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 2018

Greentown Service Group Co. Ltd.'s (the "**Company**") board of directors (the "**Director**") (the "**Board**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with the comparative figures for the same period ended 30 June 2017, as follows.

HIGHLIGHTS

During the six months to 30 June 2018, the Group achieved the following:

— Revenue rose by 32.9% year on year ("**y/y**") to RMB2,927.5 million, lifting from RMB2,203.2 million of the same period in 2017.

— Revenue for three business segments of the Group: (i) Property Services reached RMB2,015.3 million, (ii) RMB511.8 million for our Community Living Services, and (iii) RMB400.4 million for Consulting Services. Against the same period in 2017's RMB1,528.6 million, RMB353.0 million, and RMB321.7 million, they increased by 31.8% y/y, 45.0% y/y, and 24.5 % y/y respectively.

— Gross profit of RMB550.8 million, a 34.3% y/y increase from RMB410.1 million of the same period in 2017, whilst our gross margin rose to 18.8%, up from 18.6% of the same period in 2017, representing an improvement of 0.2 percentage points.

— Net profit attributable to the equity shareholders of the Company was RMB229.3 million, increased 29.1% y/y from RMB177.6 million of the same period in 2017. Net margin reached 7.8%, a decreasing of 0.3 percentage points from 8.1% of the same period in 2017, and an increase of 0.2 percentage points from 7.6% in 2017.

— Basic earnings per share was RMB0.08, based on the total number of issued shares of 2,777,776,000 shares as at 30 June 2018.

— Cash on hand as at 30 June 2018 was RMB1,565.7 million.

— The Board resolved not to declare any interim dividend for 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 2018 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018
(Unless otherwise stated, all amounts are expressed in Rmb'000)

		Six months ended 30 June	
	Note	**2018**	2017 *(Note)*
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**2,927,481**	2,203,220
Cost of sales		**(2,376,644)**	(1,793,128)
Gross profit		**550,837**	410,092
Other revenue	*5*	**6,132**	7,249
Other net income/(loss)	*5*	**3,391**	(118)
Selling and marketing expenses		**(14,747)**	(2,806)
Administrative expenses		**(233,993)**	(161,308)
Other operating expenses		**(33,583)**	(20,402)
Profit from operations		**278,037**	232,707
Finance income		**11,663**	9,410
Share of profits less losses of associates		**(3,152)**	3,645
Share of profits less losses of joint ventures		**(1,097)**	(1,434)
Gain on acquisition of subsidiaries		**–**	409
Loss on disposal of a subsidiary		**–**	(25)
Gain on disposal of a joint venture		**–**	1,208
Gain on disposal of an associate		**12,000**	–
Profit before taxation	*6*	**297,451**	245,920
Income tax	*7*	**(80,671)**	(65,333)
Profit for the period		**216,780**	180,587

	Note	Six months ended 30 June 2018	2017 (Note)
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Attributable to:			
Equity shareholders of the Company		**229,315**	177,614
Non-controlling interests		**(12,535)**	2,973
Profit for the period		**216,780**	180,587
Earnings per share			
Basic and diluted (RMB)	*8*	**0.08**	0.06
Other comprehensive income for the period (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of the investees		**(1,390)**	–
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "**PRC**")		**1,480**	(31,718)
		90	(31,718)
Other comprehensive income for the period		**90**	(31,718)
Total comprehensive income for the period		**216,870**	148,869
Attributable to:			
Equity shareholders of the Company		**229,405**	145,896
Non-controlling interests		**(12,535)**	2,973
Total comprehensive income for the period		**216,870**	148,869

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	Note	**At 30 June 2018** *RMB'000* **(unaudited)**	At 31 December 2017 *(Note)* *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**351,675**	303,931
Intangible assets		**54,722**	57,034
Goodwill		**79,422**	79,422
Interest in associates		**492,090**	490,159
Interest in joint ventures		**67,918**	68,344
Other financial assets		**140,997**	112,755
Deferred tax assets		**92,676**	72,810
Prepayments		**26,282**	18,970
		1,305,782	1,203,425
Current assets			
Other financial assets		**17,615**	29,232
Inventories		**166,477**	127,693
Trade and other receivables	*10*	**1,385,106**	789,719
Restricted bank balances		**250,417**	153,248
Cash and cash equivalents		**1,565,746**	1,836,467
		3,385,361	2,936,359
Current liabilities			
Receipts-in-advance		**–**	649,787
Contract liabilities		**983,193**	–
Trade and other payables	*11*	**1,424,623**	1,303,589
Current taxation		**176,178**	167,471
Provisions		**15,745**	17,453
		2,599,739	2,138,300
Net current assets		**785,622**	798,059
Total assets less current liabilities		**2,091,404**	2,001,484

