,365</u>
Total Assets Less Current Liabilities		<u><u>3,835,047</u></u>	<u><u>4,074,121</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*AS AT 30 JUNE 2023*

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Capital and Reserves		
Share capital	16,769	16,769
Reserves	<u>3,477,410</u>	<u>3,722,434</u>
Equity attributable to owners of the Company	3,494,179	3,739,203
Non-controlling interests	<u>123,045</u>	<u>133,825</u>
Total Equity	<u>3,617,224</u>	<u>3,873,028</u>
Non-Current Liabilities		
Deferred tax liabilities	95,811	103,088
Lease liabilities	6,145	9,138
Financial liabilities at FVTPL	<u>115,867</u>	<u>88,867</u>
	<u>217,823</u>	<u>201,093</u>
	<u><u>3,835,047</u></u>	<u><u>4,074,121</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was established in the Cayman Islands as an exempted company with limited liability on 12 December 2016. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 10 July 2020. The immediate and ultimate holding company of the Company is Greentown China Holdings Limited ("**Greentown China**"), a company listed on the Main Board of the Stock Exchange and incorporated in the Cayman Islands.

The Company is an investment holding company. The principal activity of the Group is to provide project management services.

The functional currency of the Company is Renminbi ("**RMB**"), which is the same as the presentation currency of the condensed consolidated financial statements.

In addition, the condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

The application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue recognised over time:		
Commercial project management	1,064,837	764,732
Governmental project management	395,187	381,287
Others	88,985	112,490
	<u>1,549,009</u>	<u>1,258,509</u>

(ii) Segment information

An analysis of the Group's revenue and results by reportable and operating segments for the interim period is as follows:

For the six months ended 30 June 2023

	Commercial project management RMB'000	Governmental project management RMB'000	Others RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue						
External revenue	1,064,837	395,187	88,985	1,549,009	–	1,549,009
Inter-segment revenue	88,643	317,897	1,585	408,125	(408,125)	–
Total	<u>1,153,480</u>	<u>713,084</u>	<u>90,570</u>	<u>1,957,134</u>	<u>(408,125)</u>	<u>1,549,009</u>
Segment results	<u>393,538</u>	<u>71,399</u>	<u>57,006</u>	<u>521,943</u>	<u>219</u>	<u>522,162</u>
Unallocated other income						7
Unallocated loss from changes in fair value of financial assets at FVTPL						(9,616)
Unallocated administrative expenses						(10,123)
Unallocated finance costs						(19)
Unallocated exchange losses						(16,872)
Unallocated license fee						(23,391)
Profit for the period						<u>462,148</u>

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) Segment information (continued)

An analysis of the Group's revenue and results by reportable and operating segments for the interim period is as follows: (continued)

For the six months ended 30 June 2022

	Commercial project management <i>RMB'000</i>	Governmental project management <i>RMB'000</i>	Others <i>RMB'000</i>	Segment total <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue						
External revenue	764,732	381,287	112,490	1,258,509	–	1,258,509
Inter-segment revenue	<u>30,284</u>	<u>254,497</u>	<u>921</u>	<u>285,702</u>	<u>(285,702)</u>	<u>–</u>
Total	<u>795,016</u>	<u>635,784</u>	<u>113,411</u>	<u>1,544,211</u>	<u>(285,702)</u>	<u>1,258,509</u>
Segment results	<u>284,397</u>	<u>46,029</u>	<u>57,906</u>	<u>388,332</u>	<u>219</u>	<u>388,551</u>
Unallocated other income						9
Unallocated gain from changes in fair value of financial assets at FVTPL						4,504
Unallocated administrative expenses						(7,795)
Unallocated finance costs						(7)
Unallocated exchange gains						273
Unallocated license fee						<u>(19,836)</u>
Profit for the period						<u><u>365,699</u></u>

4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from:		
– bank balances	19,757	14,658
– loans to third parties	21,115	36,228
– loans to related parties	21,095	480
	<u>61,967</u>	<u>51,366</u>
Dividends from an equity instrument at FVTOCI	22,000	15,000
Government grants (<i>Note</i>)	12,507	14,783
Gross rental income from investment properties	465	55
Others	–	3
	<u>96,939</u>	<u>81,207</u>

Note: The amounts were mainly accounted for (i) tax refunds and benefits, and (ii) enterprise development supports received from PRC government authorities, which have no condition imposed.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss from changes in fair value of financial liabilities at FVTPL	(27,000)	(2,458)
Exchange (losses) gains	(16,872)	273
(Loss) gain from changes in fair value of financial assets at FVTPL	(8,901)	6,596
Gain (loss) on disposal of property, plant and equipment	105	(48)
Gain on early termination of leases	215	–
Others	15	(385)
	<u>(52,438)</u>	<u>3,978</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on loan from third parties	(1,501)	(1,866)
Interest expenses on loan from related parties	(750)	(1,025)
Interests on lease liabilities	(426)	(454)
Others	(45)	(265)
	<u>(2,722)</u>	<u>(3,610)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	153,852	113,426
(Over) under provision in prior years:		
– EIT	(3,172)	1,266
Deferred tax:		
– Current period	(19,008)	(13,560)
	<u>131,672</u>	<u>101,132</u>

The Company is registered as an exempted company and as such is not subject to Cayman Islands taxation.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable income subjected to Hong Kong Profits Tax.

