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 2016

HIGHLIGHTS

During the six months to 30 June 2016, the Group achieved the following:

— Revenue rose by 30.5% y/y to RMB1,648.9 million, lifting from RMB1,263.7 million of the same period in 2015.

— Gross profit of RMB309.0 million, a 38.8% y/y increase from RMB222.7 million of the same period in 2015, whilst our gross margin rose to 18.7%, up from 17.6% of the same period in 2015, representing an improvement of 1.1 percentage points.

— Cost of sales was RMB1,339.9 million, an increase of 28.7% y/y from 1H 2015's RMB1,041.0 million. This percentage increase of a lesser extent than the percentage of increase of our revenue in the Period, was due mainly to our effective cost control.

— Administrative expenses was up 14.5% y/y to RMB118.3 million, including an one-off listing expense RMB14.5 million, versus RMB8.7 million in 1H 2015. Excluding such for both years, the increase would only be 9.7% y/y, an increase that is much slower than the percentage of increase in our revenue.

— Net profit attributable to the equity shareholders of the Company was RMB125.2 million, a jump of 48.9% y/y from RMB84.1 million of the same period in 2015. Net margin reached 7.6%, an improvement of 0.9 percentage points from 6.7% of the same period in 2015.

— Basic earnings per share was RMB0.063, based on an issued share capital of 2,000,000,000 shares after the re-organisation but before our listing. The Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 July 2016 and our outstanding number of shares is 2,777,776,000.

— Revenue for three business segments: (i) Property Management Services reached RMB1,177.8 million, (ii) RMB313.1 million for Property Consulting Services, and (iii) RMB158.0 million for our Community Value-added Services. Against 2015's RMB910.0 million, RMB259.9 million, and RMB93.8 million, they increased by 29.4% y/y, 20.5% y/y, and 68.4% y/y respectively.

— For our Property Management Service, our number of managed properties increased from 2015's 1H 570 to 686 in the Period, up 20.4% y/y; whilst our contracted GFA rose further to 91.4 million sqm, and average property management fees, per month, per sqm, reached RMB3.06, in contrast with 2015 1H's 69.0 million sqm, and RMB2.94, increased by 32.5% and 4.1% y/y respectively.

— Our collection rate for property management service reached 92.3%, up from 90.8% in the same period in 2015, an improvement of 1.5 percentage points, maintaining the Group's historically high collection trend.

— Property Consulting Services revenue comprises: (i) property under construction services with revenue of RMB270.7 million; risen by 19.9% y/y; there were 300 projects at end of the Period whilst average income per project was RMB902,240, a 2.7% y/y increase; and (ii) management consulting services with revenue of RMB42.4 million, an increase of 24.4% y/y, projects at end of the Period was 172, a slight decline of 16 projects y/y, yet the average income per project was RMB246,767, rising 36.0% y/y.

— Community Value-added Services revenue was attributed by three sub-segments: (i) community services and products' revenue of RMB85.5 million; (ii) home living services' revenue of RMB59.7 million, and (iii) community space services' revenue of RMB12.8 million. They represent a 136.4%, 18.7% and 74.2% y/y increase respectively.

— Cash on hand as at 30 June 2016 was RMB749.0 million, and taking into account of the interest bearing debt of RMB230.0 million, the Group was in net cash for the Period of RMB519 million (not including IPO proceeds).

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

The board (the "**Board**") of directors (the "**Directors**") of Greentown Service Group Co. Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 (the "**Period**").

The unaudited interim financial statements have been reviewed by the Audit Committee. KPMG the independent auditor of the Company, conducted an independent review on the interim financial information of the Company for the six months ended 30 June 2016 in accordance with Hong Kong Standard on Review Engagements 2410. "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**1,648,915**	1,263,663
Cost of sales		**(1,339,876)**	(1,040,966)
Gross profit		**309,039**	222,697
Other revenue	*5*	**8,810**	8,621
Other net income	*5*	**319**	10
Selling and marketing expenses		**(2,998)**	(2,123)
Administrative expenses		**(118,275)**	(103,263)
Other operating expenses		**(13,402)**	(10,328)
Profit from operations		**183,493**	115,614
Net finance costs		**(3,327)**	(3,920)
Share of profits less losses of associates		**(1,517)**	324
Share of profits less losses of joint ventures		**(245)**	231
Profit before taxation	*6*	**178,404**	112,249
Income tax	*7*	**(53,079)**	(28,626)
Profit for the period		**125,325**	83,623
Profit for the period attributable to			
Equity shareholders of the Company		**125,231**	84,058
Non-controlling interests		**94**	(435)
		125,325	83,623
Other comprehensive income			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China		**288**	–
Total comprehensive income		**125,613**	83,623
Earnings per share	*8*		
— Basic & diluted (RMB)		**0.063**	0.042

