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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017, CHANGE OF CHIEF EXECUTIVE OFFICER AND OTHER SENIOR MANAGEMENT

Greentown Service Group Co. Ltd.'s (the "**Company**", "**Greentwon Service**") board of directors (the "**Directors**") (the "**Board**") is pleased to announce the financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows.

HIGHLIGHTS

The Group's financial performance

— Revenue was RMB5,140.1 million. Compared with that of the same period of year ended 31 December 2016, which was RMB3,721.9 million, the growth rate on year-on-year basis reached 38.1%, which set a new record for the Group's performance.

— The Group's revenue comes from three major businesses: (i) revenue from the property services is still the Group's largest source of income and profit, which was up to RMB3,559.6 million, accounting for 69.3% of the Group's income. Compared with RMB2,619.9 million in 2016, there's a year-on-year growth of 35.9%; (ii) revenue from community living services reached RMB900.1 million, accounting for 17.5% of the Group's income. Compared with the year 2016, there was a year-on-year growth of 86.0%, which was still in an upward tendency; and (iii) revenue from consulting services amounted to RMB680.3 million, which accounted for 13.2% of the Group's income, revealing a year-on-year growth of 10.1% compared with the year 2016.

— Gross profit has reached RMB946.4 million, a growth of 32.2% compared with RMB716.0 million in 2016. Gross profit margin is 18.4%, decreased by 0.8%, compared with the same period of last year. The main reason for the reduction of the gross profit margin is the decline of gross profit margin in the community living services and the change in the proportion of three major business components.

— Profit for the year was RMB392.1 million with an increase of 33.0% during the same period of last year; profit attributable to equity shareholders of the Company was RMB387.5 million, a growth of 35.7% compared with the same period in 2016; net profit margin, being profit attributable to equity shareholders of the Company divided by revenue, was 7.5%, a slight decrease of 0.2% compared with 7.7% in the previous year. The slight decline in margin was due to: mainly a strategies investment in Cultural and Educational Service and Property asset management service. By nature, the strategies investment experienced a decline in net margin and this situation will continue in the short future. The board believes these two sub-service line will be the important growth drivers and help the group to seize the opportunity of development in future. Earnings per share was RMB0.14, a year-on-year growth of 16.7%.

— In 2017, cash and cash equivalents of the Group amounted to RMB1,836.5 million, declined year-on-year by 15.8% as compared to RMB2,181.7 million for the year 2016. This was mainly due to netting of (i) the net cash used in investing activities of RMB749.8 million; (ii) cash used in financing activities of RMB71.0 million; and (iii) decrease of RMB53.0 million arising from fluctuation in exchange rate. Net cash generated from operating activities remained the stable upward trend, amounting to RMB528.6 million during the year, increased year-on-year by 34.3% from RMB393.7 million in 2016.

— The Board recommended the payment of a final dividend for 2017 of HK$0.06 per share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	**5,140,059**	3,721,993
Cost of sales		**(4,193,669)**	(3,005,966)
Gross profit		**946,390**	716,027
Other revenue	4	**12,784**	16,228
Other net income	4	**6,747**	3,952
Selling and marketing expenses		**(22,532)**	(9,700)
Administrative expenses		**(415,952)**	(274,988)
Other operating expenses		**(42,914)**	(34,720)
Profit from operations		**484,523**	416,799
Finance income		**18,904**	5,297
Finance costs		**–**	(6,964)
Net finance income/(costs)	5(a)	**18,904**	(1,667)
Share of profits less (losses) of associates		**7,297**	4,428
Share of profits less (losses) of joint ventures		**306**	(1,018)
Gain on acquisition of subsidiaries		**419**	–
Gain on disposal of subsidiaries		**709**	–
Gain on acquisition of an associate		**53**	46
Loss on deemed disposal of an associate		**(4,500)**	–
Gain on disposal of a joint venture		**1,208**	–
Profit before taxation	5	**508,919**	418,588
Income tax	6	**(116,849)**	(123,801)
Profit for the year		**392,070**	294,787

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)
for the year ended 31 December 2017
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	Note	**2017** **RMB'000**	2016 RMB'000
Attributable to:			
Equity shareholders of the Company		**387,483**	285,540
Non-controlling interests		**4,587**	9,247
Profit for the year		**392,070**	294,787
Earnings per share	*7*		
Basic and diluted (RMB)		**0.14**	0.12
Profit for the year		**392,070**	294,787
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income of the investees		**(20,180)**	–
Exchange differences on translation of:			
— financial statements of overseas subsidiaries		**(70,842)**	42,473
Other comprehensive income for the year		**(91,022)**	42,473
Total comprehensive income for the year		**301,048**	337,260
Attributable to:			
Equity shareholders of the Company		**296,461**	328,013
Non-controlling interests		**4,587**	9,247
Total comprehensive income for the year		**301,048**	337,260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**303,931**	264,471
Intangible assets		**57,034**	–
Goodwill		**79,422**	–
Interest in associates		**490,159**	32,443
Interest in joint ventures		**68,344**	94,266
Other financial assets		**112,755**	–
Deferred tax assets		**72,810**	50,704
Prepayments		**18,970**	27,759
		1,203,425	469,643
Current assets			
Other financial assets		**29,232**	–
Inventories		**127,693**	10,064
Trade and other receivables	*9*	**789,719**	546,666
Restricted bank balances		**153,248**	114,654
Cash and cash equivalents		**1,836,467**	2,181,692
		2,936,359	2,853,076
Current liabilities			
Receipts-in-advance		**649,787**	473,220
Trade and other payables	*10*	**1,303,589**	942,949
Current taxation		**167,471**	118,461
Provisions		**17,453**	19,890
		2,138,300	1,554,520
Net current assets		**798,059**	1,298,556
Total assets less current liabilities		**2,001,484**	1,768,199

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2017
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	2017	2016
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred tax liabilities	**3,816**	10,804
Provisions	**5,950**	11,659
	9,766	22,463
NET ASSETS	**1,991,718**	1,745,736
CAPITAL AND RESERVES		
Share capital	**24**	24
Reserves	**1,918,190**	1,718,974
Total equity attributable to equity shareholders of the Company	**1,918,214**	1,718,998
Non-controlling interests	**73,504**	26,738
TOTAL EQUITY	**1,991,718**	1,745,736