PRC EIT is recognised based on management’s best estimate of the annual income tax rate expected for the full financial year. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25%, with the exception of Greentown Construction Management Co., Ltd. 綠城建設管理集團有限公司 (“**Greentown Construction Management**”).

Greentown Construction Management was accredited as a “High and New Technology Enterprise” on 4 December 2019 which was renewed on 24 December 2022 and it may entitle to a preferential tax rate of 15% for a three-year period commencing from the year of accreditation, subject to certain conditions. Accordingly, the applicable EIT rate of Greentown Construction Management for the six months ended 30 June 2023 is 15% (six months ended 30 June 2022: 15%).

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.30 per share (six months ended 30 June 2022: RMB0.20 per share in respect of the year ended 31 December 2021) and a special dividend of RMB0.08 per share (six months ended 30 June 2022: nil) in respect of the year ended 31 December 2022 were declared to owners of the Company, in an aggregate amount of HKD850,661,000 equivalent to RMB766,361,000 (six months ended 30 June 2022: HKD460,391,000 equivalent to RMB391,595,000), including a dividend of HKD20,351,000 equivalent to RMB18,334,000 (six months ended 30 June 2022: HKD4,906,000 equivalent to RMB4,173,000) distributed to the treasury shares held by the Group for share award schemes. The final dividend was subsequently paid on 26 July 2023. As at 30 June 2023, the dividend payable to Greentown China is HKD606,322,000 equivalent to RMB559,029,000.

The directors of the Company have determined that no dividend will be declared in respect of the current interim period (six months ended 30 June 2022: RMB nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to owners of the Company	<u>473,615</u>	<u>360,825</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,954,670	1,937,080
Effect of dilutive potential ordinary shares:		
Share awards	<u>39,226</u>	<u>23,751</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,993,896</u>	<u>1,960,831</u>

10. INTANGIBLE ASSETS

The intangible assets held by the Group are the contractual rights from the project management contracts with the project owners, which were arisen from the acquisition of Greentown Shangli Construction Management Co., Ltd. 綠城嶠里建設管理有限公司 (“**Greentown Shangli**”), formerly named as Zhejiang Shangli Construction Management Co., Ltd. 浙江嶠里建設管理有限公司 from third parties during six months ended 30 June 2022. The fair value of the intangible assets acquired at the acquisition date was RMB465,717,000.

The intangible assets have finite useful lives and are amortised on a straight-line basis over a period of approximately eight years, which is the estimated weighted average remaining contractual period of the project management contracts acquired. The amortisation of the intangible assets charged for the current interim period is RMB29,108,000 (six months ended 30 June 2022: RMB24,256,000).

11. OTHER LONG-TERM RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Fixed interest rate other long-term receivables:		
– unsecured and unguaranteed loans to a related party	271,456	266,653
– secured loans to third parties (<i>Note</i>)	240,000	221,000
	<u>511,456</u>	<u>487,653</u>
Less: allowance for credit losses	1,309	1,488
	<u>510,147</u>	<u>486,165</u>
Analysed as		
Current	240,000	221,000
Non-current	270,147	265,165
	<u>510,147</u>	<u>486,165</u>

Note: As at 30 June 2023, the carrying amount of loans to third parties is amounting to RMB240,000,000 (31 December 2022: RMB221,000,000) with terms of two to two and a half years (31 December 2022: two to two and a half years) and repayable in full on the respective maturity dates. The fixed interest rate of loans is 6% (31 December 2022: 6%) per annum. The loans are pledged with collaterals such as land use rights, shareholders' interests and trade receivables of the borrowers. The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrowers. As at 30 June 2023, the directors of the Company consider there is no significant changes in the debtors' credit quality and their related collateral pledged for the other long-term receivables, and therefore the Group did not recognise a loss allowance for the other long-term receivables as a result of these collaterals.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	201,874	216,948
Less: allowance for credit losses	<u>24,758</u>	<u>27,716</u>
Trade receivables, net of allowance for credit losses	<u>177,116</u>	<u>189,232</u>
Other receivables	653,543	600,957
Less: allowance for credit losses	<u>2,626</u>	<u>3,367</u>
Other receivables, net of allowance for credit losses	650,917	597,590
Dividends receivables	16,000	—
Prepayments	<u>7,120</u>	<u>37,108</u>
	<u>851,153</u>	<u>823,930</u>

Included in the trade receivables were bills receivables amounted to RMB8,922,000 as at 30 June 2023 (31 December 2022: RMB25,166,000). All bills received by the Group are with a maturity period of less than one year.