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Notes	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**218,101**	63,610
Interest in associates		**12,704**	11,946
Interest in joint ventures		**7,959**	3,104
Deferred tax assets		**54,249**	55,826
Prepayments for purchase of property, plant and equipment		**–**	130,525
		293,013	265,011
Current assets			
Other financial assets		**–**	28,200
Inventories		**1,961**	2,045
Trade and other receivables	*10*	**766,343**	419,952
Restricted bank balances		**185,379**	90,780
Cash and cash equivalents		**749,019**	835,897
		1,702,702	1,376,874
Current liabilities			
Interest-bearing borrowings		**180,000**	180,000
Receipts in advance		**523,570**	338,246
Trade and other payables	*11*	**869,573**	847,430
Current taxation		**63,055**	88,495
Provisions		**23,423**	18,094
		1,659,621	1,472,265
Net current assets/(liabilities)		**43,081**	(95,391)
Total assets less current liabilities		**336,094**	169,620

	Notes	At **30 June** **2016** ***RMB'000*** **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Non-current liabilities			
Interest-bearing borrowings		**50,000**	–
Deferred tax liabilities		**5,713**	2,502
Provisions		**12,427**	18,241
		68,140	20,743
Net assets		**267,954**	148,877
Capital and reserves			
Capital		**8**	8
Reserves		**251,045**	132,062
Total equity attributable to equity shareholders of the Company		**251,053**	132,070
Non-controlling interests		**16,901**	16,807
Total equity		**267,954**	148,877

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating activities		
Cash used in operations	**(63,171)**	(26,175)
Income tax paid	**(73,731)**	(54,872)
Net cash used in operating activities	**(136,902)**	(81,047)
Investing activities		
Payment for the purchase of property, plant and equipment	**(34,205)**	(35,730)
Proceeds from disposal of subsidiaries and associates	**38,805**	–
Payments for purchase of other financial assets	**(5,000)**	(8,500)
Proceeds from redemption of other financial assets	**33,200**	138,000
Increase in interest in associates	**(4,675)**	–
Increase in interest in joint ventures	**(5,100)**	(1,655)
Other cash flows generated from investing activities	**3,635**	1,316
Net cash generated from investing activities	**26,660**	93,431
Financing activities		
Dividends paid	**(21,897)**	(85,821)
Proceeds from new bank loans and other borrowings	**130,000**	80,000
Repayment of bank loans	**(80,000)**	–
Other cash flows used in financing activities	**(5,027)**	(4,871)
Net cash generated from/(used in) financing activities	**23,076**	(10,692)
Net (decrease)/increase in cash and cash equivalents	**(87,166)**	1,692
Cash and cash equivalents at 1 January	**835,897**	437,419
Effect of foreign exchanges rate changes	**288**	–
Cash and cash equivalents at 30 June	**749,019**	439,111

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial report of Greentown Service Group Co. Ltd. ("the Company") as at and for the six months ended 30 June 2016 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").

The Company was incorporated in the Cayman Islands on 24 November 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and 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").

In order to rationalise the current structure of the Group in preparation for the Listing, the Company underwent a reorganisation (the "Reorganisation") of the business comprising the Group, which was completed on 10 October 2015. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 7 August 2015. Prior to the Reorganisation, the Group's businesses were conducted through Greentown Property Management Group Company Limited ("Greentown PM") and its subsidiaries. Greentown PM was owned as to 51% by Greentown Holdings Group Company Limited ("Greentown Holdings", a company controlled by Mr. Song Weiping, Mr. Shou Bainian and Ms. Xia Yibo), and 49% by Ms. Li Hairong. After the Reorganisation, Greentown PM was owned by the shareholders in the same proportionate share of ownerships as before. The Reorganisation only involved inserting certain non-operating companies as holding companies of Greentown PM and there was no change in business and operation of Greentown PM. Accordingly, no business combination has occurred. The Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in HKFRS 3, *Business Combinations*, with Greentown PM treated as the acquirer for accounting purposes.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Accountants' Report disclosed in Appendix 1 of the prospectus of the Company dated 28 June 2016 (the "Prospectus"), except for the accounting policy changes that are expected to be reflected in the 2016 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 judgements, 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 consolidated financial information for the year ended 31 December 2015 included in the Accountants' Report disclosed in Appendix 1 of the Prospectus. 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").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2012–2014 cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

Annual Improvements to HKFRSs 2012–2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3. 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 reportable segments.

Currently, all the Group's activities are carried out in the PRC.

