Greentown Service Group Co. Ltd.
綠城服務集團有限公司
(A company incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code: 2869)

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

The board (the "**Board**") of directors (the "**Directors**") of Greentown Service Group Co. Ltd. (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Period**"), together with the comparative figures for the same period ended 30 June 2022, as follows.

HIGHLIGHTS

The Group's financial performance:

— Revenue was RMB8,197.0 million, representing an increase of 20.1% year on year ("**y/y**") from the same period of 2022 that was RMB6,827.8 million.

— The Group's revenue arises from four business segments: (i) property services; (ii) community living services; (iii) consulting services; and (iv) technology services. During the Period: (i) property services continued to be the largest revenue and profit contributor for the Group, the revenue from which reached RMB5,251.2 million, accounting for 64.1% of the overall revenue and representing an increase of 20.4% y/y from the same period of 2022 that was RMB4,360.3 million; (ii) as for community living services, the revenue amounted to RMB1,657.2 million, accounting for 20.2% of the overall revenue and representing a y/y increase of 26.5% compared with the same period of 2022 that was RMB1,310.1 million; (iii) as for consulting services, the revenue amounted to RMB1,075.4 million, accounting for 13.1% of the overall revenue, representing an increase of 12.3% y/y from the same period of 2022 that was RMB957.4 million; and (iv) as for technology services, the revenue amounted to RMB213.2 million, accounting for 2.6% of the overall revenue, representing an increase of 6.6% y/y from the same period of 2022 that was RMB200.0 million.

— Gross profit reached RMB1,529.7 million, increasing by 16.6% y/y from the same period of 2022 that was RMB1,312.4 million. Gross profit margin was 18.7%, representing a decrease of 0.5 percentage point from 19.2% for the same period of 2022.

— Core profit for the operations# reached RMB709.9 million, representing an increase of 20.2% from RMB590.3 million for the same period of 2022.

— Profit for the Period was RMB432.4 million, representing an increase of 18.1% as compared to RMB366.3 million for the same period of 2022. Net profit margin for the Period was 5.27%, representing a slight decrease from 5.36% for the same period of 2022.

— During the Period, the profit attributable to equity shareholders of the Company was RMB415.5 million, representing an increase of 21.8% as compared to RMB341.1 million for the same period of 2022.

— Basic earnings per share was RMB0.13, based on the weighted average of 3,232,380,000 ordinary shares during the Period.

— As at 30 June 2023, the Group's cash and cash equivalents amounted to RMB3,694.9 million, decreasing by 11.7% from RMB4,183.4 million as at 31 December 2022.

— The Board resolved not to declare any interim dividend for the Period.

Core profit for the operations = Gross profit – Administrative expenses – Selling and marketing expenses

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**8,197,035**	6,827,792
Cost of sales		**(6,667,325)**	(5,515,399)
Gross profit		**1,529,710**	1,312,393
Other revenue	*4*	**45,555**	67,739
Other net income	*4*	**8,624**	19,549
Selling and marketing expenses		**(147,071)**	(119,630)
Administrative expenses		**(672,789)**	(602,449)
Impairment losses on trade and other receivables		**(115,897)**	(100,343)
Other operating expenses		**(127,032)**	(78,814)
Profit from operations		**521,100**	498,445
Finance income		**40,657**	23,095
Finance costs		**(50,630)**	(33,829)
Net finance costs	*5(a)*	**(9,973)**	(10,734)
Share of profits less losses of associates		**87,620**	10,644
Share of profits less losses of joint ventures		**(1,297)**	821
Gain on disposal of subsidiaries		**707**	–
Profit before taxation	*5*	**598,157**	499,176
Income tax	*6*	**(165,773)**	(132,911)
Profit for the period		**432,384**	366,265

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Equity shareholders of the Company		**415,450**	341,107
Non-controlling interests		**16,934**	25,158
Profit for the period		**432,384**	366,265
Other comprehensive income for the period (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Share of other comprehensive income of a joint venture		**31,296**	(29,835)
Financial investments at fair value through other comprehensive income ("**FVOCI**") — net movement in fair value reserves		**(2,254)**	3,066
Exchange differences on translation of financial statements of the Company		**52,088**	97,056
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of a joint venture		**7,571**	754
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,353)**	(1,512)
Total comprehensive income for the period		**519,732**	435,794
Attributable to:			
Equity shareholders of the Company		**502,349**	409,711
Non-controlling interests		**17,383**	26,083
Total comprehensive income for the period		**519,732**	435,794
Earnings per share			
Basic (RMB)	*7(a)*	**0.13**	0.11
Diluted (RMB)	*7(b)*	**0.13**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Investment properties		**388,028**	528,397
Property, plant and equipment		**980,969**	917,242
Right-of-use assets		**941,283**	937,618
Intangible assets		**515,487**	529,028
Goodwill		**664,054**	657,562
Interest in associates		**753,485**	659,203
Interest in joint ventures		**69,357**	28,681
Other financial assets		**1,042,385**	1,038,902
Deferred tax assets		**413,843**	355,640
Trade and other receivables	*10*	**9,129**	215,555
Prepayments		**51,769**	66,546
Time deposits		**245,197**	78,723
		6,074,986	6,013,097
Current assets			
Other financial assets		**855,939**	882,056
Inventories		**611,062**	570,217
Trade and other receivables	*10*	**6,127,010**	4,840,364
Restricted bank balances		**390,003**	364,577
Time deposits		**30,068**	–
Cash and cash equivalents		**3,694,881**	4,183,381
		11,708,963	10,840,595

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current liabilities			
Bank loans		**233,636**	124,294
Contract liabilities		**2,080,254**	1,528,834
Trade and other payables	*11*	**4,877,176**	4,733,736
Lease liabilities		**260,239**	257,762
Current taxation		**712,584**	684,553
Provisions	*12*	**155,938**	58,295
		8,319,827	7,387,474
Net current assets		**3,389,136**	3,453,121
Total assets less current liabilities		**9,464,122**	9,466,218
Non-current liabilities			
Bank loans		**24,576**	186,638
Trade and other payables	*11*	**6,930**	5,000
Lease liabilities		**1,142,564**	1,257,608
Deferred tax liabilities		**106,629**	100,514
Provisions	*12*	**43,171**	40,315
		1,323,870	1,590,075
Net assets		**8,140,252**	7,876,143
Capital and reserves			
Share capital		**28**	28
Reserves		**7,357,152**	7,120,961
Total equity attributable to equity shareholders of the Company		**7,357,180**	7,120,989
Non-controlling interests		**783,072**	755,154
Total equity		**8,140,252**	7,876,143

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi Yuan)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Operating activities		
Cash generated from/(used in) operations	**52,020**	(372,441)
Income tax paid	**(195,238)**	(143,907)
Net cash used in operating activities	**(143,218)**	(516,348)
Investing activities		
Payments for the purchase of investment properties, property, plant and equipment, right-of-use assets and intangible assets	**(179,987)**	(145,333)
Proceeds from disposal of property, plant and equipment	**911**	1,521
Acquisitions of subsidiaries, net of cash acquired	**(1,200)**	(63,198)
Disposals of subsidiaries, net of cash disposed	**33**	–
Payments for purchase of:		
— financial assets classified as fair value through profit or loss ("**FVPL**")	**(650,037)**	(447,926)
— time deposits	**(193,000)**	(270,500)
Proceeds from redemption of:		
— financial assets classified as FVPL	**684,783**	688,809
— listed debt investments	**4,224**	17,450
— time deposits	**–**	520,000
Payment for investment in associates and joint ventures	**(5,636)**	(22,060)
Interest received	**37,115**	33,762
Dividends received from joint ventures	**3,350**	1,000
Investment income received from other financial assets	**7,533**	7,394
Payments for loans and advances	**(89,290)**	(87,695)
Proceeds from repayment of loans and advances	**224,832**	4,000
Net cash (used in)/generated from investing activities	**(156,369)**	237,224