Included in other receivables were loans to third parties amounting to RMB440,000,000 (31 December 2022: RMB421,000,000) (collectively with interest receivable of RMB21,978,000 (31 December 2022: RMB7,961,000)) as at 30 June 2023. The loans are expected to be recovered within one year which carries fixed interest rate from 6% to 15% (31 December 2022: 6% to 15%) per annum. The loans are pledged with collaterals such as land use rights, shareholders' interests, constructions in progress and trade receivables of the borrowers. The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. As at 30 June 2023, the directors of the Company consider there is no significant changes in the debtors' credit quality and their related collateral pledged for such advance, and therefore the directors of the Company are in the view that there have been no significant increase in credit risk nor default because the balance of loans is not past due as at the reporting date.

The Group does not normally allow a credit period to its customers. For the receivables balance which has been past due more day 90 days, the directors of the Group consider certain past due balances are not in default since certain balances could be recovered based on the historical repayment pattern of overdue receivables and the financial conditions of corresponding customers.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an age analysis of trade receivables (including bills receivables), net of allowance for credit losses, presented based on the invoice date.

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 180 days	149,167	123,689
180 – 365 days	13,663	39,392
Over 365 days	14,286	26,151
	<hr/>	<hr/>
Total	177,116	189,232

13. CONTRACT ASSETS

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Project management service		
Contract assets	637,261	613,751
Less: allowance for credit losses	44,059	39,859
	<hr/>	<hr/>
	593,202	573,892

14. TRADE AND OTHER PAYABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables	26,845	15,893
Other payables	894,675	889,833
Payroll payable	149,267	240,455
Dividends payable to minority interests	–	618
Provision for share of losses of joint ventures exceeded interests invested	20,512	26,418
Provision for share of losses of associates exceeded interests invested	835	58
	<u>1,092,134</u>	<u>1,173,275</u>

Included in other payables were unsecured and unguaranteed advances from third parties of RMB25,000,000 (31 December 2022: RMB25,000,000) as at 30 June 2023. The advances are expected to be settled within one year which carry interest at 12% to 15% (31 December 2022: 12% to 15%) per annum.

The following is an aged analysis of trade payables presented based on the invoice date.

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	25,301	14,989
1 – 2 years	883	807
2 – 3 years	661	–
More than 3 years	–	97
	<u>26,845</u>	<u>15,893</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Overview

With the changes in national policies and the macro-control pressure on the real estate industry, the scale of land and capital resources possessed by state-owned enterprises, local urban investment companies, and financial institutions is expected to increase continuously, which is in line with the trend of “separation of investment and development” in developed countries. The project management model has become an important platform for undertaking development services and will experience growth in scale under the joint influence of policies and market forces.

With the endorsement by central enterprises, its first-mover advantages, leading effects and nationwide presence, and combining with forward-looking market research and judgment, the Company has upgraded its business model, optimized customer structure, focused on regional structure, and provided higher-quality customized services to B-end customers with “M Climbing Model (M登山模型)” and created better community services for C-end owners with “Fortunate Community”. The new business has been growing steadily, with both revenue and profit continuing to rise, and the Company has maintained its position as the leading firm in the project development industry.

During the Reporting Period, revenue of the Company reached RMB1,549.0 million, representing an increase of 23.1% from RMB1,258.5 million for the corresponding period of last year. The gross profit was RMB806.2 million, representing an increase of 27.0% from RMB634.7 million for the corresponding period of last year; the comprehensive gross profit margin rate during the Period reached 52.0%, an increase of 1.6 percentage points over 50.4% in the same period last year; the net profit attributable to shareholders of the Company was RMB473.6 million, representing an increase of 31.3% compared with RMB360.8 million for the corresponding period of last year. The net cash flow from operating activities of the Company reached RMB593.0 million during the Reporting Period, and the Company had no bank liabilities and sufficient cash flow.

II. The Macro Market

During 2022, the overall newly expanded area in the project management industry exceeded 100 million square meters for the first time. Under the trend of de-financialization of real estate industry and decentralization of investment, with growing business opportunities from clients such as the government, state-owned enterprises, urban investment companies and financial institutions, which will form a diversified investment landscape.