(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 2016							
	Greater Hangzhou Region		**Yangtze River Delta Region**		**Pearl River Delta Region**	**Bohai Economic Rim Region**	**Other Regions**	**Total**
	Hangzhou Region (exclude Yuhang)	**Yuhang Region**	**Yangtze River Region (exclude Ningbo)**	**Ningbo Region**				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	**477,570**	**103,878**	**482,196**	**113,862**	**88,266**	**223,955**	**159,188**	**1,648,915**
Inter-segment revenue	**3,134**	**4**	**789**	**8**	**21**	**149**	**–**	**4,105**
Reportable segment revenue	**480,704**	**103,882**	**482,985**	**113,870**	**88,287**	**224,104**	**159,188**	**1,653,020**
Reportable segment profit	**32,528**	**14,448**	**71,541**	**8,031**	**13,421**	**31,404**	**21,576**	**192,949**
As at 30 June 2016								
Reportable segment assets	**819,822**	**155,692**	**829,012**	**184,218**	**100,289**	**233,558**	**151,580**	**2,474,171**
Reportable segment liabilities	**1,143,312**	**105,732**	**564,999**	**147,650**	**56,991**	**97,932**	**75,082**	**2,191,698**

	Six months ended 30 June 2015							
	Greater Hangzhou Region		Yangtze River Delta Region		Pearl River Delta Region	Bohai Economic Rim Region	Other Regions	Total
	Hangzhou Region (exclude Yuhang)	Yuhang Region	Yangtze River Region (exclude Ningbo)	Ningbo Region				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	365,210	67,507	403,065	100,271	50,252	162,035	115,323	1,263,663
Inter-segment revenue	4,203	–	853	122	–	–	–	5,178
Reportable segment revenue	369,413	67,507	403,918	100,393	50,252	162,035	115,323	1,268,841
Reportable segment profit	15,872	8,403	49,834	5,242	7,594	19,268	14,737	120,950
As at 31 December 2015								
Reportable segment assets	694,790	94,137	741,951	160,621	80,504	179,314	148,382	2,099,699
Reportable segment liabilities	954,345	60,738	575,522	129,882	50,412	70,432	74,320	1,915,651

(ii) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Reportable segment profits	**192,949**	120,950
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from the Group's external customers	**192,949**	120,950
Listing expenses	**(14,545)**	(8,701)
Consolidated profit before taxation	**178,404**	112,249

4. REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Property management services		
Property management services	**1,177,847**	909,995
	1,177,847	909,995
Property consulting services		
Property under construction services	**270,672**	225,777
Management consulting services	**42,444**	34,110
	313,116	259,887
Community value-added services		
Community services and products platform	**85,498**	36,169
Home living services	**59,677**	50,277
Community space services	**12,777**	7,335
	157,952	93,781
	1,648,915	1,263,663

5. OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Other revenue		
Government grants	**6,713**	6,410
Others	**2,097**	2,211
	8,810	8,621
Other net income		
Net loss on sale of property, plant and equipment	**(15)**	(222)
Net realised gains on other financial assets	**334**	232
	319	10

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Salaries and other benefits	**564,215**	693,599
Outsourcing costs	**638,267**	225,351
Depreciation and amortisation	**7,207**	6,813
Operating lease charges	**23,349**	15,321
Listing expenses	**14,545**	8,701
Impairment losses		
— trade and other receivables	**12,116**	9,022

7. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**46,113**	29,221
Under-provision in respect of prior years	**2,178**	–
	48,291	29,221
Deferred tax		
Origination and reversal of temporary differences	**1,577**	(595)
Withholding tax on the profits of the Group's PRC subsidiaries	**3,211**	–
	4,788	(595)
	53,079	28,626

8. EARNINGS PER SHARE

	Six months ended 30 June	
	2016	2015
Profit attributable to equity shareholders of the Company *(RMB'000)*	**125,231**	84,058
Average number of shares in issue	**2,000,000,000**	2,000,000,000
Basic and diluted earnings per share *(RMB)*	**0.063**	0.042

The calculation of basic earnings per share is based on the 2,000,000,000 shares in issue as if the Reorganisation and the capitalisation issue of 1,000,000,000 shares completed on 12 July 2016 have been effective throughout the entire six months ended 30 June 2016 and 2015.

9. DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB110,000,000).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 1 year	**556,667**	206,812
1 to 2 years	**32,349**	26,236
Over 2 years	**2,568**	1,604
Total trade and bills receivables, net off allowance for impairment of trade and bills receivables	**591,584**	234,652
Other receivables	**74,100**	60,473
Deposits and prepayments	**70,502**	51,038
Amounts due from related parties	**26,692**	71,485
Amounts due from staffs	**3,465**	2,304
	766,343	419,952

11. TRADE AND OTHER PAYABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 1 month or on demand	**11,926**	7,040
After 1 month but within 3 months	**1,655**	2,454
After 3 months but within 6 months	**7,801**	117
After 6 months but within 1 year	**1,885**	1,705
After 1 year	**2,493**	1,338
Total billed trade payables	**25,760**	12,654
Accrued trade payables	**92,133**	106,948
Deposits	**104,748**	80,384
Other taxes and charges payable	**51,456**	38,154
Accrued payroll and other benefits	**85,887**	160,059
Escrow funds held on behalf of customers	**132,451**	43,155
Cash collected on behalf of the owners' associations	**43,370**	43,290
Other payables and accruals	**50,505**	39,313
Dividends payable	**–**	21,897
Receipts on behalf of residents	**273,727**	247,302
Amounts due to related parties	**9,536**	4,274
Amount due to a third party	**–**	50,000
	869,573	847,430

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to report the interim results of the Company for the six months ended 30 June 2016.