	Note	At 30 June 2018	At 31 December 2017 *(Note)*
		RMB'000	*RMB'000*
		(unaudited)	(audited)
Non-current liabilities			
Deferred tax liabilities		**4,417**	3,816
Provisions		**10,384**	5,950
		14,801	9,766
Net assets		**2,076,603**	1,991,718
Capital and reserves			
Share capital		**24**	24
Reserves		**2,010,100**	1,918,190
Total equity attributable to equity shareholders of the Company		**2,010,124**	1,918,214
Non-controlling interests		**66,479**	73,504
Total equity		**2,076,603**	1,991,718

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018
(Unless otherwise stated, all amounts are expressed in Rmb'000)

	Note	Six months ended 30 June	
		2018	2017 *(Note)*
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Operating activities			
Cash generated from operations		**51,677**	130,249
Income tax paid		**(90,186)**	(87,810)
Net cash (used in)/generated from operating activities		**(38,509)**	42,439
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(95,198)**	(27,036)
Disposal of a subsidiary, net of cash disposed		**–**	(2,416)
Acquisition of subsidiaries, net of cash acquired		**(9,994)**	(69,544)
Payments for purchase of other financial assets		**(14,289)**	–
Proceeds from redemption of other financial assets		**33,762**	–
Payment for investment in associates		**(4,250)**	–
Payment for investment in joint ventures		**–**	(2,534)
New bank deposits with maturity over three months		**–**	(100,000)
Interest received		**13,664**	9,354
Loan to an associate		**(20,000)**	–
Other cash flows generated from investing activities		**781**	1,560
Net cash used in investing activities		**(95,524)**	(190,616)

	Note	Six months ended 30 June 2018	2017 (Note)
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Financing activities			
Capital contribution from non-controlling shareholders		**2,370**	14,360
Partial disposal of equity interests in subsidiaries		**–**	6,000
Dividends paid to non-controlling interests of non-wholly owned subsidiaries		**(1,800)**	–
Dividends paid to equity shareholders of the Company		**(134,368)**	(99,939)
Net cash used in financing activities		**(133,798)**	(79,579)
Net decrease in cash and cash equivalents		**(267,831)**	(227,756)
Cash and cash equivalents at 1 January		**1,836,467**	2,181,692
Effect of foreign exchanges rate changes		**(2,890)**	(29,283)
Cash and cash equivalents at 30 June		**1,565,746**	1,924,653

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the financial statements

The interim financial report of Greentown Service Group Co. Ltd. ("**the Company**") as at and for the six months ended 30 June 2018 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**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 24 August 2018. The interim financial report has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2017 are available from the Company's registered office. The independent auditor has expressed an unqualified opinion on those financial statements in their report dated 23 March 2018.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	At 31 December 2017	**Impact on initial application of HKFRS 9**	**Impact on initial application of HKFRS 15**	**At 1 January 2018**
		(Note 2(b))	*(Note 2(c))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	72,810	1,043	–	73,853
Total non-current assets	1,203,425	1,043	–	1,204,468
Trade and other receivables	789,719	(4,170)	–	785,549
Total current assets	2,936,359	(4,170)	–	2,932,189
Contract liabilities	–	–	649,787	649,787
Receipts-in-advance	649,787	–	(649,787)	–
Total current liabilities	2,138,300	–	–	2,138,300
Net assets	1,991,718	(3,127)	–	1,988,591
Reserves	1,918,190	(3,127)	–	1,915,063
Total equity attributable to equity shareholders of the Company	1,918,214	(3,127)	–	1,915,087
Total equity	1,991,718	(3,127)	–	1,988,591

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
— financial assets measured at amortised cost	(4,170)
Related tax	1,043
Net decrease in retained earnings at 1 January 2018	(3,127)
Share of other comprehensive income of the investees-fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) relating to equity financial instruments held by a joint venture now measured at FVOCI and decrease in fair value reserve (recycling) at 1 January 2018	18,818
Share of other comprehensive income of the investees-fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity financial instruments held by a joint venture now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	(18,818)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity financial instrument is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at amortised cost				
Trade and other receivables	789,719	–	(4,170)	785,549
Financial assets carried at FVPL				
Unlisted equity financial instruments *(note (i))*	–	50,153	–	50,153
Financial assets classified as available-for-sale under HKAS 39 *(note (i))*	50,153	(50,153)	–	–

Note:

(i) Under HKAS 39, equity financial instruments not held for trading were classified as available-for-sale financial assets. These equity financial instruments are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates).