Government services: Many cities across the country have introduced measures to increase the scale of affordable housing construction. Apart from the traditional resettlement housing, the demands for public rental housing, talent apartments, co-ownership property housing and other new types of affordable housing construction increased. Business opportunities for diversified urban services such as industrial parks, urban and industrial integration, and municipal facilities have also rapidly grown. Provincial-level units have successively introduced the project management model of government investment, which provides broad opportunities for project management of government and receives policy support.

State-owned enterprise services: The results of multiple rounds of centralized land supply illustrate that the proportion of land acquisition by state-owned enterprises and local urban investment has increased, and they have accumulated a large pool of construction lands in the past. This type of land owners needs professional project management service providers, so that high-quality development goals will be attained, and preservation and appreciation of state-owned assets will be realized.

Capital owner services: During the period of real estate fluctuation, financial institutions continued to intervene in housing-and-land-related rescue projects under the “Ensure the delivery of properties (保交樓)” policy, resulting in rapid growth in scale and more diversified models. Through methods such as brand renewal, sales activation, resumption of work and production, and guaranteed delivery of quality products, the project management model has contributed to improvement of credit for the projects, achieving a win-win situation for all parties involved.

III. Management Measures

Based on the analysis of the macro-market and the Company’s core strengths above, we adopted the following measures in the first half of 2023:

1 Maintain its industry leadership with nationwide business presence

In the first half of 2023, the Company maintained its No. 1 position in the field of real estate asset light development. It has maintained a market share of over 20% in the project management market for seven consecutive years, and was awarded the “2023 TOP 1 Enterprise of Project Management in Real Estate Development” (「2023房地產開發企業代建地產TOP 1」) by China Real Estate Association, the “Outstanding Enterprise in Project Management Operation of Listed Companies” (「上市公司代建運營優秀企業」) of 2023 China Real Estate, the “2023 Leading Enterprise in Real Estate Project Management Operation in China” (「2023中國房地產代建運營引領企業」) and “2023 Leading Enterprise in Real Estate Project Management Operation for the Government in China” (「2023中國房地產政府代建運營引領企業」) by the China Index Academy.

As of 30 June 2023, the Company’s project management projects were distributed in 123 major cities in 28 provinces, municipalities and autonomous regions in China. The total GFA of the contracted projects was 113.6 million square meters, representing an increase of 20.4% over the corresponding period last year.

With nationwide presence, major economic regions (including: Bohai Rim Economic Zone, Beijing-Tianjin-Hebei urban agglomeration, Yangtze River Delta Economic Zone, Pearl River Delta Economic Zone, and Chengdu-Chongqing urban agglomeration) continued to maintain a relatively large project proportion: the estimated total saleable value of these contracted projects reached RMB630.3 billion, accounting for 76.6% of the total saleable value, among which projects in the Yangtze River Delta Economic Zone of RMB266.0 billion accounted for 32.3%, projects in the Bohai Rim Economic Zone and Beijing-Tianjin-Hebei urban agglomeration of RMB201.4 billion accounted for 24.5%, projects in the Pearl River Delta Economic Zone of RMB121.1 billion accounted for 14.7%, and projects in Chengdu-Chongqing urban agglomeration of RMB41.8 billion accounted for 5.1%.

2 *Diversified customer structure to help growth against the downward trend*

The Company adapts to changes in the industry landscape and adjusts its business structure in a timely manner. It continuously deepens business opportunities in state-owned enterprises, financial institutions and other fields, and keeps consolidating its own strengths and industry influence.

In the first half of 2023, the Company's new business scale expansion maintained its growth against the downward trend. The total GFA of new contracted project management projects was 17.3 million square meters, representing an increase of approximately 30.6% over the corresponding period last year; among them, the government, state-owned enterprises and financial institutions accounted for 79.9%. The estimated project management fee of new project management project was RMB5.12 billion, an increase of approximately 26.3% over the corresponding period last year; among them, the government, state-owned enterprises and financial institutions accounted for 75.2%.

Besides residential projects, new diversified businesses also include industry parks, public rental housing, talent apartments, co-ownership property housing, future communities, municipal facilities, commercial, hotels, offices, and others.

As of 30 June 2023, according to the total GFA of contracted projects, the government projects were 31.9 million square meters, accounting for 28.1%; the projects entrusted by state-owned enterprise were 34.7 million square meters, accounting for 30.5%; the projects entrusted by private enterprises were 38.7 million square meters, accounting for 34.1%; and the projects entrusted by financial institutions were 8.3 million square meters, accounting for 7.3%.