	Note	Six months ended 30 June **2023** *RMB'000*	2022 *RMB'000*
Financing activities			
Proceeds from new bank loans and other borrowings		**280,838**	38,849
Repayment of bank loans		**(336,890)**	(29,825)
Capital injection from non-controlling interests		**10,385**	17,215
Proceeds from exercise of share options		**–**	16,715
Capital element of lease rentals paid		**(101,705)**	(95,861)
Interest element of lease rentals paid		**(34,268)**	(26,512)
Proceeds from partial disposal of equity interests in subsidiaries		**450**	–
Payment for acquisition of non-controlling interests		**–**	(53,250)
Dividends paid to non-controlling interests		**(365)**	(4,261)
Interest paid		**(14,628)**	(7,190)
Net cash used in financing activities		**(196,183)**	(144,120)
Net decrease in cash and cash equivalents		**(495,770)**	(423,244)
Cash and cash equivalents at 1 January		**4,183,381**	4,306,619
Effect of foreign exchange rate changes		**7,270**	30,237
Cash and cash equivalents at 30 June		**3,694,881**	3,913,612

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

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

The interim financial report of the Company as at and for the six months ended 30 June 2023 comprises the Company and its subsidiaries (together referred to as the "**Group**"). The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 25 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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

HKFRS 17, Insurance contracts

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, Income taxes: International tax reform — Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. There is no new tax law implementing the Pillar Two Model enacted or substantively enacted by 30 June 2023 in any one of the jurisdictions in which the Group operates.

3. 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.

Disaggregation of revenue by major service lines is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
Property services	**5,251,206**	4,360,349
Community living services	**1,633,941**	1,298,045
Consulting services	**1,075,360**	957,353
Technology services	**213,239**	199,992
	8,173,746	6,815,739
Revenue from other sources		
Gross rentals from investment properties		
— Community living services	**23,289**	12,053
	8,197,035	6,827,792

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognised over time:		
Property services		
Property services	**5,251,206**	4,360,349
Community living services		
Home living services	**220,112**	98,876
Community space services	**144,218**	118,932
Property asset management services	**37,522**	25,548
Cultural & education services	**335,788**	253,707
	737,640	497,063
Consulting services		
Property under construction services	**946,940**	832,736
Management consulting services	**128,420**	124,617
	1,075,360	957,353
Technology services		
Technology services	**204,533**	157,621
	7,268,739	5,989,552
Revenue recognised at point in time:		
Community living services		
Community products and services	**577,642**	524,071
Property asset management services	**318,659**	276,911
	896,301	800,982
Technology services		
Technology services	**8,706**	42,731
	8,173,746	6,815,739

Disaggregation of revenue from contracts with customers by geographical location is disclosed in note 3(b)(i).

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

(b) Segment reporting

The Group manages its businesses by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following seven reportable segments.

- Region 1: Hangzhou (include Yuhang)
- Region 2: Yangtze River Delta Region (include Ningbo)
- Region 3: Pearl River Delta Region
- Region 4: Bohai Economic Rim Region
- Region 5: Australia
- Region 6: Other overseas and Hong Kong Regions
- Region 7: Other Mainland China Regions

(i) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Six months ended 30 June 2023									
	Hangzhou		Yangtze River Delta Region							
	Hangzhou (exclude Yuhang)	Yuhang Region	Yangtze River Region (exclude Ningbo)	Ningbo Region	Pearl River Delta Region	Bohai Economic Rim Region	Australia	Other overseas and Hong Kong Regions	Other Mainland China Regions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	2,524,780	312,572	2,247,724	514,552	481,066	970,067	277,374	3,807	865,093	8,197,035
Inter-segment revenue	102,551	11,877	29,687	3,193	6,042	1,192	–	–	22,668	177,210
Reportable segment revenue	**2,627,331**	**324,449**	**2,277,411**	**517,745**	**487,108**	**971,259**	**277,374**	**3,807**	**887,761**	**8,374,245**
Reportable segment profit	**124,021**	**14,219**	**263,504**	**69,652**	**37,872**	**20,398**	**5,616**	**(29,513)**	**92,388**	**598,157**
As at 30 June 2023										
Reportable segment assets	**28,701,720**	**731,324**	**8,453,984**	**2,139,921**	**1,464,290**	**2,584,720**	**1,380,530**	**3,624,179**	**2,762,273**	**51,842,941**
As at 30 June 2023										
Reportable segment liabilities	**28,017,740**	**596,944**	**6,397,848**	**1,739,873**	**1,005,684**	**1,827,538**	**1,306,850**	**385,367**	**2,019,475**	**43,297,319**

	Six months ended 30 June 2022									
	Hangzhou		Yangtze River Delta Region							
	Hangzhou (exclude Yuhang)	Yuhang Region	Yangtze River Region (exclude Ningbo)	Ningbo Region	Pearl River Delta Region	Bohai Economic Rim Region	Australia	Other overseas and Hong Kong Regions	Other Mainland China Regions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	2,071,135	297,989	1,958,391	364,830	447,714	839,315	208,003	–	640,415	6,827,792
Inter-segment revenue	37,532	6,682	58,319	38	2,543	2,074	–	–	4,757	111,945
Reportable segment revenue	2,108,667	304,671	2,016,710	364,868	450,257	841,389	208,003	–	645,172	6,939,737
Reportable segment profit	94,721	11,886	214,494	67,525	58,433	15,799	3,202	(37,971)	71,087	499,176
As at 31 December 2022										
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
As at 31 December 2022										
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

(ii) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Reportable segment profits	**598,157**	499,176
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from the Group's external customers	**598,157**	499,176
Consolidated profit before taxation	**598,157**	499,176

4. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Other revenue		
Government grants *(note (i))*	**35,846**	62,295
Others	**9,709**	5,444
	45,555	67,739

(i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities. During the six months ended 30 June 2023, the Group received the additional deduction of input VAT of RMB13,105,858 (six months ended 30 June 2022: RMB21,466,000).

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Other net income		
Net loss on sale of property, plant and equipment	**1,004**	(847)
Net realised and unrealised (losses)/gains on FVPL		
— Convertible bonds	**(2,349)**	–
— Listed equity securities	**21,995**	24,266
— Unlisted equity investments	**(25,851)**	4,433
— Fund	**(18,867)**	–
— Project investment	**30,250**	–
— Treasury products	**7,612**	3,403
Net loss on debt restructuring	**(1,325)**	–
Net foreign exchange losses	**(3,845)**	(11,706)
	8,624	19,549

5. PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income on listed debt instruments	**(1,501)**	(5,412)
Interest income on loans and bank deposits	**(39,156)**	(17,683)
Interest expense on bank loans	**14,628**	7,190
Interest expense on lease liabilities	**39,067**	30,967
Less: interest expense capitalised into assets under construction	**(3,065)**	(4,328)
Net finance costs	**9,973**	10,734

(b) Staff costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Salaries and other benefits	**2,411,423**	2,020,355
Equity settled share-based payment expenses	**22,350**	20,895
Contributions to defined contribution scheme *(note (i))*	**344,245**	289,257
	2,778,018	2,330,507

(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.