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2017
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	2017	2016
	RMB'000	*RMB'000*
Operating activities		
Cash generated from operations	**629,356**	474,072
Income tax paid	**(100,782)**	(80,411)
Net cash generated from operating activities	**528,574**	393,661
Investing activities		
Payments for the purchase of property, plant and equipment and intangible assets	**(118,646)**	(84,112)
Proceeds from disposal of property, plant and equipment	**1,702**	2,684
Payments for purchase of:		
— financial assets classified as fair value through profit or loss ("FVTPL")	**(373,718)**	(5,000)
— trading securities	**(9,520)**	–
— listed held-to-maturity investments	**(80,468)**	–
— available-for-sale financial instruments	**(25,700)**	(24,300)
Proceeds from redemption:		
— FVTPL	**5,940**	33,200
— trading securities	**6,035**	–
Investment income received from other financial assets	**165**	334
Acquisition of subsidiaries, net of cash acquired	**(69,969)**	–
Disposal of subsidiaries, net of cash disposed	**(1,557)**	–
Increase in interest in associates	**(99,186)**	(21,787)
Proceeds from disposal of interest in associates	**–**	38,805
Proceeds from disposal of interest in joint ventures	**1,500**	–
Increase in interest in joint ventures	**(2,534)**	(92,180)
Dividends received from associates	**–**	2,010
Interest received	**16,153**	3,482
Net cash used in investing activities	**(749,803)**	(146,864)

CONSOLIDATED CASH FLOW STATEMENT (Continued)
for the year ended 31 December 2017
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	2017	2016
	RMB'000	*RMB'000*
Financing activities		
Distribution to shareholders of a subsidiary	**–**	(454)
Proceeds from new bank loans	**–**	130,000
Repayment of bank loans	**–**	(310,000)
Net proceeds from issue of shares upon initial public offering, net of issuing costs	**–**	1,265,840
Payment for acquisition of additional equity interests in subsidiaries	**(759)**	–
Partial disposal of equity interests in subsidiaries	**6,000**	–
Capital injection from non-controlling shareholders	**23,680**	–
Interest paid	**–**	(6,964)
Dividends payments	**(99,939)**	(21,897)
Net cash (used in)/generated from financing activities	**(71,018)**	1,056,525
Net (decrease)/increase in cash and cash equivalents	**(292,247)**	1,303,322
Cash and cash equivalents at 1 January	**2,181,692**	835,897
Effect of foreign exchange rate changes	**(52,978)**	42,473
Cash and cash equivalents at 31 December	**1,836,467**	2,181,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and joint ventures.

The Company was incorporated in the Cayman Islands on 24 November 2014 as an exempted company with limited liability under the Companies 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**").

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis except for certain financial assets are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as financial assets held for trading, fair value through profit and loss or available-for-sale; and

— derivative financial instruments.

RMB is the functional currency for the Company's subsidiaries established in the mainland China. The functional currency of the Company and the Company's subsidiaries outside the mainland China are Hong Kong dollars.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes in accounting policies

The HKICPA has issued several of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

2. 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, the Group's activities are mainly carried out in the PRC.

(i) Information about reportable segment 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 ended 31 December 2017 and 2016 is set out below:

	Year ended 31 December 2017							
	Hangzhou		Yangtze River Delta Region		Pearl River Delta Region	Bohai Economic Rim Region	Other Regions	Total
	Hangzhou (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	1,492,254	287,365	1,606,762	324,823	282,203	674,192	472,460	5,140,059
Inter-segment revenue	6,931	18,205	2,395	113	20	60	448	28,172
Reportable segment revenue	1,499,185	305,570	1,609,157	324,936	282,223	674,252	472,908	5,168,231
Reportable segment profit	59,990	35,073	186,858	43,181	50,528	48,145	85,144	508,919
Reportable segment assets	1,241,848	232,416	1,293,482	235,737	208,349	428,453	1,496,661	5,136,946
Reportable segment liabilities	1,433,648	130,848	825,305	137,204	114,920	203,208	201,618	3,046,751

	Year ended 31 December 2016							
	Hangzhou		Yangtze River Delta Region		Pearl River Delta Region	Bohai Economic Rim Region	Other Regions	Total
	Hangzhou (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	985,788	241,659	1,164,055	269,646	193,724	507,551	359,570	3,721,993
Inter-segment revenue	6,704	31	1,057	45	22	590	–	8,449
Reportable segment revenue	992,492	241,690	1,165,112	269,691	193,746	508,141	359,570	3,730,442
Reportable segment profit	69,372	33,751	143,271	42,563	21,544	83,890	49,851	444,242
Reportable segment assets	903,228	159,843	875,235	202,820	153,102	261,812	1,576,264	4,132,304
Reportable segment liabilities	1,187,308	90,745	567,586	133,260	101,602	71,138	156,368	2,308,007

(ii) Reconciliation of reportable segment profit or loss

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**5,168,231**	3,730,442
Elimination of inter-segment revenue	**(28,172)**	(8,449)
Consolidated revenue	**5,140,059**	3,721,993

	2017	2016
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**508,919**	444,242
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from Group's external customers	**508,919**	444,242
Listing expenses	**–**	(25,654)
Consolidated profit before taxation	**508,919**	418,588

3. REVENUE

	2017	2016
	RMB'000	*RMB'000*
Property services		
Property management services	**3,559,644**	2,619,927
Consulting services		
Property under construction services	**572,730**	522,533
Management consulting services	**107,612**	95,503
	680,342	618,036
Community living services		
Community products and services	**186,361**	113,338
Home living services	**71,075**	64,620
Community space services	**121,486**	58,816
Property asset management services	**500,986**	236,171
Cultural & education services	**20,165**	11,085
	900,073	484,030

4. OTHER REVENUE AND OTHER NET INCOME

	2017	2016
	RMB'000	*RMB'000*
Other revenue		
Government grants	**10,577**	10,511
Others	**2,207**	5,717
	12,784	16,228
Other net income		
Net gain/(loss) on sale of property, plant and equipment	**382**	(619)
Net realised and unrealised gains on FVTPL	**5,402**	334
Net realized and unrealized gains on trading securities	**115**	–
Net foreign exchange gains	**848**	4,237
	6,747	3,952

5. PROFIT BEFORE TAXATION

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

		2017 *RMB'000*	2016 *RMB'000*
(a)	Finance income/(costs)		
	Interest income on listed debt instruments	**665**	–
	Interest income on bank deposits	**18,239**	5,297
	Interest expense on bank loans	**–**	(6,964)
	Net finance income/(costs)	**18,904**	(1,667)
(b)	Staff costs		
	Salaries and other benefits	**1,453,608**	1,097,631
	Contributions to defined contribution scheme	**216,435**	163,227
		1,670,043	1,260,858
	Included in		
	— Cost of sales	**1,407,830**	1,111,709
	— Administrative expenses	**255,973**	149,149
	— Selling and marketing expenses	**6,240**	–
		1,670,043	1,260,858
(c)	Other items		
	Impairment losses		
	— Trade and other receivables	**35,369**	28,699
	Depreciation of property, plant and equipment	**33,187**	14,793
	Amortisation of intangible assets	**6,989**	–
	Operating lease charges	**67,876**	42,357
	Auditors' remuneration		
	— audit services	**3,600**	4,400

6. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**147,427**	108,199
Under-provision in respect of prior years	**2,161**	2,178
	149,588	110,377
Deferred tax		
Origination and reversal of temporary differences	**(21,935)**	5,122
Withholding tax on the profits of the Group's PRC subsidiaries	**(10,804)**	8,302
	(32,739)	13,424
	116,849	123,801

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB387,483,000 (2016: RMB285,540,000) and the weighted average of 2,777,776,000 ordinary shares (2016: 2,367,637,290 shares) in issue during the year, calculated as follows:

	2017	2016
Profit attributable to equity shareholders of the Company	**387,483,000**	285,540,000
Issued number of ordinary shares, weighted average	**2,777,776,000**	2,367,637,290
Earnings per ordinary shares, basic and diluted (RMB)	**0.14**	0.12

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016 and, therefore, diluted earnings per share are the same as the basic earnings per share.