Introduction

The first six months of 2016 was a most memorable time for the Company, in which we expanded rapidly whilst making history for our Company. As China's leading high end residential property management service provider in the PRC, offering a diversified service portfolio to our customers, our belief has always been "providing service that improves life quality", and with such we have since established high service standards for our customers and in turn contributing to best industry practice. Our business comprises three segments: property management services, property consulting services and community value-added services. As these three business segments are related, through interaction they create business synergy, and in turn generate fast growth for the Group.

Through 17 years of diligent work, we have built solid ground in property management services, with prevailing competitive advantages. In May 2016, China Index Academy, an independent industry research organisation, named us again the top property management service provider with highest customer satisfaction. This is the fifth consecutive year that we have been honoured with this ranking. And in the same study, we were also ranked no.2 in overall strength amongst China's top 100 property management service providers. We see these industry awards, together with consistently above industry average management fee and collection rate, are the strongest proof of our competitiveness by our customers and the market.

On 12 July 2016 ("Listing Date"), our Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in spite of the then volatile market conditions due to "Brexit". We believe this was a strong recognition by the market of the Group's investment value, and our share price has since performed reasonably. We envisage the access to international financing markets via the Hong Kong capital market would provide sufficient energy to power our growth going forward. Following our Listing, we aim to further improve our corporate governance standards, which will in turn reinforce our leading position and lift our overall competitiveness in the industry, particularly in the high end residential segment.

Business outlook

A short while ago China has just announced its GDP growth for the first six months of 2016 at 6.7% y/y, a relatively mild increase from the past high growth trend. Amongst this, service sector accounted for more than half of the GDP, at a high 54.1% out of the total GDP. This now becomes the China's "New Normal" state of growth. In the midst of this economy's structural upgrade and accelerated urbanisation, both residential and commercial construction continued to rise. Property owners and residents in turn demand better lifstyle and quality of service. Together with the rapid development of the internet application, they become the engine driving the fast growth of the property management industry.

Recently, property market in the Yangtze River Delta region surrounding mainly Hangzhou, Shanghai, Suzhou and Nanjing has warmed up noticeably. Developers are competing for land in the core areas of these major cities, leading to an increase in GFA under construction of high end residential and commercial properties. We believe this development will create more opportunities for the Company in expanding in the high end property management services, increasing our contracted GFA and raising our market share. Going into the 2H 2016, we would enter into China's property market peak season traditionally. There will be more properties delivered to our management, boosting our contracted GFA. Our GFA under service and mid-to-high end residential customer base will expand further, and in turn the target audience for our community value added services will be further consolidated. With the strengthened Happy Greentown mobile application, we could service more of our customers through the O2O (Online-To-Offline) business model.

The Yangtze River Delta and Bohai Economic Rim are China's two most affluent regions, and also being our key target markets in mid-to-high end residential property management service. We will continue to closely monitor their development trend and conditions, leverage our established presence and competitive advantages in these regions, aiming to capture further market share.

Going forward, we will continue our long standing principle and long term practices to take customers as the core and top priority in our operation, offering top quality services. Our corporate belief is service with "sincerity, goodwill, delicacy and perfection". Customer satisfaction and loyalty are our top goals, and by achieving them, we will be able to charge premium for our brand and in turn to fuel our growth.

MANAGEMENT DISCUSSION AND ANALYSIS

We are a leading high-end residential property management service provider in China. According to the study of an independent property research organization, China Index Academy, on China's top 100 property management service providers, we ranked No.2 in overall strength amongst the top 100 players for six consecutive years since 2010. And in 2015, we were ranked No.2 by the Academy for being China's property management company with the largest growth potential. We believe our industry leadership is most apparent in the scale of our managed high end residential properties, the wide penetration of our management across the nation, and our sustainable growth in our financial strength.

Property management service — 71.4% of the Group's revenue

We have always been operating our property management service on lump sum basis for the dominant majority of our projects. We charge and are paid by our resident owners quarterly or semi-annually or annually of our property management fees. We believe our strength, accumulated since inception 17 years ago, amongst others, lies in execution and cost control in managing properties. This strength has since helped improve our financial returns and brought us steady income stream and consistent growth in profit. For 1H 2016:

— 99.9% of our property management service income (and 98.1% in terms of our contracted GFA) was on lump sum basis.

— Contracted GFAs reached 91.4 million sqm, up from 69.0 million sqm in 1H 2015, an increase of 22.4 million sqm or 32.5% y/y.

— We managed 686 properties across 23 provinces, municipalities and autonomous regions, covering 88 cities in China, in comparison to 570 properties in 82 cities in 1H 2015.

— In terms of revenue, Greentown China Holdings Limited (3900.HK) only accounted for 4.6% of our total revenue for the Period, a further decline from 7.7% as at the end of 2015.