(c) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Impairment losses		
— trade and other receivables	**115,897**	100,343
— listed debt investments	**12,503**	51,062
— investment property	**11,709**	–
— interest in an associate	**–**	22,500
	140,109	173,905
Depreciation		
— property, plant and equipment	**96,295**	68,843
— right-of-use assets	**112,448**	97,331
— investment properties	**30,987**	21,309
Amortisation of intangible assets	**24,235**	23,336
Expense relating to short-term leases and other leases	**87,831**	73,527
Cost of inventories	**499,776**	407,744
Outsourcing labor costs	**2,547,123**	2,110,313

6. INCOME TAX

Taxation in profit or loss represents:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax — PRC corporate income tax		
Provision for the period	**211,658**	220,234
Under-provision in respect of prior years	**2,076**	3,562
	213,734	223,796
Current tax — Overseas corporate income tax		
Provision for the period	**5,725**	5,104
Deferred taxation		
Origination and reversal of temporary differences	**(53,686)**	(95,989)
	165,773	132,911

(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 six months ended 30 June 2023 and 2022.

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 2023, the portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% (six months ended 30 June 2022: 12.5%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2022: 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% (six months ended 30 June 2022: 25%) as taxable income amount, and be subject to enterprise income tax at 20% (six months ended 30 June 2022: 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 2023
Zhejiang Greentown Architectural Technology Co., Ltd. (浙江綠城建築科技有限公司)	15%	2020 to 2023

	Concessionary tax rate	Applicable period
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.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB415,450,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB341,107,000) and the weighted average number of 3,232,380,000 ordinary shares (six months ended 30 June 2022: 3,245,779,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
	'000	*'000*
Issued ordinary shares at 1 January	**3,232,380**	3,245,296
Effect of share options exercised	**–**	483
Weighted average number of ordinary shares at 30 June	**3,232,380**	3,245,779

(b) Diluted earnings per share

As at 30 June 2023, potentially dilutive ordinary shares were excluded from the calculation of the diluted weighted average number of ordinary shares, since the weighted average share price during the six months ended 30 June 2023 was below the exercise prices of share options, the effect would have been anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2022 is based on the profit attributable to ordinary equity shareholders of the Company of RMB341,107,000 and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 3,256,417,000 ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 30 June	**3,232,380**	3,245,779
Effect of equity settled share-based transactions	**–**	10,638
Weighted average number of ordinary shares (diluted) at 30 June	**3,232,380**	3,256,417

8. DIVIDEND

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

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

(a) Additions and disposals of investment properties

During the six months ended 30 June 2023, the Group acquired items of leased properties and leasehold improvements with a cost of RMB14,038,000 (six months ended 30 June 2022: RMB49,380,000). The Group acquired items of leased properties of RMB0 through acquisition of subsidiaries (six months ended 30 June 2022: RMB54,235,000).

During the six months ended 30 June 2023, investment property with a net book value of RMB105,542,000 and lease liability of RMB136,477,000 under a certain lease arrangement have been derecognised as the lessor exercised the right of unilateral termination under the lease agreement resulting in a gain on disposal of RMB1,576,000. The Group has also made a provision for impairment loss of RMB11,709,000 for the leasehold improvement affixed to this investment property.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of building office equipment and furniture, motor vehicles, leasehold improvement and construction in progress at cost of RMB153,050,000 (six months ended 30 June 2022: RMB119,780,000). The Group acquired items of office equipment and furniture, leasehold improvement of RMB0 through acquisition of subsidiaries (six months ended 30 June 2022: RMB9,763,000).

Items of office equipment and furniture and motor vehicles with a net book value of RMB1,849,000 were disposed during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB2,368,000), resulting in a loss on disposal of RMB336,000 (six months ended 30 June 2022: RMB847,000).

(c) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of lease agreements for use of office spaces, teaching buildings, service apartments, carparks and retail stores, and therefore recognised the additions to right-of-use assets of RMB110,598,000 (six months ended 30 June 2022: RMB111,721,000).

During the six months ended 30 June 2023, the Group disposed of right-of-use assets with a net book value of RMB1,895,000 and lease liability of RMB1,659,000 (six months ended 30 June 2022: RMB1,132,000) when certain leases of the Group's office spaces and service apartments were expired, resulting in a loss on disposal of RMB236,000 (six months ended 30 June 2022: RMB219,000).

10. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Within 1 year	**3,510,029**	2,672,873
1 to 2 years	**968,794**	733,746
2 to 3 years	**166,825**	58,119
3 to 4 years	**7,373**	14,011
4 to 5 years	**1,126**	343
Over 5 years	**138**	2,538
	4,654,285	3,481,630
Trade receivables from third parties	**5,064,757**	3,805,724
Less: allowance for impairment of trade receivables	**(410,472)**	(324,094)
Total trade and bills receivable from third parties, net of loss allowance	**4,654,285**	3,481,630
Less: trade receivables due after one year, net of loss allowance	**–**	–
	4,654,285	3,481,630
Other receivables, net of loss allowance	**756,064**	851,365
Amounts due from related parties		
— trade nature	**42,859**	29,504
— non-trade nature	**44,211**	70,388
Amounts due from staff	**17,520**	17,937
Total other receivables, net of loss allowance	**860,654**	969,194
Less: other receivables due after one year, net of loss allowance	**(9,129)**	(215,555)
	851,525	753,639
Financial assets measured at amortised cost	**5,505,810**	4,235,269
Deposits and prepayments	**621,200**	605,095
	6,127,010	4,840,364

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

As at the end of the reporting period, detailed information about other receivables and the loss allowance is as follows:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Other receivables		
— Related parties	**106,573**	99,892
— Third parties	**816,464**	725,272
Less: allowance for impairment of other receivables	**(71,512)**	(71,525)
	851,525	753,639

11. TRADE AND OTHER PAYABLES

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Trade payables	**1,755,514**	1,924,162
— Billed trade payables	**1,520,100**	1,783,300
— Accrued trade payables	**235,414**	140,862
Bills payable	**83,449**	226,734
Trade payables	**1,838,963**	2,150,896
Less: trade payables due after one year	**(6,930)**	(5,000)
Trade payables (current)	**1,832,033**	2,145,896
Refundable deposits	**599,533**	537,477
Accrued payroll and other benefits	**349,745**	504,880
Escrow funds held on behalf of customers	**47,794**	45,900
Cash collected on behalf of the owners' associations	**290,235**	272,609
Other payables and accruals	**305,393**	262,656
Temporary receipts	**617,107**	502,237
Amounts due to related parties	**103,803**	109,166
Loan from a third party	**23,428**	22,698
Dividends payable to equity shareholders	**298,019**	–
Other tax and charges payable	**410,086**	330,217
	4,877,176	4,733,736

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

	At **30 June** **2023** ***RMB'000***	At 31 December 2022 *RMB'000*
Within 1 month	**1,067,774**	1,319,800
After 1 month but within 3 months	**146,490**	135,019
After 3 months but within one year	**205,713**	183,618
After one year	**100,123**	144,863
	1,520,100	1,783,300

12. PROVISION

References are made to the announcements of the Group dated 19 July 2022, 20 October 2022, 21 March 2023 and 21 August 2023 in respect of the claim proceedings that the Group is involved because of joint liability with a third party for an associate under a lease arrangement. As at 30 June 2023, the Group has made provision of RMB111,415,000 for what may be required for the settlement of this claim.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby report the results of the Group for the six months ended 30 June 2023.