Earnings per share calculation, base and dilutive based on profit attributable to equity shareholders, is calculated as follows:

Weighted average number of ordinary shares used in calculating basic earnings per share

	2017	2016
Issued ordinary shares at 1 January	**2,777,776,000**	1,000,000,000
Effect of capitalisation issue on 12 July 2016	**–**	1,000,000,000
Effect of issue of shares upon initial public offering on 12 July 2016	**–**	367,637,290
Weighted average number of ordinary shares at 31 December	**2,777,776,000**	2,367,637,290

The weighted average number of shares in issue during the year ended 31 December 2016 is determined based on the assumption that 1,000,000,000 ordinary shares of the Company issued pursuant to a capitalisation issue, as if these shares were outstanding throughout the year of 2016.

8. DIVIDEND

Dividends payable to equity shareholders of the Company attributable to the year:

	2017	**2017**	2016	2016
	HKD'000	***RMB'000***	*HKD'000*	*RMB'000*
Proposed final dividend for HK$0.06 per ordinary share	**166,667.0**	**134,368**	111,111.0	99,939

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

The dividend amounting to RMB99,939,000 attributable to the previous financial year was approved and paid in 2017 (2016: Nil).

The Board recommended to pay final dividend for the year ended 31 December 2017 of HK$0.06 per ordinary share, subject to approval by the shareholders at the Annual General Meeting ("AGM") to be held on 25 May 2018.

9. TRADE AND OTHER RECEIVABLES

As at the end of reporting period, the ageing analysis of trade and bills receivable (which are included in trade and other receivables) based on the date of revenue recognition and net of allowance for impairment of trade and bills receivables is as follow:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**415,212**	309,440
One to two years	**68,902**	55,749
Over two years	**5,014**	10,186
Trade and bills receivable	**489,128**	375,375
Less: Allowance for impairment of trade and bills receivables	**(31,830)**	(24,320)
	457,298	351,055
Other receivables	**146,557**	102,026
Deposits and prepayments	**166,083**	75,527
Amounts due from related parties	**16,062**	14,282
Amounts due from other staff	**3,719**	3,776
	789,719	546,666

Trade and bills receivables are due when the receivables are recognised. We do not provide a credit period to any debtor of other receivables. We assess the recoverability of other receivables on an individual basis taking into account the historical collection experience, the financial condition of the relevant debtor, and the aging of such other receivables and establish provisions when we have objective evidence that a specific debtor will default.

10. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Within 1 month or on demand	**100,330**	47,235
After 1 month but within 3 months	**17,513**	3,818
After 3 months	**34,684**	7,992
Total billed trade payables	**152,527**	59,045

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**222,211**	118,964
— Billed trade payables	**152,527**	59,045
— Accrued trade payables	**69,684**	59,919
Deposits	**175,847**	128,093
Other taxes and charges payable	**60,170**	49,871
Accrued payroll and other benefits	**234,692**	185,270
Escrow funds held on behalf of customers	**69,969**	61,516
Cash collected on behalf of the owners' associations	**73,459**	45,813
Other payables and accruals	**71,377**	60,450
Receipts on behalf of residents	**392,616**	285,040
Amounts due to related parties	**3,248**	7,932
	1,303,589	942,949

As of the end of each reporting period, the ageing analysis of billed trade payables, based on invoice date.

11. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Final dividend

Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 8.

CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results for the year ended 31 December 2017.

At the end of 2017, the economic and social development in China showed a historic signal that the principal contradictions facing Chinese society has evolved. What we now face is the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life.

This important signal indicated the direction of development for many industries. Residential house and urban spaces are the main places to experience beautiful life scenes. However, the property service providers, which conduct routine maintenance and improvement work, have the most natural advantages to be the participants and witnesses of the supply and realization of a better life demand.

It is honored that Greentown Services, immediately upon its list on the Stock Exchange, anchored the core values of happy life operators and will provide a wide range of quality life products and services that focus on the health and well-being of all residents in the Community, which were shown on the first page of the prospectus. Later, we extracted "Happy Life Service Provider" as the development vision and showed it on the cover of performance report.

The development version of "Happy Life Service Provider" and the national consensus of a better life shared a common coincidence with the same aim. We recorded promising performance both in capital market and business development just within two or three months. In terms of the overall performance throughout the full year, the three business services of Greentown Service, including consulting service, property service and community living service, continue to own the characteristics of stable base, synergistic development and better improvement.

RESULTS REVIEW

China's economy rebounded modestly in this year, increased by 6.9% over the previous year, achieving the first speed-up in seven years. The service industry contributed a significant share to the growth, becoming the major driving power, and the real estate industry also recorded robust sales with unusual performance and enhanced the capital and confidence of the land bank. As a real estate-related service industry, Greentown Service will certainly not miss the positive opportunities brought by the big trend. With the consulting experience value by offering high-end property management, we have signed a new service area of 64.2 million square meters among the strategic target cities, and achieved RMB680.3 million consulting services income.

People in China are eager to pay higher fees for better services, this kind of willingness is continuing to grow. The average property charges for newly-signed projects increased year-on-year. However, the collection rate of property fees for projects under management also continued to enhance by leveraging on the high satisfaction with daily services and the services portfolio facing beautiful life, together with the service delivery of the pipeline projects and the inclusion of the stock project that can be charged after signed, the property service recorded the operating revenue of RMB3,559.6 million.

More importantly, consistent with the trend of the increasing disposable income of urban residents in China, there has also been a strong growth line for the owners of services we serve, community living services or products that have to be consumed or improved in the consumer life. The operating revenue of our community living service segment recorded RMB900.1 million throughout the year, its growth rate achieved 86.0% compared with the last year. Similarly, the increase of the service in the community and the visual changes at the internet application level have led to our "Happy Greentown" online app to record 580,000 registered users. The online active rate increased by 3% over the previous year to 66.23% with the increase of the registered users, the online usage of smart courier achieved up to 97.96%. It was the progress when we proactively embraced the Internet and forming strong relations with the property owners. The online activity has also led to the distribution of offline life scenes. We have set up our own brand "Green Orange" convenience stores and unmanned sales outlets in the community. The purpose is to break through the form and content of traditional retail and become a social sharing center for the interactive communication of property owners, an experience center by deeply integrating online and offline lives.