— Geographical breakdown: The breakdown of our contracted GFA and revenue by geographical locations as at 30 June 2016 were as follows:

	Six months ended 30 June 2016		Six months ended 30 June 2015		Year ended 31 December 2015	
Region	***% of contracted GFA***	***% of revenue***	*% of contracted GFA*	*% of revenue*	*% of contracted GFA*	*% of revenue*
— Hangzhou	**18.7%**	**29.1%**	19.7%	29.1%	18.6%	28.4%
— YuHang	**7.6%**	**6.3%**	6.6%	5.3%	8.3%	5.7%
Greater Hangzhou	***26.3%***	***35.4%***	*26.3%*	*34.4%*	*26.9%*	*34.1%*
— Ningbo	**8.3%**	**6.9%**	9.1%	7.9%	8.6%	7.9%
— Yangtze River Delta	**35.6%**	**29.2%**	36.8%	31.8%	35.4%	31.4%
— Bohai Economic Rim	**11.6%**	**13.6%**	11.2%	12.8%	11.4%	13.1%
— Pearl River Delta	**4.7%**	**5.3%**	3.9%	4.0%	4.8%	4.5%
— Others	**13.5%**	**9.6%**	12.7%	9.1%	12.9%	9.0%
Total	**100%**	**100%**	100%	100%	100%	100%

We started our property management business first in Hangzhou, also where our headquarters is located. In the Period, the "Greater Hangzhou" (within one hour distance radius) remained our major region, steadily accounting for 26.3% in GFA but 35.4% in revenue. On annual increase percentage, our contracted GFA in the eastern China regions (Greater Hangzhou, Ningbo and Yangtze River Delta regions together), rose by 26.3% y/y. This growth is not only in line with the historical trend, it also sustains our edge in these regions.

On reserve GFA, of which we define as properties that we already signed service contracts with various property developers providing property management service and upon the delivery of these projects, the reserve GFA would then become our contracted GFA contributing and expanding our revenue base, as at 30 June 2016, our reserve GFA increased to 99.0 million sqm, an increase of 26.2 million sqm, or 36.0% y/y from 72.8 million sqm in 1H2015. By region, Hangzhou, Greater Hangzhou and Yangtze River Delta increased by 7.5%, 14.6% and 36.3% respectively. These regions are considered to be of higher GDP and well developed in nature, and the fact that our GFA continues to increase, in our view would suggest: our competitiveness in getting new projects is still recognised; and that despite their relatively matured market nature, there is still room for property management service provider to gain new project or market share. We are still focused in these regions.

Collection rate, in the Period, we achieved a high of 92.3%, compared to 90.8% same period 2015. We believe this is amongst the highest in the industry. Such high collection rate, we believe, arises out of our residents' high satisfaction level of our service. According to China Index Academy, an independent, professional research organisation, we ranked No. 1 again in 2015 on customer satisfaction, and also being the 5th consecutive year in attaining such position.

Property Consulting Services — 19.0% of the Group's revenue

This business segment is made up of two sub-segments: (i) Property under construction services, comprises display unit management services, and construction site security services; and (ii) Management consulting services, comprises property development consulting services providing, amongst others, project design at development stage, and various property management consulting services after the delivery of the property.

In the Period, we took on less of the construction site security service contracts given its lower contract value and margins. This has led to a slight decline of this segment's revenue as a percentage of total revenue by 1.5 percentage points y/y. Yet, this has resulted in the increase of average revenue per project. Another reason for the relatively slower growth in the property under construction service revenue, could also be attributed to the fact that major developers only started to bid for land in 1H 2016. Hence it would be some time before they start construction, hence requiring our services. In the 2H 2016, we are in active negotiation with a number of large projects. In addition, we are also contemplating to engage in property projects over their entire project life. This should open up more opportunities for us.

One of development focuses this year lies in the launch of Greentown Alliance Programme to meet the growing demand for enhanced services from property developers and local property management companies that are our existing property consulting services customers. Some of them would like the Company to provide full site property management services to their residential communities under their management; whilst others want to share the innovation we developed, through the "Happy Greentown" APP we developed in the "smart community" project. Currently, the "Happy Greentown" APP is only available to residents in communities we manage. By joining the Greentown Alliance Programme, residents and owners of the projects managed by property companies in the alliance will also gain access to the "Happy Greentown" APP and other smart service facilities, while we can charge a management fee or add to the existing consulting fee that are being charged. We aim to launch this in 2H 2016.

Community value-added services — 9.6% of the Group's revenue

We first started providing value-added services in 2007 to selected communities under our management, aiming at providing convenience to our residents. We since expanded and offered our value added services to include home living services such as property repair and maintenance, as well as housekeeping services. The value-added service has lifted the loyalty level of our customers. In September 2014, on the back of "Internet+" launched our first version of "Happy Greentown" mobile application in selected communities under management, residents can screen and pre-book various services in their communities. They may also purchase various products and value-added services on this platform.

