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Greentown Service Group Co. Ltd.

綠城服務集團有限公司

(A company incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 2869)

CHANGE IN THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the prospectus of Greentown Service Group Co. Ltd. (the “**Company**” together with its subsidiaries, the “**Group**”) dated 28 June 2016 (the “**Prospectus**”) in relation to the listing of the Company (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the announcement of offer price and allotment results dated 10 July 2016 (the “**Allotment Results Announcement**”). Unless otherwise defined, capitalized terms used herein shall have same meanings as defined in the Prospectus.

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS

As set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the Company estimated that it would receive net proceeds from the Global Offering of approximately HK\$1,409 million after deducting the underwriting fees and expenses payable by the Company in the Global Offering. As disclosed in the Prospectus, the Company intended to use the proceeds from the Global Offering for the purposes and in the amounts as set out below:

1. The Company planned to use approximately 49% of the net proceeds (approximately HK\$690.4 million) for acquisition of property management companies and companies providing value-added services, of which:
 - a. the Company planned to use approximately 38% of the net proceeds (approximately HK\$535.4 million) for acquisition of property management companies with attractive property management portfolios; and
 - b. the Company planned to use approximately 11% of the net proceeds (approximately HK\$155.0 million) for acquisition of companies providing travel, home living, cultural, educational and other value-added services.

2. The Company planned to use approximately 22% of the net proceeds (approximately HK\$310.0 million) to develop and promote our “smart community” project and our community products and services.
3. The Company planned to use approximately 19% of the net proceeds (approximately HK\$267.7 million) for loan repayment.
4. The Company planned to use approximately 10% of the net proceeds (approximately HK\$140.9 million) for working capital and general corporate purpose.

CHANGE IN THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 12 July 2016. Net proceeds from the Global Offering amounted to approximately HK\$1,472.0 million (after deducting underwriting commissions, incentive fees and other expenses in relation to the Global Offering). Amongst them, approximately 49% of the net proceeds (i.e. HK\$721.3 million) is earmarked for acquisition of property management companies and companies providing value-added services.

Since the Listing, the Company has actively pursued potential opportunities of acquisition, and investment in, property management companies and companies providing value-added services available in the market. Having involved in such course of action for over a year, the Company realized that the basis for pricing in the acquisition of the above two types of target companies varies greatly. As a result, the original split in the intended use of net proceeds from the Listing for acquisition as stated in the Prospectus cannot meet the capital need in practice. It further restricts the Company from being timely responsive to business opportunities. It also came to the knowledge of the Company that many potential acquisition targets are heavily indebted. Therefore, additional capital will be required to continue the development of (including the development of internal system and the recruitment of more professionals), and to achieve growth in, target companies following the acquisition. And in the event of such acquisitions being materialized, the Company would also need to establish more functional units and channel more human resources in managing those target companies based on their respective business nature. In light of the aforesaid, the Company believes deploying adequate working capital after acquisition would be necessary to sustain target companies’ development, and fulfill its operation and profit targets. This extra post-acquisition need of working capital is the cause for the discrepancy between the original estimation for the working capital required from the net proceeds as stated in the Prospectus and the current need of the Company. Therefore the Company believes that it has to allocate additional portion of the net proceeds of the Global Offering as working capital in response to the above needs.

Further, in light of the foreign exchange requirements as promulgated by the State Administration of Foreign Exchange of the People’s Republic of China and other relevant authorities, remittance of funds into Mainland China is subject to foreign exchange control. As the net proceeds from the Global Offering were received by the Company in Hong Kong and the use of such funds is subject to the above control, the foreign exchange control has slowed down the remittance of funds back to our subsidiaries in Mainland China and such delay has impacted our original timeline to develop and promote our “smart community” projects and our community products and services, which require an expeditious access to funds. In order to speed up the progress of development and seize the opportunity to develop

the “smart community” project, the Company has instead financed and developed the “smart community” project and other community products and services with its internal resources by utilising the revenue generated in Mainland China. As a result, a portion of the net proceeds from the Global Offering initially allocated to the development and promotion of the “smart community” projects as disclosed in the Prospectus will be available for re-allocation for the use as working capital of the Group.

After detailed evaluation and discussion, the board of directors of the Company (the “**Board**”) proposed to make the following adjustments to the use of proceeds from the Global Offering: (1) cancel the original split in the use of net proceeds earmarked for the two types of target companies for future coordination with the development of target companies; and (2) increase the proportion of the net proceeds for working capital and general corporate purpose through re-allocation. The adjustments will help the Company implement its acquisition strategy, make timely response to potential acquisition targets of property service companies or companies providing value-added service projects, capture the opportunity to enter new regions and new markets, or expand the value-added services, which would contribute to the continuous development of the Company in the long run.

In order to enhance the efficiency and effectiveness of allocating the net proceeds from the Global Offering, the Board resolved to make the following changes to the intended use of proceeds from the Global Offering:

1. approximately 49% of the net proceeds or approximately HK\$721.3 million to be used for acquisition of target companies, without the limitation on the types of company, whether property management or those that provide value-added services, in supporting the Company’s business development and expansion strategy;
2. approximately 25% of the net proceeds or approximately HK\$368.0 million (i.e. increased by 15 percentage-points from 10% as disclosed in the Prospectus) to be used for working capital and general corporate purpose, and in particular, for the purpose of repayment of debts for the target companies to be acquired, the development of such target companies following the acquisition and the additional costs expected to be incurred by the Company for the management of such target companies as set out in this announcement above; and
3. approximately 7% of the net proceeds or approximately HK\$103.0 million (i.e. decreased by 15 percentage-points as compared to the 22% as disclosed in the Prospectus) to be used to develop and promote our “smart community” project and our community products and services.

The Board confirms that there is no material change in the nature of business of the Company as set out in the Prospectus. The Board has already considered in full on the potential effect, arising from the proposed changes in the use of proceeds from Global Offering, on the business of the Group.

The Board is of the view that the proposed re-allocation of the use of proceeds from the Global Offering is appropriate as it enables the Company to further increase the efficiency in the use of proceeds from the Global Offering for proper business operation and considers it in the best interest of the Company and its shareholders as a whole.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

By order of the Board
Greentown Service Group Co. Ltd.
LI Hairong
Chairman

Hangzhou, the PRC
15 September 2017

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