Apart from providing the home life service with many residents this year, we also further penetrated our services into the public buildings and commercial offices with significant values in urban areas, newly signed provincial government large-scale office space, such as the Party School of Jiangxi Provincial Party Committee in Nanchang City; increased the service for Commercial R & D office projects, such as the phase II of Alibaba Software Community in Hangzhou, Yanchang Petroleum Research Center in Xi'an. As for the services for the National Games Village in Tianjin, it was recognized as a collective of outstanding service and further accumulated the experience and confidence in serving the nation and even the intercontinental competitions.

The service is endless and difficult to be perfect. We made some achievements in the development and capital markets over the previous year. However, we are clearly aware that there is still room for the quality and efficiency of development. Entering into a better life is still shallow and the capacity of facing the high competition within the industry needs to be improved. These are the powers that motivate us to make further progress and go forward.

FUTURE OUTLOOK

A better life supply practices, from the national design to private expectations, will be deeply promoted during this year. As a service provider which is rooted in Yangtze River Delta and the Bohai Rim regions, and participating into some cities in the Pearl River Delta and cities with potential in the Midwest nowadays, we need to play the center role in the industry and demonstrate the leading effects in the supply of urban living services and operation services.

In fact, the experience and basis of our own past development and the development plans of our strategic partners have paved the ways. We have also made some preparations in advance. For example, a number of large-scale housing enterprises that cooperate strategically with Greentown Service have obtained dozens of construction sites in 2016 and 2017, most of which are located in the first- and second-tier cities such as Beijing, Shanghai, Chongqing, Hangzhou, Chengdu and Wuhan. They will mainly launch a number of service projects and the updated service, so as to cater for the new life expectancy in 2018. Based on the policies of rent and sale in the first-tier and second-tier cities, we used a number of urban outlets replaced by Greentown to establish rental and service Center and broaden the channels of asset management. Aiming at China's two-child policy, we implemented the relevant policies for three years. The need for early education is surging, we are well poised to utilize the quality education services that we prepared in advance, which will cover more communities and the surrounding areas in 2018. Greentown Service and Zhejiang University, one of the first-class institution in China, jointly study the service system integrating the industrial planning, investment and operation so as to promote the realization of industrial services by using the artificial intelligence town as a pilot.

Previously, our smart service standardization mode enabled output was nominated by Wharton Business School as one of the top 10 real estate cases in China in 2017-2018. The "Research on China's smart community building standard system" , mainly edited by Greentown, has been published and distributed by Chinese Society for Urban Studies (中國城市科學研究院) in June 2017, with the aim to change the pattern of industry development, enhance the wisdom of science and technology, supply theory standards and practice principles.

The above is an example of our practices to enhance service efficiency and management efficiency and to release the design capacity of a better life service.

In 2018 and the foreseeable future, the connection between property services and our life will become higher and the more demand. Life is eternal and unlimited, we must strengthen ourselves before we can integrate into the general trend and form a shiny benchmark. Whether Greentown Service will conduct the practice and create better performance? Only both the clear thinking by management and the more full diligence by all employees will give the Shareholders the expected answer. We have no reason not to do this!

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. In the "2017 China Property Service Top 100 Enterprises Research Results Conference" organized by China Index Academy (a professional independent third-party Real Estate Research Organization in China), we once again won the first place of "China's top 100 leading enterprises in terms of Property Service Satisfaction", which is the praise of our services, and is one of the important drivers for the continuous expansion of our management scale, update of our service system and sustained growth of financial performance.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Company achieved:

Revenue

Revenue was RMB5,140.1 million. Compared with that of the same period of year ended 31 December 2016, which was RMB3,721.9 million, the growth rate on year-on-year basis reached 38.1%, which set a new record for the Group's performance.

The Group's revenue comes from three segments: (i) property services, (ii) community living services, and (iii) consulting services. During the year, (i) the revenue from the property services is still the Group's largest source of income and profit, which was up to RMB3,559.6 million, accounting for 69.3% of the Group's income. Compared with RMB2,619.9 million in the year of 2016, there's a year-on-year growth of 35.9%; (ii) community living services revenue reached RMB900.1 million, accounting for 17.5% of the Group's income. Compared with the year of 2016, there was a year-on-year growth of 86.0%, which continued to keep the strong growth momentum; (iii) the revenue of consulting services amounted to RMB680.3 million, which accounted for 13.2% of the Group's income, revealing a year-on-year growth of 10.1% compared with the whole year of 2016.

	2017		2016		
	RMB'000	***% of the total revenue***	*RMB'000*	*% of the total revenue*	Y/Y%
Property services					
Property services	**3,559,644**	**69.3%**	2,619,927	70.4%	35.9%
	3,559,644	**69.3%**	2,619,927	70.4%	35.9%
Consulting services					
Property under construction services	**572,730**	**11.1%**	522,533	14.0%	9.6%
Management consulting services	**107,612**	**2.1%**	95,503	2.6%	12.7%
	680,342	**13.2%**	618,036	16.6%	10.1%
Community living services					
Community products & services	**186,361**	**3.6%**	113,338	3.1%	64.4%
Home living services	**71,075**	**1.4%**	64,620	1.7%	10.0%
Community space services	**121,486**	**2.4%**	58,816	1.6%	106.6%
Property asset management services	**500,986**	**9.7%**	236,171	6.3%	112.1%
Cultural & education services	**20,165**	**0.4%**	11,085	0.3%	81.9%
	900,073	**17.5%**	484,030	13.0%	86.0%
	5,140,059	**100.0%**	3,721,993	100.0%	38.1%

Cost of sales

During the year, the cost of sales was RMB4,193.7 million, which was an increase of 39.5% compared with that of RMB3,005.9 million in the same period of 2016 and it was slightly higher than the Group's income growth of 38.1%. This is mainly due to the fact that our cost increased as the scale expanded. At the same time, some of our business adjustment and structural optimization also brought some impact on this aspect. Certainly, the Group has been focusing on cost control, and in 2018, we will be more active in discussing the direction of replacing basic functionality with automation, to improve the organization, technology and labor efficiency.

Administrative expenses

The Group's administrative expenses was RMB416.0 million, an increase of 51.3% compared with RMB274.9 million in 2016. This growth rate is larger than the trend of Group's income growth, which is mainly because: (i) increased demand for personnel services resulting from rapid income growth and an increase in staff expenditure brought by a rise in per capita wage; (ii) investment in the construction of intelligent facilities, equipment and information systems. For instance, the internal Big Data center, the upgrade of project management system, system software development, and hardware maintenance, etc.; (iii) investment in building support center platforms, which include financial sharing centers and human resources sharing centers, in order to manage personnel costs, improve management efficiency; and (iv) the office expenses as a result of the Group's relocation into the new self-purchased headquarter building at the end of 2016.