This segment is made up of three sub-segments: (i) Community products and services: this includes "purchase assistance" for a full range of life-style products and services offered by us, or by pre-screened merchants, "Greentown Select", duty-free shopping, community supermarket, and offline value-added services; turnkey furnishing services, transport services, cultural and educational services; (ii) property value management services: housing leaseback services, property sales and rental agency services; (iii) home living services such as property repair and maintenance, housekeeping services, healthcare and recreation; and (iv) community space services.

Happy Greentown APP

In September 2014, we launched the mobile application "Happy Greentown" to selected communities we manage. This will be the platform that not only connects our property management services, community value-added services and other products and services offering with our owner residents, and through the increased usage of this application, we enhance the interaction with our owner residents, extend our service offering, and more importantly lift our operating efficiency by reducing manpower in the process through such direct, internet linkage. Our customers can also purchase services and products, where payments are made through a third party, hence we provide convenience and in certain cases, tailor-made products and services.

In September 2014, we started the Smart Property Management Platform in selected communities we manage. And through the use of Happy Greentown mobile application connecting owner residents and property management services, we can increasingly automate the provision of some basic property management services. With our in-house data analysis, this can save manpower hence lifting efficiency. For example, by the end of June 2016, we have already installed "birds eye" monitoring in 483 of our managed communities, together with automated visitor entrances, and automated courier receiving boxes. We managed to save significant amount of labour without compromising our service quality. This is an effective management tool for us, hence we will continue to pursue such direction.

RESULTS REVIEW

Our Group has three major business segments: (i) property management services; (ii) property consulting services, and (iii) community value-added services.

Property management services

Revenue for this segment reached RMB1,177.8 million in the Period, an increase of RMB267.8 million from RMB910.0 million in 1H 2015, or 29.4% y/y. Gross profit was RMB122.2 million versus RMB88.7 million in 1H 2015, risen 37.8% y/y.

Six months ended 30 June	**2016**		2015	
	% of property management revenue	***% of contracted GFA***	*% of property management revenue*	*% of contracted GFA*
Contracted GFA				
— Residential	**70.4%**	**82.0%**	77.3%	84.4%
— Non-residential	**29.6%**	**18.0%**	22.7%	15.6%
Total	**100%**	**100%**	100%	100%
Operating model				
Lump sum basis	**99.9%**	**98.1%**	99.9%	98.2%
Commission basis	**0.1%**	**1.9%**	0.1%	1.8%
Total	**100%**	**100%**	100%	100%

— Our contracted GFA rose by 32.5% y/y to 91.4 million sqm, from 69.0 million sqm in the same period 2015. And 99.9% in property management revenue of it remains to be on lump sum basis. Our edge in lump sum basis is that through various measures and approaches, we can realise our service quality, lifting our efficiency as well as our profit margins.

— Average property management fee, per month per sqm, was RMB3.06, an increase of 4.1% y/y from 1H2015. This is mainly due to the continued delivery of new projects, and new projects are generally higher in fees than existing ones, leading to higher average management fees.

Property consulting services

Revenue was RMB313.1 million, up 20.5% y/y from RMB259.9 million in 1H 2015. Gross profit was RMB115.2 million and gross profit margin was 36.8%, representing an increase of 24.3% y/y from RMB92.7 million, and 1.1 percentage points from 35.7% in 1H2015.

Six months ended 30 June	**2016**		2015		
	Turnover		Turnover		**Y/Y %**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Property under construction consulting services	**270,672**	**86.4%**	225,777	86.9%	**19.9%**
Management consulting services	**42,444**	**13.6%**	34,110	13.1%	**24.4%**
Total	**313,116**	**100%**	259,887	100%	**20.5%**

The growth is mainly attributable to:

— Property under construction consulting services revenue rose from 2015 1H's RMB225.8 million, to 2016 1H's RMB270.7 million. Number of projects at the end of the Period was 300, whilst average revenue per project was RMB902,240. The figures represented an increase of 16.7% and 2.7% Y/Y respectively compared to the number of projects of 257 and the average revenue per project in 1H 2015.

— Management consulting services revenue was RMB42.4 million, number of projects at the end of 1H 2016 was 172, an increase of 24.4% y/y from 1H 2015's RMB34.1 million but a decline by 8.5% y/y in project number. Average revenue per project was RMB246,767, representing a 36.0% y/y increase.

Property consulting services — number of projects and average revenue per project

Six months ended 30 June			**June 2016**		June 2015	
	No. of projects *Period end*	**Y/Y %**	**Average revenue/ project** ***RMB'000***	**Y/Y %**	No. of projects *Period end*	Average revenue/ project *RMB*
Property under construction services	**300**	**16.7%**	**902,240**	**2.7%**	257	878,510
Management consulting services	**172**	**-8.5%**	**246,767**	**36.0%**	188	181,436

Community value-added services

For the six months ended 30 June 2016, Community value-added services revenue was RMB158.0 million, an increase of 68.4% y/y from 1H 2015's RMB93.8 million. Reasons for the increase are as follows.