Currently, the private economy and the real estate industry are under significant adjustments simultaneously, which presents opportunities to seek vitality from the market, stimulate momentum from consumption and accumulate strength for development. Over the past 20 years, the property industry has also experienced momentous changes of a like not seen, but no matter how the industry changes internally and externally, people's yearning for a better life remains unchanged. As the industry witnesses higher degree of specialisation, social concern and synergies in people's livelihood, we are urged to bear in mind the original aspiration of the industry and return to the origin of our services.

"Persisting in original intention of our services when navigating through the industry cycle". With the changes in the macro environment of the domestic real estate industry, the property industry is also experiencing dramatic changes, namely resuming rationality from irrationality to return to the origin of the industry that is focused on customer demands. We believe that only by adhering to our service origins to construct a long-term development system featuring stability as top priority, quality first and property owners being foremost by down-to-earth efforts to continually refine our capacities to provide services, can we satisfy the growing demands of people for our services and navigate through the industry cycle. We have always been committed to providing services that are legal and compliant because it is the foundation of every enterprise. In line with this, the Group, together with Vanke Property, Chang Cheng Property and China Overseas Property have signed a "Residential Property Service Initiative" to promote integrity and accountability across the industry. We insist on providing services based on equality and sincerity in a faith that goodwill conveys goodwill. To authentically demonstrate our beliefs, we have implemented initiatives such as the Dolphin Program, Schima Superba Program, and Yile Academy. Additionally, we place great emphasis on maintaining a strong brand reputation through our services, as customer satisfaction is the ultimate measure of our service quality. Our commitment to excellence has earned us recognition as one of the "Top 100 Property Service Enterprises with High-Quality Service Capability in China 2023" awarded by the China Real Estate Intelligence Institute and China Real Estate Research Institute (both are independent third-party organizations). It is such unwavering commitments that support our steady progress and growth, reflecting our deep reverence for the essence of the industry and our steadfast dedication to our property owners.

"Upholding a long-term position and extending the breadth of our services". Despite industry fluctuations during such changing time, like how having solid ground provides us the platform with which we could look at the stars, staying true to where we are from and what we are committing to enables us to see the unlimited potential of our services and have faith in the prospect of the industry. With the strong stimulation of consumption by the government during the economic downturn, the owners' demand for consumer living service will become a significant source of revenue and profit. Based on our property services, we will extend to the living service sector. Demands relating to people's living services will become a driving force for the future performance growth of the Group. During the Period, revenue of community living services achieved a y/y increase of 26.5% compared with the same period of 2022 and accounted for 20.2% of total revenue of the Group, which became a strong support to the business growth. With the synergy among the sectors within the Group and the enhancement of the diversified service capacity, we were able to provide more extensive services. We have recorded steady growth in emerging sectors such as industry park, commercial office and public property and built a more established IFM system. During the Period, the proportion of the contract amount of newly contracted non-residential projects in a single year continued to increase by approximately 5 percentage points, and a matrix of non-residential products mainly focusing on eight non-residential sectors has been formed. With the orderly advancement of the urban renewal and reconstruction policies, professional and integrated service capability will become the new market demand under the new situations. Based on our city service capabilities in industry parks, communities and urban areas, full digitalization and service integration will become the core advantage to pursue the new round of the development. The operation of Tianshui Street in Gongshu District, Hangzhou and futuristic community in Yuhuan County, Taizhou will lay a solid foundation for business integration and product upgrading.

"Passing down the core philosophy while promoting service innovation". We never forget why we started. Although we have made some progress and found our orientation, we will always adhere to the people-oriented philosophy and technological innovation approach, creating quality return on equity to realize the sustained growth in shareholder value. Our people-oriented philosophy remains unchanged. The firm promotion of the Harvest Plan represents an all-out effort of the Company to take the growth of our employees as our core driving force. What changed is the plan, but our care for employees who are regarded as the assets of top priority remains unchanged. The comprehensive replication of the shared governance model of the Happiness Land is an effective way for the Group to explore grassroots governance. What changed is the method, but our original aspiration to build a beautiful home for property owners remains unchanged. Technological innovation is what we always persevere in. The full coverage of the Shanshu system is a new breakthrough of the Group to fully embrace digital and intelligent reform. What changed is the tool, but our pursuit of impeccability and perfection remains unchanged. The wide launch of future communities represents the Group's reconceptualization towards the ideal home for living. What changed is the carriers, but our pursuit of sincerity and well-intentions remains unchanged. We believe that innovation will bring us sources and power but meanwhile, we also remember that inheritance determines our orientation and future.

FUTURE OUTLOOK

Never stop when one is halfway up the mountain, and never strive less when one's boat reaches midstream. In the second half of the year, we will continue to pursue the sustainable development theme of "respecting social responsibility and returning to the fundamentals of the industry", adhere to the value of customers and resonate with employees, in a bid to care for the growth of employees and focus on the value of customers. We will insist on the consistency of quality, reputation and operational performance, and jointly make efforts to build governance by echoing the needs of owners. We will stick to simultaneous market development and business innovation, and continue to optimize our products to persevere in high-quality expansion.

Adhering to the original aspiration and looking forward to a promising future with our steadfast faith. We will firmly and persistently create a brighter future by following the nature of the industry and the right track.

Yang Zhangfa
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. The main business scope covers property services, community living services, consulting services and technology services. The Group always adheres to the concept of "Service Makes Life Better", and the strategic goal of the Group is to become the most valuable happiness service provider in China. The Group adheres to the customer-oriented and quality-oriented service strategy, the development strategy on human-oriented technological synergy, the business strategy of improving the lean operation efficiency, and adheres to the original intention of service and service innovation. The Group will complete the same goal with employees, grow together with the property owners, and make progress with the society.

FINANCIAL REVIEW

During the Period, the Group achieved the following:

Revenue

Revenue was RMB8,197.0 million, representing an increase of 20.1% y/y from the same period of 2022 that was RMB6,827.8 million.

The Group's revenue arises from four business segments: (i) property services; (ii) community living services; (iii) consulting services; and (iv) technology services. During the Period: (i) property services continued to be the largest revenue and profit contributor for the Group, the revenue from which reached RMB5,251.2 million, accounting for 64.1% of the overall revenue and representing an increase of 20.4% y/y from the same period of 2022 that was RMB4,360.3 million; (ii) as for community living services, the revenue amounted to RMB1,657.2 million, accounting for 20.2% of the overall revenue and representing a y/y increase of 26.5% compared with the same period of 2022 that was RMB1,310.1 million; (iii) as for consulting services, the revenue amounted to RMB1,075.4 million, accounting for 13.1% of the overall revenue, representing an increase of 12.3% y/y from the same period of 2022 that was RMB957.4 million; and (iv) as for technology services, the revenue amounted to RMB213.2 million, accounting for 2.6% of the overall revenue, representing an increase of 6.6% y/y from the same period of 2022 that was RMB200.0 million.