Financial assets measured at fair value, including units in equity financial instruments measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable;

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) actual or expected significant changes in the economic statues of individual property owner or the operating results of property developers or the borrowers ; (ii)significant decrease in management/service fees collection rate of the individual property owner ; (iii) significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers; or (iv) significant changes in external credit rating and historical write-off experience. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB4,170,000, which decreased retained earnings by RMB3,127,000 and increased gross deferred tax assets by RMB1,043,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	31,830
Additional credit loss recognised at 1 January 2018 on:	
— Trade receivables	4,170
Loss allowance at 1 January 2018 under HKFRS 9	36,000

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  — the determination of the business model within which a financial asset is held; and

  — the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

There is no significant impact of transition to HKFRS 15 on retained earnings and the related tax as at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has recognised contract liabilities amounting to RMB649,787,000, which is prepaid property service fees received from property owners and reclassified from receipts-in-advance, as at 1 January 2018.

(d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

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 five reportable segments.

- Region 1: Hangzhou (include Yuhang)
- Region 2: Yangtze River Delta Region (include Ningbo)
- Region 3: Pearl River Delta Region
- Region 4: Bohai Economic Rim Region
- Region 5: Other Regions (including offshore locations)

Currently, the Group’s activities are mainly 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 2018 (unaudited)							
	Hangzhou Region		Yangtze River Delta Region					
	Hangzhou Region (exclude Yuhang) *RMB'000*	Yuhang Region *RMB'000*	Yangtze River Region (exclude Ningbo) *RMB'000*	Ningbo Region *RMB'000*	Pearl River Delta Region *RMB'000*	Bohai Economic Rim Region *RMB'000*	Other Regions *RMB'000*	Total *RMB'000*
Revenue from external customers	853,421	150,236	888,833	196,224	160,071	419,721	258,975	2,927,481
Inter-segment revenue	19,673	2	941	398	3	59	1	21,077
Reportable segment revenue	873,094	150,238	889,774	196,622	160,074	419,780	258,976	2,948,558
Reportable segment profit	36,351	15,942	114,786	41,426	21,495	18,646	48,805	297,451
As at 30 June 2018								
Reportable segment assets	1,625,713	231,721	1,593,449	318,147	264,243	503,882	1,487,381	6,024,536
As at 30 June 2018								
Reportable segment liabilities	1,863,199	115,662	1,009,383	180,695	145,614	247,564	297,897	3,860,014

	Six months ended 30 June 2017 (unaudited) *(Note)*							
	Hangzhou Region		Yangtze River Delta Region					
	Hangzhou Region (exclude Yuhang)	Yuhang Region	Yangtze River Region (exclude Ningbo)	Ningbo Region	Pearl River Delta Region	Bohai Economic Rim Region	Other Regions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	610,576	136,227	668,032	142,620	125,910	301,940	217,915	2,203,220
Inter-segment revenue	2,514	2,724	250	60	3	110	379	6,040
Reportable segment revenue	613,090	138,951	668,282	142,680	125,913	302,050	218,294	2,209,260
Reportable segment profit	41,008	19,944	71,720	26,156	23,983	18,652	44,457	245,920
As at 31 December 2017								
Reportable segment assets	1,241,848	232,416	1,293,482	235,737	208,349	428,453	1,496,661	5,136,946
As at 31 December 2017								
Reportable segment liabilities	1,433,648	130,848	825,305	137,204	114,920	203,208	201,618	3,046,751

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(ii) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reportable segment profits	**297,451**	245,920
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from the Group's external customers	**297,451**	245,920
Consolidated profit before taxation	**297,451**	245,920

4. REVENUE

The principal activities of the Group are provision of property services, consulting services and community living services.

Disaggregation of revenue by each significant category and timing of revenue recognition are as follows:

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue recognised over time:		
Property services		
Property services	**2,015,277**	1,528,571
	2,015,277	1,528,571
Consulting services		
Property under construction services	**333,360**	271,087
Management consulting services	**67,049**	50,600
	400,409	321,687
Community living services		
Community products and services	**12,510**	7,610
Home living services	**30,323**	29,335
Community space services	**94,011**	33,337
Property asset management services	**59,102**	54,331
Cultural & education services	**15,574**	8,999
	211,520	133,612
	2,627,206	1,983,870
Revenue recognised at point in time:		
Community living services		
Community products and services	**108,638**	78,304
Property asset management services	**191,637**	141,046
	300,275	219,350
	2,927,481	2,203,220

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2(c)).