3 *Strengthen service capabilities and improve business performance*

At the core of the project management business model lies business performance. In order to better improve the business performance and client satisfaction, the Company has implemented the following measures:

The Company has been continuously optimizing its internal system and mechanism, including establishing an evaluation mechanism for business performance, optimizing the assessment and incentive mechanism, and adjusting the organizational structure to further streamline authorization and flatten its management. We have implemented share award schemes to achieve long-term stability for our core team and to incentivize our management. The Company has undertaken measures such as simplifying the decision-making process, improving operation efficiency, enhancing management quality, and upgrading digital infrastructure to improve project business performance and increase client satisfaction from multiple perspectives including product, marketing, operations, and supply chain.

4 *Accumulate its own experience and share knowledge*

The Company summarized its 12-year experience in project management services to launch the “M Climbing Model” for B-end customers. As the first B-end service system in the project management industry, the “M Climbing Model” covering a total of 6 major camps and 23 service actions, comprehensively regulates the B-end service nodes, standards, feedback, assessment and other mechanisms to enhance the service awareness of the project management team. Also, the concrete form of expression employed helps to reduce the cognitive deviations between the customers and the project management team, which facilitates the integration of both teams, improving information transparency, and enabling efficient decision-making.

The Company believes that knowledge sharing is beneficial to social progress. The “M Climbing Model” and the “Greentown M’ app” serve as carriers for sharing the Company’s development experience to the entire industry and society by setting up of a “Visitor Portal”. It aims to promote improvements in overall product quality and services within the industry, lead the development of real estate development services towards standardization, and foster the healthy and high-quality growth of the industry.

5 *Promote the common prosperity of the industry and establish the project management association*

The Company is committed to promoting the mutual visits and value promotion within the project management industry. Since December 2020, it has been preparing to form the Asset Light Alliance and led its establishment in May 2021. In November 2022, the Company had represented the project management enterprises in delivering speeches at the National Housing Association Forum and hosted activities such as the Asset Light Alliance seminar.

The Company is actively communicating with the real estate authorities and industry associations to promote the preparation for the establishment of the China real estate project management sub-committee. By fulfilling the responsibility mission as the industry-leading enterprise and building an alliance ecological platform, the Company aims to promote the overall scale of the project management industry.

IV. Business Outlook

Based on the current downward trend of China’s economy and real estate industry, we predict that the development scale of China’s real estate market during the medium term will maintain at around 1 billion square meters, of which the new supply of government-led affordable housing and rental properties will account for over 30%; financial institutions’ bailout and proactive investment in real estate will be further increased to 20%; and the remaining 50% of the market will be dominated by state-owned enterprises and central enterprises, thus causing the concentration effect of leading companies.

Against the backdrop of more non-professional development enterprises entering the real estate business, the demand for professional project management services will grow steadily, and the penetration rate of China's project management industry is expected to reach over 30%. The Company will maintain and expand its leading position in the industry. We will leverage the endorsement of central enterprises and the credibility of listed companies and other entities, to seize the opportunities raised by policies and trends, optimize our regional and customer structure, and lead the industry development by promoting and establishing industry standards, with the aim of delivering outstanding performance to our customers and stakeholders.

The Company strives to become the largest real estate development service provider in China.

FINANCIAL ANALYSIS

For the six months ended 30 June 2023, the Group has achieved:

Revenue

Revenue of RMB1,549.0 million, representing a year-on-year increase of 23.1% compared with RMB1,258.5 million in January to June 2022. Revenue is derived from three types of businesses: (i) commercial project management; (ii) government project management; and (iii) other services, which are listed as follows by business segments:

	2023		For the six months ended 30 June 2022		Change (%) Increase/ (Decrease)
	RMB'000 (Unaudited)	% of total revenue	RMB'000 (Unaudited)	% of total revenue	
Revenue					
From commercial project management					
(1) Self-operated	1,064,837	68.8	764,732	60.8	39.2
(2) Cooperation with business partners	670,951	43.3	461,102	36.7	45.5
	393,886	25.5	303,630	24.1	29.7
From government project management					
(1) Self-operated	395,187	25.5	381,287	30.3	3.6
(2) Cooperation with business partners	381,161	24.6	354,632	28.2	7.5
	14,026	0.9	26,655	2.1	-47.4
Other services	88,985	5.7	112,490	8.9	-20.9
Total	1,549,009	100.0	1,258,509	100.0	23.1

During the Period:

- (i) commercial project management is still the largest source of revenue and profit for the Group, with revenue of RMB1,064.8 million from January to June 2023, accounting for 68.8% of the total revenue, increased by RMB300.1 million or 39.2% compared with RMB764.7 million in the same period of 2022. The main reason for the increase is the trends of de-financialization of real estate industry and decentralization of investment, which has led to an increase in project management opportunities from the government, state-owned enterprises, urban investment companies and financial institutions and other clients. The Company takes advantage of its own brand, management and resource integration, to actively participate in the project management services for bailout and urban investment underpinning projects, resulting in rapid revenue growth.
- (ii) revenue from government project management reached RMB395.2 million, accounting for 25.5% of the overall revenue, representing an increase of 3.6% compared with RMB381.3 million in the same period in 2022. The main reason for the increase was that under the guidance of the national policy, apart from the traditional resettlement housing, the demands for public rental housing, talent apartments, co-ownership property housing and other new types of affordable housing construction increased. Business opportunities for diversified urban services such as industrial parks, urban and industrial integration, and municipal facilities have begun to emerge. The Company has responded to the market demand by proactively expanding its business scope, and the diversification of its business operations has driven the revenue growth.
- (iii) revenue from other services was RMB89.0 million, accounting for 5.7% of the total revenue. The increase was mainly because a project tendered by Greentown Real Estate Group Co., Ltd. and managed by Greentown Project Management Group as the Company did not obtain the grade one qualification for real estate development prior to listing achieved a revenue of RMB66.7 million during the Period.

Costs of Services

During the Period, the costs of services were RMB742.9 million, representing an increase of 19.1% from RMB623.8 million in the same period in 2022. The increase was mainly attributable to the increase of revenue from the commercial project management business, leading the labor costs and costs of services paid to business partners increased.

Gross Profit

The gross profit was RMB806.2 million, representing an increase of 27.0% from RMB634.7 million in the same period in 2022. The gross profit margin was 52.0%, representing an increase of 1.6 percentage points compared with 50.4% in the same period in 2022.

- The gross profit margins of the three business segments are: 51.5% for commercial project management, 44.8% for government project management and 90.7% for other services, compared to 49.7%, 42.2% and 83.6%, respectively, for the same period in 2022.

- The gross profit margin of commercial project management was 51.5%, representing an increase of 1.8 percentage points compared with 49.7% in the same period in 2022, mainly due to the Company’s optimization of the compensation system, strengthening of performance appraisal and cost control measures. The Company was able to effectively control costs even as the income from self-operated projects increased significantly, resulting in an improvement in the overall gross profit margin of commercial project management.
- The gross profit margin of government project management was 44.8%, an increase of 2.6 percentage points from 42.2% in the same period in 2022. The increase in gross profit margin was primarily attributed to the enhancement of management effectiveness resulting from the scale effects of government project management.
- The gross profit margin of other services was 90.7%. The higher gross profit margin was mainly due to the revenue of RMB66.7 million derived from a project during the Period which was tendered by Greentown Real Estate Group Co., Ltd. and managed by Greentown Project Management Group as the Company did not obtain the grade one qualification for real estate development prior to its listing, the service cost of the project was recorded at Greentown Real Estate Group Co., Ltd., and the Company recognized the revenue based on the net gain of the project settled with Greentown Real Estate Group Co., Ltd..

Other Income

During the Period, other income of the Group was RMB96.9 million, an increase of 19.3% from RMB81.2 million in the same period in 2022. The increase in other income was mainly due to an increase in revenue from providing financial services for project management projects during the Period by RMB5.5 million compared with the corresponding period of last year, and an increase in dividend received by the Company from financial assets at FVTOCI for the Period by RMB7.0 million compared with the corresponding period of last year.

Other Gains/Losses

During the Period, the other losses of the Group was RMB52.4 million, the losses were mainly due to: (1) the equity acquisition of Shangli Company have caused an increase in the evaluation value of the consideration of RMB27.0 million; (2) the decrease in fair value of financial assets of RMB8.9 million; and (3) exchange loss on foreign currency assets and liabilities of RMB16.9 million.

Administration Expenses

Administration expenses were RMB229.3 million, representing an increase of 2.1% from RMB224.6 million in the same period in 2022. The increase was mainly due to the fact that the Company has implemented a new round of equity incentive plan in April 2022, and cost sharing of the equity incentive plan led to an increase in administrative expenses during the Period.

Profit during the Period

During the Period, the net profit was RMB462.1 million, representing an increase of 26.4% from RMB365.7 million in the same period in 2022. The net profit during the Period attributable to the shareholders of the Company was RMB473.6 million, representing an increase of 31.3% from the net profit attributable to shareholders of the Company of RMB360.8 million in the same period in 2022.

Trade and Other Receivables

As at 30 June 2023, trade and other receivables amounted to RMB851.2 million, representing an increase of 3.3% from RMB823.9 million at the end of 2022. The increase was mainly due to an increase of RMB62.8 million in the collection and payment nature of other receivables. Meanwhile, trade receivables decreased by RMB15.1 million at the end of 2022, and the turnover days improved from 29 days in 2022 to 24 days in the Period as a result of 17% improvement in the turnover rate.