	Six months ended 30 June				
	2023		2022		
	RMB'000	***% of the total revenue***	*RMB'000*	*% of the total revenue*	*Y/Y %*
Property services					
Property services	**5,251,206**	**64.1%**	4,360,349	63.9%	20.4%
	5,251,206	**64.1%**	4,360,349	63.9%	20.4%
Community living services					
Community products and services	**577,641**	**7.0%**	524,071	7.7%	10.2%
Home living services	**220,112**	**2.7%**	98,876	1.5%	122.6%
Community space services	**144,218**	**1.8%**	118,932	1.7%	21.3%
Property asset management services	**379,471**	**4.6%**	314,512	4.6%	20.7%
Cultural and education services	**335,788**	**4.1%**	253,707	3.7%	32.4%
	1,657,230	**20.2%**	1,310,098	19.2%	26.5%
Consulting services					
Property under construction services	**946,940**	**11.6%**	832,736	12.2%	13.7%
Management consulting services	**128,420**	**1.5%**	124,617	1.8%	3.1%
	1,075,360	**13.1%**	957,353	14.0%	12.3%
Technology services					
Technology services	**213,239**	**2.6%**	199,992	2.9%	6.6%
	213,239	**2.6%**	199,992	2.9%	6.6%
	8,197,035	**100.0%**	6,827,792	100.0%	20.1%

Cost of Sales

During the Period, the cost of sales amounted to RMB6,667.3 million, representing a 20.9% y/y increase from the same period of 2022 that was RMB5,515.4 million. The increase in cost of sales was slightly higher than the increase in revenue.

Gross Profit

Gross profit reached RMB1,529.7 million, increasing by 16.6% y/y from the same period of 2022 that was RMB1,312.4 million. Gross profit margin was 18.7%, representing a decrease of 0.5 percentage point from 19.2% for the same period of 2022, which was mainly due to the decline in gross profit of property under construction services as affected by the domestic real estate industry environment.

Gross profit margins for the four business segments were 13.8% for property services, 24.3% for community living services, 30.1% for consulting services and 36.6% for technology services, respectively. For the same period of 2022, these gross profit margins were 13.8%, 23.2%, 36.0% and 31.3% respectively.

— Gross profit margin for property services was 13.8%, which was in line with that of 13.8% for the same period of 2022;

— Gross profit margin for community living services was 24.3%, representing an increase of 1.1 percentage points as compared to 23.2% for the same period of 2022, which was mainly due to the recovery of the replacement services and other related businesses in that segment as affected by the full liberalization of COVID-19 epidemic control;

— Gross profit margin for consulting services was 30.1%, which decreased by 5.9 percentage points from 36.0% for the same period of 2022, but has improved as compared to 22.7% for the full year of 2022. The decrease was mainly due to the slowdown in revenue growth and the decline in gross profit as affected by the domestic real estate industry environment; and

— Gross profit margin for technology services was 36.6%, which was higher than 31.3% for the same period of 2022, representing an increase of 5.3 percentage points. It was mainly because the technology services continued to focus on core products resulting in the improvement on the profitability.

Selling and marketing expenses

Selling and marketing expenses amounted to RMB147.1 million, representing an increase of 22.9% as compared to RMB119.6 million for the same period in 2022. This was mainly due to the increase in costs associated with the related business of community living services, including the increase in sales staff and venue rental costs.

Administrative expenses

Administrative expenses were RMB672.8 million, representing an increase of 11.7% from RMB602.4 million for the same period of 2022. The administrative expense ratio was 8.2%, representing a decrease of 0.6 percentage point compared to 8.8% for the same period in 2022. This was mainly because the organizational structure of the Group was continuously optimized and adjusted, and the administrative expenses were effectively controlled.

Impairment losses on trade and other receivables

The impairment losses on trade and other receivables increased by 15.6% to RMB115.9 million for the Period from RMB100.3 million for the same period of 2022, primarily because of the synchronous increase in impairment provisions caused by the increase in the balance of account receivables.

Profit from operations

The profit from operations reached RMB521.1 million, representing an increase of 4.5% from RMB498.4 million for the same period of 2022. Core profit for the operations reached RMB709.9 million, representing an increase of 20.2% from RMB590.3 million for the same period of 2022. The profitability of the core business of the Company remained stable.

Net finance cost

During the Period, net finance cost of the Group was RMB10.0 million, decreasing by RMB0.7 million from RMB10.7 million for the same period of 2022.

	Six months ended 30 June		
	2023	2022	
	RMB'000	*RMB'000*	*Y/Y%*
Interest income on listed debt instruments	**(1,501)**	(5,412)	–72.3%
Interest income on loans and bank deposits	**(39,156)**	(17,683)	121.4%
Interest expense on bank loans	**14,628**	7,190	103.4%
Interest expense on lease liabilities	**39,067**	30,967	26.2%
Less: interest expense capitalised into assets under construction	**(3,065)**	(4,328)	–29.2%
Net finance cost	**9,973**	10,734	–7.1%

Share of profits/losses of associates and joint ventures

During the Period, share of profits of associates amounted to RMB87.6 million, representing an increase of RMB77.0 million compared to RMB10.6 million for the same period of 2022, which was mainly attributable to the profitability of an associate of the Group.

During the Period, the share of losses of joint ventures amounted to RMB1.3 million, representing a decrease of RMB2.1 million compared to the share of profits of joint ventures in the amount of RMB0.8 million for the same period of 2022.

Profit before taxation

During the Period, profit before taxation reached RMB598.2 million, representing an increase of RMB99.0 million from RMB499.2 million for the same period of 2022, or representing a 19.8% y/y increase, which was mainly due to the increase in profit brought by the expansion of operation scale and management efficiency.

Income tax

During the Period, income tax amounted to RMB165.8 million, representing a 24.8% y/y increase compared to RMB132.9 million for the same period of 2022. The effective tax rate was 27.7%, representing an increase of 1.1 percentage points from 26.6% for the same period of 2022. The rates of income tax are set out in note 6 on pages 17 to 19 of this announcement.

Profit for the Period

Profit for the Period was RMB432.4 million, representing an increase of 18.04% as compared to RMB366.3 million for the same period of 2022.

During the Period, the profit attributable to equity shareholders of the Company was RMB415.5 million, representing an increase of 21.8% as compared to RMB341.1 million for the same period of 2022. It was mainly due to the increase in profit brought by the expansion of operation scale and management efficiency.

Net profit margin for the Period was 5.27%, representing a slight decrease from 5.36% for the same period of 2022.

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

As at 30 June 2023, the net book value of investment property, property, plant and equipment and right-of-use assets amounted to RMB2,310.3 million, representing a decrease of 3.1% as compared to RMB2,383.3 million as at 31 December 2022. It was mainly due to the adjustment of the related product structure of the Group and the withdrawal of some commercial asset operation projects.

Intangible assets

As of 30 June 2023, the intangible assets reached RMB515.5 million, representing a decrease of 2.6% from RMB529.0 million as at 31 December 2022.

Trade and other receivables

As at 30 June 2023, trade and other receivables reached RMB6,136.1 million, being a 21.4% y/y increase from RMB5,055.9 million as at 31 December 2022, which was mainly due to the growth of business scale resulting in an increase in the balance of accounts receivable.