Gross profit

— Gross profit has reached RMB946.4 million, a growth of 32.2% compared with RMB716.0 million in 2016. Gross profit margin was 18.4%, decreased by 0.8%, compared with the same period of last year; the main reason for the reduction of the gross profit rate was the decline of gross profit rate in the community living service and the change in the proportion of three major business components.

— Gross profit margin for property service was 11.2%, slightly higher than 10.9% in 2016. Although the unit labor costs keep rising, the Group spares no efforts to provide more premium service experience for owners through applying the Internet, utilization of intelligent devices and improvement in management system. Also, the Group categorizes the communities it manages into certain service levels according to the different charge standards, formulates customized standards for equipment improvements and service plan, to make sure the consistency in customer experiences in different projects, as well as provide protection for the rapid expansion of the Group across the country. As a result of the establishment of automatic, centralized and standardized management system, the Group can realize the excellent cost control while keep the satisfaction of customers.

— Gross profit margin for consulting service was 36.1%, slightly higher than 35.5% in 2016, which has been stable in recent years. The adjustment to new policies of consulting services has affected the change in gross profit margin.

— Gross profit margin for community living service was 33.5%, there was an obvious decline as compared to 43.5% in 2016. This was mainly due to the rapid changes in sales portfolio as a result of the strategic planning of development of community living services.

(i) Community products & services, because of the inherent nature of its products, mainly quality agriculture products like rice and fruits, its gross profit margin was lower than the average gross profit margin of community living services. Accordingly, when such products and services grew rapidly and achieved a year-on-year growth of 64.4%, brought strong revenue, however, it would dilute the average gross margin.

(ii) Continuous expansion and investment in property asset management services. Property asset management service, being the key component of community living service segment, contributed 55.7% to revenue of community living services in 2017, and property agency business ("綠城置換") is the major income source of this business line. Since 2017, the rise in initial investment, as a result of the geography expansion of property agency business, including shop rent and employment of staff, led to the continuous drop in gross profit of this segment, and work to average down the overall gross margin of community living service. Therefore, we will continue to pay more attention to and control the cost of this segment.

(iii) Strategic adjustment and further investment in cultural & education services. Since the second half of 2017, the implementation of the Private Education Promotion Law (《民辦教育促進法》) and some negative publications on education industry lead to the higher entry barrier for these industries, and the Group has a deeper understanding about the owners' rising demand for high-end education. The Group has set stricter requirements for the establishment and operation of the equipment and field, and devoted more resources into the research in education curriculum system and salary of teachers and training system. Gross profit margin of this segment was negative which was -44.1% affecting the overall average gross margin of community living services.

The sales portfolio of community living services will keep adjusting, therefore, the Board believes that the average gross margin for the future will continue to adjust downwards, but the Board has closely monitored and controlled the community services in terms of the costs. During the year, the gross margin for community living service decreased by 2.3% only, as compared to that of 35.8% in interim period of 2017, showing that the measures for managing and controlling the cost started to make effect.

Net Finance income/(costs)

The finance income during the year was RMB18.2 million, increased by 244.3% compared with that of RMB5.3 million in the same period of 2016. This is because of the increase in operating capital of the Group, together with the large amount of capital raised to list on the Stock Exchange. In this sense, the interest rate of bank has been greatly increased. On the other hand, the Group did not have the financing cost, mainly because in 2016 the fund was used to repay all the bank loans.

	2017	2016	
	RMB'000	*RMB'000*	Y/Y%
Interest income on listed debt instruments	**665**	–	N/A
Interest income on bank deposits	**18,239**	5,297	244.3%
Interest expenses on bank loans	**–**	(6,964)	-100.0%
Net finance income/(costs)	**18,904**	(1,667)	-1,234.0%

The profits and losses of the associate company and joint venture company

In 2017, profits of associates amounted to RMB7.3 million, increased by RMB2.9 million, or 64.8% from RMB4.4 million in 2016. One of the property service companies performed strongly and realized profit of RMB15.4 million. Profits of joint venture amounted to RMB0.3 million, turning to profit from loss.

Income Tax

The income tax for the year was RMB116.8 million, decreased by 5.6% from RMB123.8 million during the same period of 2016, and the tax burden fell from 29.6% in 2016 to 23.0% of this year; excluding the effect of withholding tax, the tax burden fell from 27.6% in 2016 to 25.1% of this year. It is mainly because the Group has improved the tax management system, and strengthened the tax control. According to China's relevant tax regulations, the Group considered that the income will not be distributed to the overseas in last year and the year of 2018, so in 2017, the Group set back the withholding tax of its Chinese subsidiaries.

	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**147,427**	108,199
Under-provision in respect of prior years	**2,161**	2,178
	149,588	110,377
Deferred tax		
Origination and reversal of temporary differences	**(21,935)**	5,122
Withholding tax on the profits of the Group's PRC subsidiaries	**(10,804)**	8,302
	(32,739)	13,424
	116,849	123,801

Under the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in Cayman Islands and British Virgin Islands.

The income tax rate applicable to a subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the year was 16.5%. No provision for Hong Kong Profits Tax was made for the year ended 31 December 2017 as the Group did not earn any income which was subject to Hong Kong Profits Tax.

Individual Chinese companies under the Group are usually required to pay an enterprise income tax at 25% of taxable income and, unless otherwise prescribed, the tax rate is determined in accordance with China's relevant income tax regulations and regulations.

Profits for the year

During the year, profits of the Company were RMB392.1 million, an increase of 33.0% compared with the same period last year; profit attributable to equity shareholders of the Company was RMB387.5 million, a growth of 35.7% compared with the same period in 2016; net profit margin, being profit attributable to equity shareholders of the Company divided by revenue, was 7.5%, a slight decrease of 0.2% over 7.7% in the previous year. The slight decline in margin was due to: mainly a strategies investment in Cultural and Educational Service and Property asset management service. By nature, the strategies investment experienced a decline in net margin and this situation will continue in the short future. The board believes these two sub-service line will be the important growth drivers and help the group to seize the opportunity of development in future. Earnings per share was RMB0.14, a year-on-year growth of 16.7%.

Liquidity, reserves and capital structure

The Group maintained a good financial condition during the year. The current assets for the year was RMB2,936.4 million, increased by 2.9% compared to RMB2,853.1 million in 2016. The Group's cash and cash equivalents amounted to RMB1,836.5 million, decreased by 15.8% from RMB2,181.7 million in 2016. But the corporate capital remains plentiful, with no bank loans, and is in a net cash position, with a current ratio of 1.37 during the year, at a normal level.