Trade and other receivables, amounts due from related parties, and other long-term receivables include loans to independent third parties and related parties, the loans were granted to the relevant parties in order to increase the market share of the Company's project management business and improve client satisfaction, which is beneficial to the development of the Company's main business.

Contract Asset

As at 30 June 2023, the Group's contract assets were RMB593.2 million, representing an increase of 3.4% from RMB573.9 million at the end of 2022. Contract assets reflect the amount of the Company's part of the project that has fulfilled its obligations but has not yet reached the collection point agreed in the contract. The increase in the Period was mainly due to the increase in contract assets of commercial project management projects with the business partners, which will be transferred to cash inflows from the Company's operating activities in the future.

Trade and Other Payables

As at 30 June 2023, the Group's trade and other payables amounted to RMB1,092.1 million, representing a decrease of 6.9% from RMB1,173.3 million at the end of 2022. The decrease was mainly attributable to a decrease of RMB91.2 million in employees' compensation payables due to the issuance of the previous year's year-end bonus in the Period compared to the beginning of the year.

Capital Structure

As at 30 June 2023, the total equity of the Group reached approximately RMB3,617.2 million, representing a decrease of RMB255.8 million from RMB3,873.0 million at the beginning of 2023. Specifically, equity attributable to shareholders of the Company was approximately RMB3,494.2 million, representing a decrease of approximately RMB245.0 million from RMB3,739.2 million at the beginning of 2023, mainly due to the fact that: (1) the Company achieved net profits of approximately RMB462.1 million in January to June 2023; (2) the cost sharing of options of RMB34.3 million led to the increase in equity attributable to shareholders of the Company; and (3) the distribution of cash dividends to shareholders of the Company during the Period resulted in a decrease of RMB748.0 million in equity attributable to shareholders of the Company.

As at 30 June 2023, the Company had a total of 2,010,000,000 shares in issue, and had a total market capitalization of approximately HKD12,315 million (based on the closing price on 30 June 2023).

Liquidity and Capital Resources

As at 30 June 2023, the Group had bank deposits and cash (not including pledged bank deposits) of RMB2,533.7 million (31 December 2022: RMB1,933.1 million); and the current ratio was 1.48 times (31 December 2022: 1.85 times). Gearing ratio (interest-bearing debt divided by total equity at the end of the same period) was 1.0% (31 December 2022: 0.9%). The cash flow was very abundant, providing strong support for the Company's future development.

During the Reporting Period, our liquidity was mainly tailored to meet the working capital needs. Internally generated cash flow was the main source of funding for our working capital, capital expenditures and other funding needs.

Debt

During the Reporting Period, the Group had no significant borrowings.

Foreign Exchange Risk

The Group conducts substantially all of its business Mainland in China and in Renminbi. Therefore, the Group is exposed to relatively low foreign exchange risk. However, the depreciation or appreciation of Renminbi and HKD against foreign currencies may have impact on the Group's financial performance. Currently, the Group does not hedge foreign exchange risks, but will continue to closely monitor its exposure to foreign exchange risks. The management will consider hedging foreign exchange risks when the Group becomes materially affected by such risks.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2023.

Pledge of Assets

During the Reporting Period, the Group had no pledge of assets.

Asset Transactions and Significant Investments

During the Reporting Period, the Group had no asset transactions or significant investments other than its ordinary business activities.

Material Acquisitions and Disposals

During the Reporting Period, the Group had no material acquisition and disposal.

Treasury Management

Our treasury function undertakes the responsibility of cash management, liquidity planning and control, provision of cost-efficient financing for the Group, liaison with banks and other related institutions, investment in financial products as well as mitigation of financial risks such as interest and foreign exchanges risks. Our treasury function is designed to align with the long-term and short-term needs of the Group and comply with good governance standard.

Employees and Remuneration Policies

During the Reporting Period, the Group provided diversified training and personal development plans to its employees according to the established human resources policies and systems. The remuneration package offered to the employees was determined by their duties and the prevailing market terms. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Staff benefits, including pension, medical coverage, and provident funds are also provided to employees of the Group.

As at 30 June 2023, the Group had 1,492 employees, essentially the same as the total number of employees as of 31 December 2022. The Company's overall headcount remains stable.

Interim Dividend

The Board unanimously resolved not to declare any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

Corporate Governance Practices

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of its shareholders and to enhance its corporate value and accountability. The Board and the management of the Company are committed to maintaining good corporate governance practices and procedures.

The Company has adopted the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code on the corporate governance. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code for the six months ended 30 June 2023.