— Community products and services revenue was RMB85.5 million, an increase of 136.4% y/y from 1H 2015's RMB36.2 million

— Home living services revenue was RMB59.7 million, an increase of 18.7% y/y from 1H 2015's RMB50.3 million

— Community space services revenue was RMB12.8 million, an increase of 74.2% y/y from 1H 2015's RMB7.3 million

Six months ended 30 June	**2016**		2015		
	Turnover		Turnover		**Y/Y %**
	RMB'000	***% of total***	*RMB'000*	*% of total*	
Community products and services	**85,498**	**54.1%**	36,169	38.6%	**136.4%**
Home living services	**59,677**	**37.8%**	50,277	53.6%	**18.7%**
Community space services	**12,777**	**8.1%**	7,335	7.8%	**74.2%**
Total	**157,952**	**100%**	93,781	100%	**68.4%**

Costs of sales

Our costs of sales in the Period was RMB1,339.9 million, versus RMB1,041.0 million in 1H2015, an increase of 28.7% y/y. Reasons for the increase was mainly due to the rise in our contracted GFA by 32.5% y/y that led to an increase in our outsourcing costs. However, with our effective cost control measures, on direct labour costs as well as administrative expenses, overall costs of sales only increased by 28.7% y/y, which was lower than the growth rate of our revenue.

Gross profit and gross margins

Given the effective cost control measures in the Period, the Group's gross profit continued to rise to RMB309.0 million 1H 2016, from RMB222.7 million in 1H 2015. And in turn gross margin increased to 18.7%, up by 1.1 percentage points from 17.6% in the same period last year.

— Property management service segment's gross profit reached RMB122.2 million, a 37.8% y/y increase from RMB88.7 million in 1H 2015. The major reason for the increase was due to the rise of 4.1% y/y in our average property management fee that we charged RMB3.06 per month and per sqm, in the Period. And this was also due to the outsourcing of our cleaning and security guards over the last two years. These measures saved costs effectively and in turn contributed to our gross margins improvement.

— Property consulting services gross profit was RMB115.2 million, higher than the RMB92.7 million in 1H 2015, up 24.3% y/y; and gross margin also from 1H 2015's 35.7% by 1.1 percentage points to 36.8% in the Period. This was mainly due to the continual rise in the average income per projects in the Period.

— Community value-added service gross profit was RMB71.7 million, an increase of 73.6% y/y from RMB41.3 million in 1H 2015. This was due mainly to the expansion of business scope from the variety of services to product portfolio on offer which increased the number of active users, our gross margin was lifted by 1.4 percentage points y/y to 45.4% in the Period from 44% in the same period last year.

Administrative expenses

Our administrative expenses reached RMB118.3 million, an increase of 14.5% from RMB103.3million in 1H 2015. The increase was mainly attributed to (i) the 32.5% increase in our contracted GFA which in turn required a rise in management resources (an increase of 7.5%), and (ii) a 9.9% y/y increase in office related expenses.

However, the major reason for the increase was due to the listing expense in the Period, at RMB14.5 million, versus RMB8.7 million in 1H 2015. As this is one-off in nature, so excluding this expense for both years, the annual increase in administrative expense would only be 9.7%. This pace of increase is much lower than the increase in the Group's revenue.

Finance costs

The Group increased bank loans by RMB50 million to RMB230 million in the Period. The increase in our interest income was mainly due to the rise in cash on hand.

Six months ended 30 June	**2016** *RMB'000*	2015 *RMB'000*	**Y/Y %**
Interest income on bank deposits	**1,245**	951	30.9%
Interest expense on interest bearing borrowings	**(4,572)**	(4,871)	–6.1%
Net finance costs	**(3,327)**	(3,920)	–15.1%

Share of profits less losses of associates

The loss of RMB1.5 million was due solely to our associate "Greentown Uoko", an associate that was only established in September 2015. It is still at its initial stage of operation and investment, hence we do not expect this to be money making at this stage yet.

Share of profit less losses of joint ventures

The loss of RMB245,000 was mainly due to the loss in a company we acquired in April 2015.

Profit before taxation

Our pre-tax profit reached RMB178.4 million in the Period, an increase of RMB66.1 million from 1H 2015, or 58.9% y/y. This increase is mainly due to the rise in our revenue, gross profit and gross margin in the Period.

Income tax

Our income tax for the Period was RMB53.1 million, an increase of 85.7% y/y.

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**46,113**	29,221
Under-provision in respect of prior years	**2,178**	–
	48,291	29,221
Deferred tax		
Origination and reversal of temporary differences	**1,577**	(595)
Withholding tax on the profits of the Group's PRC subsidiaries	**3,211**	–
	4,788	(595)
	53,079	28,626

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

The income tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the periods is 16.5%. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2016 and 2015 as the Group did not earn any income which is subject to Hong Kong Profits Tax.