In 2017, cash and cash equivalents of the Group amounted to RMB1,836.5 million, declined year-on-year by 15.8% as compared to RMB2,181.7 million for the year of 2016. This was mainly due to netting of (i) the net cash used in investing activities of RMB749.8 million; (ii) cash used in financing activities of RMB71.0 million; and (iii) decrease of RMB53.0 million arising from fluctuation in exchange rate. Net cash inflow from operating activities remained the stable upward trend, amounting to RMB528.6 million during the year, grew year-on-year by 34.3% from RMB393.7 million in 2016.

The total equity of the Group for 2017 was RMB1,991.7 million, which increased by 14.1% from RMB1,745.7 million in 2016. This is mainly due to the accumulation of the company's profits during the year.

Because all of the Group's business is within the PRC, the operating income and profits for the year are denominated in Renminbi. The Group's only source of foreign currency is the Hong Kong dollar, because it witnessed a successful IPO in Hong Kong in 2016. Therefore, a single foreign currency investment income for the year was the deposit interest of the raised funds. The Group does not render that there is a major foreign currency exchange risk, or has adopted financial instruments to hedge currency risk.

Property, plant and equipment

During the year, the value of property, plant and equipment amounted to RMB303.9 million, which increased by 14.9% from RMB264.5 million in 2016. This is mainly due to the increase of 226 management communities, or 27.9%, under normal operation, the Group also acquired the corresponding community equipment and office equipment.

Trade and other receivables

During the year, trade and other receivables amounted to RMB789.7 million, increased by RMB243.0 million, or 44.4%, from RMB546.7 million in 2016. Although this percentage was higher than that of income growth, it remained within 14%–16% in 2016 and 2017 in terms of its shares of total revenue. Trade receivables (mainly property service fees) which constitute the most amounted to RMB489.1 million, increased by RMB113.7 million, or 30.3%, from RMB375.4 million in 2016, which is lower than the total revenue growth of 38.1%; share of revenue decreased to 9.5% in 2017 from 10.1% in 2016, demonstrating the good collection policies and effective implementation of amounts receivables.

Receipts in advance

For the year ended 31 December 2017, receipts in advance amounted to RMB649.8 million, increased by RMB176.6 million or 37.3% when compared to RMB473.2 million in 2016, which was generally in line with the growth rate of the revenue. Receipts in advance mainly represents the property service fees paid by owners in advance.

Trade and other payables

This year, this amount amounted to RMB1,303.6 million, 38.3% higher than RMB942.9 million in 2016. This is mainly due to: (i) the growth in trade payable and (ii) the increase in the amount of payment collected on behalf of owners. This growth is linked to the Group's volume of business, which is generally in line with the revenue growth of 38.1% for the year.

Property Services – accounting for 69.3% of total revenue, and 42.2% of total gross profit

Property services are the Group's largest revenue and margin source. During the past 19 years since the establishment till now, 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 19 years, property services provide us with stable revenue and profit, as well as good reputation. Throughout 2017:

— Revenue reaching RMB3,559.6 million, an increase of 35.9%compared with RMB2,619.9 million in 2016, achieving a steady rise compared with the Group's previous growing tendency of 30%.

— Gross profit reaching RMB399.3 million, up 39.5% from RMB286.3 million in 2016.

	2017		2016	
	% of property service revenue	***% of managed GFA***	*% of property service revenue*	*% of managed GFA*
Contracted GFA				
— Residential	**70.6**	**79.0**	72.3	76.2
— Non-residential	**29.4**	**21.0**	27.7	23.8
Total	**100.0**	**100.0**	100	100

— The managed GFA reaching 137.8 million square meters, an increase of 31.0% compared with 105.2 million square meters in 2016, or net increase of 32.6 million square meters, increased by 20.3 million square meters compared with 117.5 million square meters in the interim period of 2017. The increase in new projects brings us endogenous growth momentum and is also the main source of the continued increase in revenue and profits from property services. At the same time, based on the market demand for high-end property services, we have also actively expanded to the stock market, promoted the increase of managed GFA during the year, resulting in increased income, which is also the reason why the managed GFA has set a historical high during the year.

— Reserved GFA, as one of the most important sources of managed GFA in the future, reached a new high of 150.0 million square meters in the year, a growth of 25.6% compared with 119.4 million square meters in 2016, or net increase of 31.6 million square meters. This is for the fourth consecutive year that the Group's reserved GFA is higher than the managed GFA, showing that the total area of new items we acquire each year not only fills in the area changing from reserve to delivery, but also brings net increase and added reserve, providing a solid foundation for the Group's future growth.

— 1,035 management projects, covering 120 cities in 24 provinces, municipalities and autonomous regions in China, while there were 809 management projects in 2016.

— Greentown China Holdings Limited ("**Greentown China**", stock code: 3900.HK) is our Shareholder and our biggest customer as well as important partner. During the year, Greentown China's sales amount accounted for 4.4% of the Group's total sales. Since its inception, the Group has been operating independently, facing the national market to obtain projects, so there will be no excessive customer concentration.

— Regional distribution: as at 31 December 2017, our managed gross floor area ("**GFA**") and income by region are distributed as follows:

	2017		2016	
	% of managed GFA	***% of revenue***	*% of managed GFA*	*% of revenue*
— Hangzhou	**17.2**	**29.0**	19.9	26.6
— YuHang	**5.8**	**5.6**	6.6	6.5
— Greater Hangzhou	**23.0**	**34.6**	26.5	33.1
— Ningbo	**7.7**	**6.3**	8.3	7.2
— Yangtze River Delta	**37.9**	**31.3**	37.0	31.2
— Bohai Economic Rim	**15.2**	**13.1**	10.6	13.6
— Pearl River Delta	**5.0**	**5.5**	5.5	5.2
— Others	**11.2**	**9.2**	12.1	9.7
	100	**100**	100	100

Community Living Services – accounting for 17.5% of our total revenue, and 31.9% of our total gross profit

During the year, the community living service is still the one with the fastest growth rate among Company's many business, and has gained revenue of RMB900.1 million, a continued rapid increase of 86.0% compared with RMB484.0 million in 2016. Among them,

(1) The community products and services (accounting for 20.7% of the community living service income): in 2017, the annual income reached more than RMB186.4 million, an year-on-year increase of 64.4% compared with RMB113.3 million in 2016.

(2) Home Life Services (accounting 7.9% of the community living service income): in 2017, the annual income reached RMB71.1 million, compared with RMB64.6 million in 2016, slightly up 10.0%.

(3) Community Space Services (accounting for 13.5% of the community living service income): in 2017, the annual income reached RMB121.5 million, a substantial increase of 106.6%, compared with RMB58.8 million in 2016.

(4) Property Asset Management Services (accounting for 55.7% of the community living service income): in 2017, the annual income reached RMB501.0 million, significantly increased by 112.1% compared with RMB236.2 million in 2016.