Trade and other payables

As at 30 June 2023, trade and other payables reached RMB4,884.1 million, representing an increase of 3.1% from RMB4,738.7 million as at 31 December 2022. This was mainly due to the expansion of procurement volume resulting from the growth of business scale.

Lease liabilities

As at 30 June 2023, lease liabilities due within one year, which were included in current liabilities, were RMB260.2 million, while lease liabilities due after one year, which were included in non-current liabilities, were RMB1,142.6 million. The total lease liabilities increased to RMB1,402.8 million as at 30 June 2023, representing a decrease of 7.4% as compared to RMB1,515.4 million as at 31 December 2022, which was mainly due to the adjustment of the Group's related product structure and the withdrawal of some commercial asset operation projects.

Liquidity, reserves and capital structure

The Group maintained a good financial condition during the Period. The current assets as at 30 June 2023 was RMB11,709.0 million, increasing by 8.0% compared to RMB10,840.6 million as at 31 December 2022. As at 30 June 2023, the Group's cash and cash equivalents amounted to RMB3,694.9 million, decreasing by 11.7% from RMB4,183.4 million as at 31 December 2022.

As at 30 June 2023, long-term loans amounted to RMB24.6 million, which were mainly borrowed by certain domestic subsidiaries of the Group from a bank for the day-to-day operational needs. The interest rate of the bank loan ranges from 4.35% to 5.10%. As at 30 June 2023, such subsidiaries did not violate the financing covenants.

As at 30 June 2023, the short-term loans amounted to RMB233.6 million (equivalent to approximately AUD42.0 million), which were mainly borrowed by Montessori Academy Group Holding Pty Ltd. ("**MAG**"), a non-wholly owned subsidiary of the Group, from a bank for the day-to-day operational needs. The bank loan bears an interest rate ranging from 3.19% to 4.27% (31 December 2022: 3.47% to 6.55%). The loans will be repayable in May 2024. Such loans are subject to certain financial covenants. If MAG breached the covenants, the drawn down facility would become payable on demand. MAG regularly monitors its compliance with these covenants. As at 30 June 2023, none of the covenants relating to drawn down facility had been breached.

As at 30 June 2023, the gearing ratio (total liabilities/total assets) of the Group was 54.2%, representing an increase of 0.9 percentage point compared to 53.3% as at 31 December 2022.

Property services — 64.1% of total revenue, 47.4% of total gross profit

Property services remain as the Group's largest revenue and gross profit contributor. 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 continuously provide us with stable revenue and profit, as well as good reputation, and are the cornerstone of the Group's implementation of its living services strategy. We will continue to strengthen our core fundamental services of "Security", "Maintenance", "Environmental" and "Greening" (collectively referred to as "**Four Cores**"), while effectively integrating the service contents of the Group's various product lines and empowering them with technology to drive the orderly and steady growth of this business segment. During the Period:

— Revenue reached RMB5,251.2 million, representing an increase of 20.4% from the same period of 2022 that was RMB4,360.3 million. This was mainly due to the revenue growth brought by the stable increase of managed GFA.

— Gross profit reached RMB725.5 million, representing an increase of 20.6% from the same period of 2022 that was RMB601.7 million.

— The managed GFA was 414.5 million sq.m., representing an increase of 18.7% or a net increase of 65.2 million sq.m., from the same period of 2022 that was 349.3 million sq.m. During the Period, the service industry continued to be extended, residential housing, commercial enterprises and urban services developed in multiple types, and the structure of the service industry was continuously optimized. At the same time, by paying more attention to core cities, the Group continued enhancing its capabilities to find new customers, explore more opportunities to further co-operate with our existing major customers, and strengthen the industry linkage and expansion. In the first half of 2023, we bid city landmark projects such as the Zhangjiang Gene Island (張江基因島) and Institute of Advance Technology of USTC (中國科學技術大學先進技術研究院). The service areas of the Group were more centralised and the number of the high quality customers continued to increase, thereby promoting the continuous and steady increase in the managed GFA.

— Reserved GFA, a major source of managed GFA, reached 379.3 million sq.m. as at 30 June 2023, with a growth of 3.7%, or a net increase of 13.5 million sq.m. compared with 365.8 million sq.m. for the same period in 2022, showing that the Group retains a sufficient reserve of reserved GFA and will continue to provide a solid foundation for the Group's future growth.

— Managed projects reached 2,851, covering 30 provinces, municipalities and autonomous regions and 220 cities in the nation.

	Six months ended 30 June			
	2023		2022	
	% of property management revenue	**% of managed GFA**	% of property management revenue	% of managed GFA
Contracted GFA				
— Residential	**70.5**	**80.5**	69.6	78.1
— Non-residential	**29.5**	**19.5**	30.4	21.9
Total	**100.0**	**100.0**	100.0	100.0

	Six months ended 30 June			
	2023		2022	
	% of managed GFA	**% of total revenue**	% of managed GFA	% of total revenue
Greater Hangzhou	**16.3%**	**34.6%**	17.5%	34.7%
— Hangzhou	**11.9%**	**30.8%**	12.9%	30.3%
— Yuhang	**4.4%**	**3.8%**	4.6%	4.4%
Ningbo	**7.1%**	**6.3%**	7.3%	5.3%
Yangtze River Delta Region	**35.7%**	**27.4%**	37.2%	28.7%
Bohai Economic Rim Region	**15.7%**	**11.8%**	15.2%	12.3%
Pearl River Delta Region	**8.4%**	**5.9%**	7.9%	6.6%
Others	**16.7%**	**14.0%**	14.9%	12.4%
	100.0%	**100.0%**	100.0%	100.0%

Community living services — 20.2% of total revenue, 26.3% of total gross profit

Community living services offer systematic product and service solutions for all life service scenes of property owners throughout the life cycle of real estate. They are an extension of property services and an important area for us to build an ideal community that integrates "recreation", "learning", "joy" and "longevity" (collectively referred to as "**Four Happiness**").

During the Period:

— Revenue from community living services was RMB1,657.2 million, representing an increase of 26.5% from RMB1,310.1 million for the same period of 2022. Among them,

(1) income from community products and services (accounting for 34.9% of the community living services' total income) reached RMB577.6 million, representing an increase of 10.2% compared with RMB524.1 million for the same period of 2022;

(2) income from home living services (accounting for 13.3% of the community living services' total income) reached RMB220.1 million, representing an increase of 122.6% compared with RMB98.9 million for the same period of 2022;

(3) income from community space services (accounting for 8.7% of the community living services' total income) reached RMB144.2 million, representing an increase of 21.3% compared with RMB118.9 million for the same period of 2022;

(4) income from property asset management services (accounting for 22.9% of the community living services' total income) reached RMB379.5 million, representing an increase of 20.7% compared with RMB314.5 million for the same period of 2022; and

(5) income from cultural and education services (accounting for 20.2% of the community living services' total income) reached RMB335.8 million, representing an increase of 32.4% compared with RMB253.7 million for the same period of 2022.

— Gross profit reached RMB401.9 million, representing an increase of 32.4% as compared with RMB303.4 million for the same period of 2022.