Individual companies within the Group in the PRC are generally subject to Corporate Income Tax at 25% on taxable income determined according to the relevant income tax rules and regulations of the PRC unless otherwise specified.

Among the subsidiaries of the Group, the respective tax authorities in Hangzhou and Ningbo of the PRC have approved an income tax rate of 20% for Hangzhou Greentown Vocational Training School and Ningbo Greentown Advertisement Company Limited for the year ended 31 December 2015 and six months ended 30 June 2016.

Profit attributable to equity shareholders of the Company

Our profit for the Period was RMB125.3 million, whilst the profit attributable to equity shareholders reached RMB125.2 million, a 48.9% y/y increase from RMB84.1 million in 1H 2015. Net margin reached 7.6%, an improvement of 0.9 percentage points from 1H 2015.

Trade and other receivables

Our trade and other receivables for the Period rose by 82.5% y/y to RMB766.3 million from end 2015's RMB420.0 million. This may seem high, but its mainly due to the seasonality in our property management business. A large proportion of our property management contracts have set the payment period in the 2H of the year, in line with the tradition in the industry. As a result, payment by our owner residents in the 1H would be disproportionally less to the full year payment we receive. This led to a high level of trade and bills receivables in 1H 2016 versus the end 2015. As our contracted GFA continues to expand in size, a corresponding increase in trade receivables would still be manageable.

Other noticeable increase in receivables was in: (i) other receivables, 22.5% y/y and this is due mainly to the money we received from our owner residents and paying on their behalf for their public utilities bill; (ii) deposits and prepayment which mainly represent the deposit we paid when participate in open bidding for property management contracts.

In addition, the total of receivables, barring the trade and bill receivables, at RMB174.8 million, actually decline by 5.7% y/y from RMB185.3 as at 31 December 2015, reflecting effective control by the management.

Trade and other payables

Despite rapid increase of contracted GFA, our trade and other payables for the Period slightly increased by 2.6% to RMB869.6 million from RMB847.4 million as at 31 December 2015. The major cause for increase is due to in the "Escrow funds held on behalf of customers". This arises from our fast growing property agent business, and it's a legal requirement for property agent to hold the downpayment from buyers and only transfer to sellers on completion. Therefore such increase only indicates our business volume has been rising.

Receipts in advance

During the Period, this amount rose rapidly in the Period by 54.8% Y/Y to RMB523.6 million. Whilst this increase would relieve our working capital needs, it also reflects our progress in receiving property management fee in advance.

Use of proceeds from Listing

We were successfully listed on the the Main Board of the Stock Exchange on 12 July 2016, issuing 777,776,000 new shares, raising HK$1.5 billion net of underwriting costs and related expenses. As at the date of this interim results announcement, the proceeds have not been utilized. As disclosed in the prospectus dated 28 June 2016 of the Company (the "Prospectus"), the proceeds will be applied to the following use:

— 49% for acquisitions of property management companies and companies providing value-added services

— 22% for developing and promoting our "smart community" project and our community products and services

— 19% for loan repayment

— 10% for working capital and general corporate purpose

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2016.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2016.

Employees and remuneration policies

The Group has established its human resources policies and procedures with a view to deploying the incentives and rewards of the remuneration system which include a wide range of training and personal development programmes to its employees. The remuneration package offered to the staff was in line with the duties and the prevailing market terms. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Staff benefits, including pension, medical coverage, provident funds are also provided to employees of the Group.

As at 30 June 2016, the Group had 15,852 employees.

Exchange rate risk

The Group conducts substantially its business in Renminbi. Therefore, the Group is exposed to minimal foreign currency exchange rate risk. Depreciation or appreciation of the Renminbi and Hong Kong dollar against foreign currencies can affect the Group's results. The Group currently does not hedge our foreign exchange risk, but continuous monitoring on the foreign exchange exposure is carried out and the management will consider hedging the foreign exchange exposure if it has material impact to the Group.

Corporate governance

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 and the Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

From the Listing Date until the date of this announcement, the Company was in compliance with all 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

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

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 2016 and until the date of this announcement.

Audit committee

The Company has established an audit committee (the "Audit Committee"). The Audit Committee currently consists of three members, namely Mr. Poon, Chiu Kwok (Chairman), Mr. Tian, Zai Wei, and Mr. Wong, Ka Yi. 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 and internal controls.

The unaudited interim financial statements have been reviewed by the Audit Committee.

Change of directors' information

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

Publication of the 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), and the interim report for the six months ended 30 June 2016 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.
LI Hairong
Chairlady

Hangzhou, 29 August 2016

As at the date of this announcement, the Company's executive directors are Ms. LI Hairong (Chairlady), Mr. YANG Zhangfa, Mr. WU Zhihua and Mr. CHEN Hao, the Company's non-executive directors are Mr. SHOU Bainian and Ms. XIA Yibo, and the Company's independent non-executive directors are Mr. TIAN Zaiwei, Mr. POON Chiu Kwok and Mr. WONG Ka Yi.