The Directors will use their best endeavours to procure the Company to continue to comply with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the Part 2 of the CG Code. Having made reasonable enquiry, no incident of non-compliance with the Model Code by the Company’s relevant employees has been noted during the Period.

REVIEW OF INTERIM RESULTS

The announcement of interim results for the six months ended 30 June 2023 has been reviewed by the Audit Committee and approved by the Board. The auditor of the Company, Deloitte Touche Tohmatsu, has performed a review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” on the interim financial information of the Group for the six months ended 30 June 2023 prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, and issued a review report dated 31 July 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.lcgljt.com). The interim report for the six months ended 30 June 2023 (containing all the information required by Appendix 16 of the Listing Rules) will be dispatched to shareholders of the Company in due course, and published on the websites of the Stock Exchange and the Company.

SUPPLEMENTAL INFORMATION TO 2022 ANNUAL REPORT

Reference is made to the annual report for the year ended 31 December 2022 published by the Company on 21 April 2023 (the “**2022 Annual Report**”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the 2022 Annual Report. This announcement provides supplemental information to the 2022 Annual Report and should be read in conjunction with the 2022 Annual Report.

Further to the disclosures in the sections headed “Share Award Scheme” in the 2022 Annual Report and Note 34 to the consolidated financial statements as set out in the 2022 Annual Report, the Company would like to provide the following additional information in relation to the 2020 Share Award Scheme and 2022 Share Award Scheme.

2020 Share Award Scheme

The share awards under the 2020 Share Award Scheme is funded by existing shares acquired through on-market transactions. As at the date of the 2022 Annual Report, there were 5,120,961 share awards available for grant and the underlying 5,120,961 shares represented approximately 0.255% of the total issued shares of the Company.

The vesting period for the share awards granted on 24 December 2020 under the 2020 Share Award Scheme is 24 December 2020 to 24 December 2023.

2022 Share Award Scheme

The total number of Shares issued in respect of the share awards granted under the 2022 Share Award Scheme during the year 2022 divided by the weighted average number of Shares in issue for the year 2022 was 2.685%.

After the grant of the 52,024,000 share awards on 24 April 2022, the unvested share awards of several employee grantees were forfeited in 2022 due to termination of employment or not reaching the agreed performance targets. The underlying shares of the forfeited share awards were Returned Shares available for further grant pursuant to the scheme rules of the 2022 Share Award Scheme. As at date of the 2022 Annual Report, there were 1,544,000 share awards available for grant under the 2022 Share Award Scheme, with the underlying 1,544,000 shares being existing shares of the Company, representing approximately 0.077% of the total issued shares of the Company.

The vesting period for the share awards granted on 24 April 2022 under the 2022 Share Award Scheme is 24 April 2022 to 24 April 2025. The vesting period for the share awards granted on 28 October 2022 under the 2022 Share Award Scheme is 28 October 2022 to 28 October 2025.

The closing price of the shares of the Company on 22 April 2022, being the trading date immediately before the date of grant of 52,024,000 share awards on 24 April 2022, was HK\$5.75. The closing price of the shares on 27 October 2022, being the trading date immediately before the date of grant of the 2,580,000 share awards on 28 October 2022 was HK\$4.80.

As disclosed on page 175 of the 2022 Annual Report, the share awards granted under the 2022 Share Award Scheme will be vested in three tranches: (i) 30% of the share awards shall vest on the first anniversary date of the grant date; (ii) 30% of the share awards shall vest on the second anniversary date of the grant date; and (iii) 40% of the share awards shall vest on the third anniversary date of the grant date. The estimated fair value per share for each tranche of the share awards granted on 24 April 2022 and 28 October 2022 are set out as below:

Grant date	Vesting tranche	Fair value per share
24 April 2022	The first tranche	HKD4.71
	The second tranche	HKD4.39
	The third tranche	HKD4.14
28 October 2022	The first tranche	HKD3.26
	The second tranche	HKD3.13
	The third tranche	HKD2.97

The above supplemental information does not affect other information contained in the 2022 Annual Report. Save as disclosed above, all other information in the 2022 Annual Report remains unchanged.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders, customers, suppliers, correspondent banks, professional consultants and all the employees for their continuous patronage and support to the Group.

By order of the Board
Greentown Management Holdings Company Limited
Li Jun
Vice Chairman and Executive Director

Hong Kong, PRC, 31 July 2023

As at the date of this announcement, the Board comprises Mr. Guo Jiafeng and Mr. Zhang Yadong as non-executive Directors; Mr. Li Jun, Mr. Wang Junfeng and Mr. Lin Sanjiu as executive Directors; and Mr. Lin Zhihong, Dr. Ding Zuyu and Mr. Chan Yan Kwan Andy as independent non-executive Directors.