	Six months ended 30 June				
	2023			2022	
	Revenue *RMB'000*	***% of total***	***Y/Y %***	Revenue *RMB'000*	*% of total*
Community products and services	**577,641**	**34.9**	**10.2%**	524,071	40.0
Home living services	**220,112**	**13.3**	**122.6%**	98,876	7.5
Community space services	**144,218**	**8.7**	**21.3%**	118,932	9.1
Property asset management services	**379,471**	**22.9**	**20.7%**	314,512	24.0
Cultural and education services	**335,788**	**20.2**	**32.4%**	253,707	19.4
Total	**1,657,230**	**100.0**	**26.5%**	1,310,098	100.0

In light of the living needs of property owners, the Group continued to establish a living service platform with the integration of five ecosystems, including culture and education, health and elderly care, community retail, home services and asset operation, into one, as well as online and offline integration. During the Period, we continued to optimize our service mix, focus on core ecosystems and enhance operating capacity based on strategic planning and actual conditions, of which:

— *Community products and services:*

During the Period, the Group relied on the support of the "Convenience + Relationship" community retail system and continued to drive the growth of its community retail business by focusing on the demand for basic living products through offline scenarios and online operations and by effectively utilizing app, community warehouses and "Community Bazaar". During the Period, "Greentown Fresh" was upgraded into "Greentown Selected"; at the same time, based on the demand of the property owners, we explored the complete system of selection, testing and evaluation of products, thus forming the product structure system which covered the vast majority of daily needs of property owners, namely the four-tier full-category product system (including regular selected products of a good life series, self-owned core brand system, gold label products and black label products), and relied on the Group's strengths in the management of products, organization and services to continue providing products and services for the property owners.

— *Home living services:*

Based on the "Four Seasons Housekeeping" home service platform, we accelerated the integration of existing home life service products, expanded our services nationwide through the self-operated + business cooperation model and built a comprehensive home care service system. The Group has set up its own service teams in 15 cities and counties across the country, and formed a professional training system. During the Period, the revenue of this segment increased rapidly as a result of the equity cooperation in relation to Zhejiang Greentown Housing Service System Co., Ltd. between the Group and Greentown Ideal Life Service Group Co., Ltd. in November 2022 (for the same period of 2022: nil). In terms of "property services + home-based elderly care services", we launched "Chun Tian Li"* (椿天里) in Hopetown* (翡翠城) as a prototype of 45 community home care service centers, with services including: elderly canteen, daytime health care, door-to-door home living services, community activities, etc. In terms of health care services, the first CCKC project (陶然里項目) was officially delivered into operation during the Period, which was an effective attempt of the Group in the business model of "property service+ elderly care services".

— *Property asset management services:*

Replacement services and asset management (e.g. parking space business) are the largest sources of income of this segment. During the Period, due to the full liberalization of COVID-19 epidemic control, the revenue of the segment increased, among which the revenue from the replacement services increased by 39.8% compared with the same period in 2022 (for the same period of 2022: increased by 4.4%). The main reason was that we expanded our sales strategy through universal brokers, pipeline distribution and other multiple modes to alleviate the negative impact of business decline; at the same time, we prudently developed parking business, gradually shifted to asset-light direction, promoted light assets and heavy assets simultaneously, cultivated and enhanced the core service competitiveness, formed long-term and stable income by commissioned operation, revenue sharing, and etc., and continuously promoted the optimization of the business structure of the segment.

— *Culture and education services:*

The Group continued to implement the multi-brand strategy of childcare services, built three brand systems: "Wonderful Garden Daycare Center + Lezhen Daycare Center + Montessori Academy Daycare Center* (綠城奇妙園 + 普惠托育園 + 澳蒙國際園)", and constantly improved the core competitiveness of our cultural and education services. While continuously strengthening the operation efficiency of self-run childcare services, it has steadily promoted the cooperation with government-related asset-light projects (Lezhen Daycare Center), with 9 new cooperative operation projects added. During the Period, MAG's businesses in Australia operated normally.

Consulting services — 13.1% of total revenue, 21.2% of total gross profit

During the Period, we continued to focus on the full life cycle of real estate, continuously improved the internal growth of consulting services and strengthened core competitive advantages of our consulting services through methods such as the integration of quality resources, construction of a standardized system and business innovation, thereby achieving:

— Revenue grew by 12.3% to RMB1,075.3 million, compared to the same period of 2022 that was RMB957.4 million.

	Six months ended 30 June				
	2023			2022	
	Revenue *RMB'000*	***% of total***	***Y/Y %***	Revenue *RMB'000*	*% of total*
Property under construction services	**946,941**	**88.1**	**13.7%**	832,736	87.0
Management consulting services	**128,420**	**11.9**	**3.1%**	124,617	13.0
Total	**1,075,361**	**100.0**	**12.3%**	957,353	100.0

— Gross profit reached RMB324.1 million, representing a decrease of 5.9% from RMB344.6 million for the same period of 2022.

	Six months ended 30 June				
	2023			2022	
	No. of projects	***Y/Y%***	**Average income/ project** ***RMB'000***	No. of projects	Average income/ project *RMB'000*
Property under construction services	**846**	**1.6%**	**1,119.3**	833	999.7
Management consulting services	**369**	**3.0%**	**348.0**	358	348.1

— *Property Under Construction Services*

Our revenue was RMB946.9 million, representing an increase of 13.7% compared with the same period of 2022. During the Period, the property under construction services continued to upgrade the whole case products, integrated Four Happiness life into marketing activities, continuously improved the comprehensive competitiveness of service, and combined with the business service scenarios, continuously expanded the types of property under construction services, and extended to the enterprise front desk service, conference service, investment exhibition hall and other business scenarios.

— *Management Consulting Services*

Our revenue was RMB128.4 million, representing an increase of 3.1% compared with the same period of 2022. During the Period, due to the impact of the macro environment of the real estate industry, the customers and their demand for management consulting services decreased. The growth rate of the business of this segment slowed down as compared with the past, but it still showed positive growth. Going forward, we will adhere to the policy of "eliminating brand dependence, strong value creation, heavy product supply, and deep cultivation of solid market", and continue to implement the strategy of urban deep cultivation in the Yangtze River Delta Region and the whole process management of customer expansion. At the same time, the Group is gradually moving from hardware consulting services focusing on buildings and spaces, such as the traditional property consulting, to full-scale services focusing on the creation of lifestyle (urban services, future community, etc.), such as top-level design, the construction of service scenes, the introduction of service resources and operational or on-the-ground guidance. The Group therefore continuously explores new growth opportunities in the segment's business.

Technology services — 2.6% of total revenue, 5.1% of total gross profit

Technology services are an important infrastructure to build the differentiated product system of the Group, break the bottleneck of bureau efficiency, and help the Group achieve the strategic goal of being the most valuable and happy living service provider in China. Centering on the digitalization of services, we have built global platform products and intelligent property products for government's digital governance, futuristic communities, and property enterprises. From the preliminary planning and design, smart hardware construction to the development and operation of digital system, technology services provide customers with intelligent, inclusive and affordable integrated solutions, and help customers in digital transformation.

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

— Revenue was RMB213.2 million, representing a y/y increase of 6.6% from RMB200.0 million for the same period of 2022.

— Gross profit was RMB78.1 million, representing an increase of 24.8% from RMB62.6 million for the same period of 2022, which was mainly because the Group continued to focus on the core products of technology services resulting in the improvement on the profitability.