(5) Cultural and education services (accounting for 2.2% of the revenue of the community living services): in 2017, the annual income reached RMB20.2 million, a year-on-year increase rate of 81.9% compared with RMB11.1 million in the same period of 2016.

	2017			2016	
	Revenue RMB'000	***% of total***	***Y/Y %***	*Revenue RMB'000*	*% of total*
Community products & service	**186,361**	**20.7**	**64.4**	113,338	23.4
Home living services	**71,075**	**7.9**	**10.0**	64,620	13.4
Community space services	**121,486**	**13.5**	**106.6**	58,816	12.2
Property asset management services	**500,986**	**55.7**	**112.1**	236,171	48.8
Cultural & education services	**20,165**	**2.2**	**81.9**	11,085	2.2
Total	**900,073**	**100**	**86.0**	484,030	100

Community living services is the Group's fastest growing business segment. Community living service provides systematic products and service solutions based on owners' full range of life scene and the entire life cycle of real estate, it is the extension of property services, but also an important component of our strategic objective as a "Happy Life Service Provider". Since 2017, we made continuous adjustment and optimization of the relevant content of community living services based on the actual situation of our strategic plan.

In terms of community products and services, we facilitate mainly the rice-centered "Happy Granary" plan, to provide for the owners high-quality agricultural and sideline products. And on this basis, according to the owners' product demand for China's traditional festivals (Dragon Boat Festival, Mid-Autumn Festival, etc.), we enrich product types in the community to meet the owner's demand. We, based on this, will also deepen cooperation with enterprise customers among owners, to enhance our product bargaining advantage at the same time of developing them into B-end customers. In the meantime, we will improve the owner's product experience, based on the advantage brought by the investment in the new retailing industry, Haolingju, with the cooperation of Xian Life and Yiguo, we also set out to layout community business, and plan to take advantage of the management experience and advantages of Haolingju and Xian Life in the new retail area, to build our community convenience store in the managed community with the implementation of rapid replication to promote the development of industrial community products and services.

In terms of property asset management services, during the year, various local governments have issued policies to promote housing leasing market, rent and purchase to the residential needs. And a series of policy incentives to accelerate the cultivation and development of housing leasing market have been introduced one after another, making the leasing market the priority of government policy. This has also verified the correctness of our strategic deployment for this part of the business. In the future, we planned to continue to carry out the regional expansion plan, and will optimize the development strategy: to carry out the strategy step by step according to the distribution of the managed project, and the activity degree of second-hand housing transaction. In addition, we also established "Uhomelifes" brand to carry out housing rental business for community owner's idle assets. These businesses are in a fast-expanding phase, and will still affect the gross profit margin of that division to be adjusted downward further in the next period of time. But we believe that although this is necessary to seize market opportunities, we still need a certain amount of time to make adjustment, so as to establish a stable business model of asset management operations eventually, improve the value-added of our services, and bring a stable source of income and profit.

In terms of cultural and education services, we adjusted the early childhood education development strategy according to the market and the industry situation, focused on the early preschool education high-end market, and promoted specialization level and marketability degree. In the past year, in addition to the adjustment of strategic positioning, business development model has also been adjusted. From the "all-inclusive" community education concept, with platform cooperation strategy transformation as the chain-store strategy for early education, we continuously streamlined low value-added high risk projects, and introduced high-end education system, and moved toward the parallel-tracking approach of "introduction + independent R&D". During the year, due to external policies and some adverse events in the industry, and the adjustment of our strategic positioning and requirements, through proprietary trading and cooperation, we've invested and built a total of 27 Qi Miao Yuan related education points. Some education points are being decorated and have yet to be operated. As stated in the 2017 interim report, the continued investment in this part is expected to be profitable in the third year, and based on our continued commitment to the rapid occupation of the education market, the overall profit-making cycle of that part of the service may be stretched and we will monitor it to make our overall or community living service division profit free from its impact as far as possible. In addition, we will actively explore the service system of the home-based care for elderly in the community, to improve the community living service content, to research and develop appropriate products for the high-end need of the elderly, and to create the industry's leading care services brand.

Consulting services – accounting for 13.2% of the total revenue, 25.9% of the total gross profit

As discussed in the 2016 annual report, the Group is fully aware of and actively responding to the structural changes in the business environment of the consultancy service. For instance, we cooperate with Mercedes-Benz, Chrysler and other auto 4s stores and some local governments to gradually expand our customer base; at the same time, we provide the extension of service content and type, such as the provision of activities planning, organization, and the application of field robot. In addition, our "Green Alliance" service, by accurately understanding the property service enterprises' demand for the improvement of service quality in the market, has gained the market recognition, thus promoting the performance enhancing of the management of consulting services. In 2017, the consulting services income reached RMB680.3 million, an increase rate of 10.1% compared with the annual growth of 2016, and compared with the growth rate of 2.7% in mid-year of 2017, there has been a more significant increase, which also verified that new strategy for our consulting services is effective.

	2017 Revenue RMB'000	2017 % of total	2017 Y/Y %	2016 Revenue RMB'000	2016 % of total	2016 Y/Y %
Project under construction services	**572,730**	**84.2**	**9.6**	522,533	84.5	9.8
Management consulting services	**107,612**	**15.8**	**12.7**	95,503	15.5	27.6
Total	**680,342**	**100**	**10.1**	618,036	100	12.2

	2017 No. of Projects Year end	2017 Y/Y %	2017 Average revenue/ project RMB'000	2016 No. of Projects Year end	2016 Y/Y %	2016 Average revenue/ project RMB'000
Project under construction services	**297**	**22.7**	**1,928**	242	14.2	2,159
Management consulting services	**272**	**29.5**	**396**	210	23.5	455

— During the year, the revenue for project under construction services reached RMB572.7 million, a year-on-year increase of 9.6% compared with that in 2016. And compared with the 0.2% growth rate in the middle of 2017, there has been a significant increase. This is mainly because of the number of customers we serve has been further expanded with the growth of the new contract area of property management services, and through the way we expand our customer base.

— During the year, the revenue for management consulting services reached RMB107.6 million, an increase of 12.7% compared with the same period in 2016. This is mainly because primary results have been achieved with the implementation of "Green Alliance" service. On the original model of deliver management services to customers, we have not only enhance the maintaining time of business partnership, but also let more more property service enterprises to choose to establish a "Green Alliance" partnership with us, thereby driving the increase of income.

— During the year, the consulting service gross profit was 245.4 million, an increase of 11.9% compared with 219.3 million in 2016.

Based on our effectiveness in the strategic transformation of consulting services in 2017, in 2018 we will continue to advance the strategy implementation. In addition to continuing to promote the "Green Alliance" business, we will also further explore the value of our enterprise customers, to provide our customers with the Group's mature management and technology system, such as centralized procurement, personnel training, quality certification, etc., so as to improve the value of consulting services, maintain and promote the future growth of consulting services.