Technology services mainly focus on the virtualization of space and the digitalization of services, providing a "2+3+N" product and service system. "2" refers to two core products which are global platform and intelligent property; "3" refers to three services extending around products, namely digital design, construction and operation; and "N" refers to several smart application products. During the Period, around the global platform and the intelligent property platform in the longitudinal and horizontal aspects, we have upgraded the Shanshu intelligent property* (善數智慧物業) and Shanshu global platform* (善數全域平台) respectively to form an integrated and unified base. Among them, the Shanshu intelligent property reshaped the product ecological matrix with digital system, and with the intelligent system operated by the Group for many years, the Group provided systematic solutions based on the demands of property service enterprises. Our service customers have covered part of top 100 domestic property service enterprises and small and medium-sized property service enterprises. Shanshu global platform has initially built the foundation of "platform + butler + governance" system, and constantly promotes the digital application of life service at the county level in the Yangtze River Delta Region in China.

Progress in major litigation

References are made to the announcements of the Company dated 19 July 2022, 20 October 2022, 21 March 2023 and 21 August 2023 (the "**Announcements**") in relation to the legal proceedings (the "**Legal Proceedings**") involving Greentown Real Estate Consulting Co., Ltd* (綠城房地產諮詢集團有限公司), a wholly-owned subsidiary of the Company. On 21 August 2023, the Group received a judgment from the Shanghai High People's Court* (上海市高級人民法院) in relation to the Legal Proceedings, the case no. being "(2023)滬民終426號" (the "**Second Instance Judgment**"), which stated that the appeal filed by the Company was dismissed and the first instance judgment shall be upheld.

The Legal Proceedings did not have a significant impact on the development of the Group's core operating business. The Group is discussing and analyzing the Second Instance Judgment with its legal counsel and will further discuss whether to apply to initiate retrial proceedings. 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 (the "**Shareholders**") and potential investors informed of any follow-up arrangements for or any further material development of the Legal Proceedings.

Foreign exchange risks

The Group conducts substantially all of its business in Mainland China, with most of the transactions conducted in Renminbi. Therefore, the Group is exposed to limited foreign currency exchange rate risk. During the Period, the Group has not employed any financial instruments for hedging purposes or engaged in any forward foreign exchange contracts for foreign exchange risk hedging purposes. As the businesses of MAG, a subsidiary of the Company, are conducted primarily in Australian dollars, the depreciation or appreciation of the Hong Kong dollar and the Australian dollar and the adjustment of interest rates will have impact on the Group's performance. The Group will continue to closely monitor its exposure to exchange rate and interest rate risks and actively explore foreign exchange hedging options with major banks, and may employ derivative financial instruments to hedge against risks when necessary.

Employees and remuneration policies

The Group has formulated its human resources policies and systems to provide a wide range of training and personal development programmes to its employees, such as induction training, project manager training, etc. The remuneration package offered to employees is based on their duties and prevailing market levels. 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, provident funds and share options to be granted under the Company's share option scheme are also provided to employees of the Group.

As at 30 June 2023, the Group had 44,824 employees, an increase of 7.5% from that as at 30 June 2022. It was mainly because that the Group made the corresponding personnel reserve for the delivery of new projects. The total staff cost was RMB2,778.1 million, with a growth rate of 19.2% from RMB2,330.5 million for the same period of 2022, which was mainly because of the staff costs brought by the equity cooperation between the Group and Beijing Cinda Yue Life Service Co., Ltd. (北京信達悅生活服務有限公司) in June 2022 (for the same period of 2022: nil) that were reflected during the Period. The growth rate of total staff cost was lower than the growth rate of income, and the salary cost was effectively controlled.

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2023.

Contingent liabilities

Save as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 30 June 2023.

Treasury policy

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

Pledged assets of the Group

As at 30 June 2023, MAG had a loan of AUD42.0 million (equivalent to approximately RMB201.6 million) from a bank for its operation needs and has secured it by some of its properties, plants and equipment (the carrying amount was AUD101.2 million, equivalent to approximately RMB485.7 million) as collateral.

As at 30 June 2023, a subsidiary of the Group had borrowed RMB10.8 million from a bank for the purchase of the office building, and has secured it by the purchased property (the carrying amount was RMB11.2 million) as collateral.

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

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, the Group did not have any future plans for material investments and capital assets.

SUBSEQUENT EVENTS

Save as disclosed in this announcement, there was no important event which might affect the Group after 30 June 2023 and up to the date of this announcement.

CHANGE OF DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

Reference is made to the announcement of the Company dated 10 February 2023. Mr. Wu Zhihua (吳志華) resigned as an executive Director and an authorised representative of the Company ("**Authorised Representative**") owing to personal health reason with effect from 10 February 2023. On the same day, Ms. Jin Keli (金科麗) was appointed as an Authorized Representative.

Reference is also made to the announcement of the Company dated 28 March 2023. Mr. Zeng Yiming (曾益明) resigned as a non-executive Director due to work adjustment and Mr. Liu Xingwei (劉興偉) ("**Mr. Liu**") was appointed as a non-executive Director with effect from 28 March 2023. The Company entered into an appointment letter with Mr. Liu in relation to his appointment as a non-executive Director for a term of three years commencing on 28 March 2023 and subject to automatic renewal upon expiry, unless otherwise agreed in accordance with the appointment letter. Mr. Liu was eligible and was re-elected as a non-executive Director at the annual general meeting of the Company held on 16 June 2023 (the "**AGM**").

Reference is also made to the announcement of the Company dated 29 May 2023. With effect from 1 June 2023, (i) Ms. Wu Aiping (吳愛萍) resigned as an independent non-executive Director, and a member of each of the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company due to her desire to devote more time to her personal affairs; and (ii) Mr. Jia Shenghua (賈生華) ("**Mr. Jia**") was appointed as an independent non-executive Director, and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. The Company entered into an appointment letter with Mr. Jia in relation to his appointment as an independent non-executive Director for a term of three years commencing on 1 June 2023 and subject to automatic renewal upon expiry, unless otherwise agreed in accordance with the appointment letter. Mr. Jia was eligible and was re-elected as an independent non-executive Director at the AGM.

On 30 June 2023, Mr. Poon Chiu Kwok, an independent non-executive Director, was appointed as an independent non-executive director of China Isotope & Radiation Corporation (the shares of which are listed on the Stock Exchange, stock code: 1763) and resigned as an independent non-executive director of each of Yankuang Energy Group Company Limited (the shares of which are listed on the Stock Exchange, stock code: 1171) and Changan Minsheng APLL Logistics Co., Ltd. (the shares of which are listed on the Stock Exchange, stock code: 1292).

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.

CORPORATE GOVERNANCE CODE

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 of the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2023, the Company was in compliance with all applicable code provisions set out in the Corporate Governance Code, and has adopted most of the recommended best practices set out in the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by the Directors. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the standards set out in the Model Code during the six months ended 30 June 2023.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company has established the Audit Committee. The Audit Committee currently consists of four members, namely Mr. Poon Chiu Kwok (Chairman), who acts as a professional accountant with related financial expertise, Mr. Wong Ka Yi, Mr. Li Feng, and Mr. Jia Shenghua, and all of them are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, risk management and internal controls and to perform other duties and responsibilities as assigned by the Board.

The unaudited interim financial statements and the interim results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lvchengfuwu.com). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hangzhou, the PRC
25 August 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. LIU Xingwei; and the independent non-executive Directors are Mr. POON Chiu Kwok, Mr. WONG Ka Yi, Mr. LI Feng and Mr. JIA Shenghua.

* *For identification purposes only*