Proceeds from listing

On 12 July 2016, the company successfully listed on the main board of the Stock Exchange and issued 777,776,000 new shares. Excluding the underwriting fees and related expenses, the total proceeds from Listing is HK$1,472 million (equivalent to RMB1,265.8 million). These proceeds will be used in accordance with the Prospectus and the purpose of the announcement issued on 15 September 2017:

— 49% for acquiring property services companies and value-added services providers (22% has been used)

— 7% for the development and promotion of the "Smart Community" project, and community products and services (4.5% has been used)

— 19% for repayment of loans (has been fully used)

— 25% for working capital and general enterprise use (18% has been used)

Dividend distribution

At the Board meeting held on 23 March 2018, the Board recommended the payment of a final dividend of HK$0.06 per ordinary share of the Company. The final dividend will be paid on 21 June 2018.

The Board is of the view that the Group has generated considerable cash from its remarkable operating performance in the year, and the Group also keeps large amount of cash in addition to funds required for its operations. The Board always believes in sharing the positive return from the Group's growth with its shareholders through dividend distribution. The payout ratio is higher than that disclosed in the Prospectus, namely the payout ratio will not be less than 25% of profit after taxation.

ANNUAL GENERAL MEETING

The AGM will be held on 25 May 2018 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 21 May 2018 to 25 May 2018, both days inclusive. In order to qualify to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 May 2018.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from 4 June 2018 to 6 June 2018, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 June 2018.

FOREIGN EXCHANGE RISKS

The Group conducts substantially its business in China and 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.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

During the year, the Group has provided a wide range of training and personal development programmes to its employees in accordance with the established human resources policies and training procedures. 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 31 December 2017, the Group had 20,639 employees, and the total staff cost amounted to RMB1,670.0 million.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (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.

During the year, 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.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established an audit committee (the "**Audit Committee**"). The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Poon, Chiu Kwok (Chairman), Mr. Wong, Ka Yi, and Mr. Li Feng. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal controls.

The consolidated financial statements of the Group for the year ended 31 December 2017 had been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the preliminary announcement.

CHANGE OF CHIEF EXECUTIVE OFFICER AND OTHER SENIOR MANAGEMENT

As a result of an internal reallocation of responsibilities of senior management, Mr. YANG Zhangfa, an executive director of the Company, was appointed as the vice chairman of the Board of the Company and ceased to serve as the Chief Executive Officer of the Company with effect from 23 March 2018; Mr. WU Zhihua was appointed as the Chief Executive Officer of the Company and ceased to serve as the Chief Operating Officer of the Company with effect from 23 March 2018; Ms. JIN Keli was appointed as the Chief Operating Officer of the Company with effect from 23 March 2018. The Board considers that the above mentioned adjustment to the functions and responsibilities of directors and senior management is in line with the overall strategic planning and business development of the Group.

Mr. YANG Zhangfa (楊掌法) has confirmed that he has no disagreement with the Board and there is no matter relating to his ceasation as the Chief Executive Officer of the Company that needs to be brought to the attention of the Shareholders and the Stock Exchange.

The particulars of Mr. WU Zhihua are set out below:

Mr. Wu Zhihua (吳志華), aged 39, the executive Director. He is responsible for management work relating to the overall operation of our Group as well as for management of administration and human resources. Before joining our Group, Mr. Wu worked in Zhejiang Guesthouse Co., Ltd. (浙江賓館有限公司) from July 2002 to June 2003. Mr. Wu joined our Group in June 2003 and was subsequently promoted as the executive vice general manager and the general manager of Zhejiang Lvsheng Property Management Company Limited (浙江

綠升物業管理有限公司) from April 2008 to August 2008 and from August 2008 to December 2008, respectively. He also served as the assistant to general manager, the vice general manager, the vice executive general manager and executive president of Greentown Property Management from January 2009 to February 2011, from February 2011 to November 2014, from December 2014 to August 2017, and from August 2017 to present, respectively. In addition, Mr. Wu currently holds directorship in various subsidiaries of our Company, including those set out below:

Name of entity	Period of time
Greentown Property Management (綠城物業服務)	August 2015–present
Zhejiang Lvsheng Property Management Company Limited (浙江綠升物業服務有限公司)	March 2008–present
Zhejiang Greentown Culture Arts Consulting Company Limited (浙江綠城文化策劃有限公司)	July 2014–present
Hangzhou Greentown Vocational Training School (杭州市綠城職業培訓學校)	July 2014–present
Hangzhou Zigui technology (杭州紫桂科技)	July 2015–present
Twin Cities Network (雙城網絡)	December 2015–present
Zhejiang Shushu technology (浙江術數科技)	March 2017–present
Hangzhou lvju Property Management (杭州綠居物業服務)	April 2017–present
Zhejiang Zhilian (浙江智聯共享信息科技)	July 2017–present

Mr. Wu is now the president of the Property Management Association of Xihu District, Hangzhou (杭州市西湖區物業管理協會). Mr. Wu graduated from Zhejiang University (浙江大學) in Hangzhou, the PRC with a bachelor's degree majoring in tourism management, and obtained his master's degree in science in quality management from The Hong Kong Polytechnic University (香港理工大學) in Hong Kong.

Except for holding 30,000,000 shares of the Company, Mr.Wu has no other interest in the Company's securities within the meaning of Part XV of the Securities and Future Ordinance any other securities of the Company.

The Company has entered into a service agreement with Mr. Wu in relation to his appointment as the Chief Executive Officer of the Company for a term of three years commencing on March 23, 2018. Mr. Wu will be entitled to an annual remuneration of RMB1.25 million (excluding the discretionary bonus), which was determined by the Board with reference to the prevailing market conditions and his roles and responsibilities in the Company.

Save as disclosed herein and as at the date of this announcement, (i) Mr. Wu does not hold any position in the Company or any of its subsidiaries nor have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company; (ii) Mr. Wu does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years ; and (iii) Mr. Wu is not interested nor deemed to be interested in any shares, underlying shares or debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Save as disclosed herein, there are no other matters concerning the appointment of Mr. Wu as the Chief Executive Officer of the Company that need to be brought to the attention of the shareholders of the Company, nor there any other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "**Securities Dealing Code**"). The Company had made specific enquiry with all Directors whether they have complied with the required standard set out in the Model Code and all Directors confirmed in writing that they have complied with the Model Code and the Securities Dealing Code throughout the reporting period.

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

During the year of 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.lvchengfuwu.com). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hangzhou, 23 March 2018

As at the date of this announcement, the Company's executive directors are Ms. LI Hairong (Chairman), 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. LI Feng, Mr. POON Chiu Kwok and Mr. WONG Ka Yi.