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

5. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other revenue		
Government grants *(note (i))*	**5,176**	6,664
Others	**956**	585
	6,132	7,249

(i) Government grants mainly represent unconditional grants received from local government to encourage the Group's development.

Other net income/(loss)		
Net loss on sale of property, plant and equipment	**(43)**	(118)
Net gain on redemption of listed debt instruments	**7**	–
Net realised and unrealised gains on financial assets measured FVPL		
— Unlisted equity investments	**3,054**	–
— Treasury products	**151**	–
— Trading securities	**106**	–
Net foreign exchange gains	**116**	–
	3,391	(118)

6. PROFIT BEFORE TAXATION

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

(a) Finance income

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income on listed debt instruments	**2,236**	–
Interest income on bank deposits	**9,427**	9,410
Finance income	**11,663**	9,410

(b) Staff costs

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries and other benefits	**787,726**	653,961
Contributions to defined contribution scheme	**121,727**	93,589
	909,453	747,550

(c) Other items

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment losses		
— trade and other receivables	**29,098**	19,464
Cost of inventories	**192,811**	119,240
Depreciation and amortisation	**35,142**	16,635
Operating lease charges	**51,902**	37,192

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

7. INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
PRC corporate income tax	**96,611**	67,245
Under-provision in respect of prior years	**2,282**	2,161
	98,893	69,406
Deferred taxation		
Origination and reversal of temporary differences	**(18,222)**	(4,073)
	(18,222)	(4,073)
	80,671	65,333

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2018 of RMB229,315,000 (six months ended 30 June 2017: RMB177,614,000) and the weighted average of 2,777,776,000 ordinary shares (six months ended 30 June 2017: 2,777,776,000 shares) in issue during the period.

There were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017 and, therefore, diluted earnings per share are the same as the basic earnings per share.

9. DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018.

10. TRADE AND OTHER RECEIVABLES

As at the end of the reporting period, the ageing analysis of trade debtors 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 receivable, is as follows:

	At 30 June 2018	At 31 December 2017 *(Note)*
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 year	**949,915**	415,212
1 to 2 years	**36,697**	37,072
Over 2 years	**3,550**	5,014
Total trade and bills receivable, net of loss allowance	**990,162**	457,298
Other receivables	**213,001**	146,557
Deposits and prepayments	**172,609**	166,083
Amounts due from related parties	**4,944**	16,062
Amounts due from staff	**4,390**	3,719
	1,385,106	789,719

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Trade receivable are due for payment when the receivables are recognized and bills receivable are due within 1 year from the date of issuance.

Except for certain deposits and prepayments which will be offset against future payment of expenses or transferred to the relevant asset category upon receipt of the assets, all of the trade and other receivables classified as current assets are expected to be recovered within one year.

11. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of billed trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month or on demand	**72,752**	100,330
After 1 month but within 3 months	**28,985**	17,513
After 3 months	**37,200**	34,684
Total billed trade payables	**138,937**	152,527
Accrued trade payables	**92,398**	69,684
Deposits	**204,939**	175,847
Other taxes and charges payable	**88,950**	60,170
Accrued payroll and other benefits	**142,507**	234,692
Escrow funds held on behalf of customers	**152,533**	69,969
Cash collected on behalf of the owners' associations	**91,938**	73,459
Other payables and accruals	**87,648**	71,377
Temporary receipts from residents	**420,887**	392,616
Amounts due to related parties	**3,886**	3,248
	1,424,623	1,303,589

All trade and other payables are expected to be settled or de-recognised within one year or are repayable on demand.

Dear Shareholders,

As of the date of our interim results for 2018, Greentown Service has reached the 2nd anniversary of its listing on the Stock Exchange and the 20th anniversary of the Company's development. History is a mirror. By observing the past to foresee the future, from the two markets of capital and development, we can see the service scene for a better life, like the endless blue sea. Only by extracting the minds of the two civilizations of human beings and science and technology can we hit the waves and stand on the tide. In the recent half year, we have been willing to and endeavored to conduct our business and achieved certain good results. Being a stepping stone for the Company's development, it links the past with the future, laying a solid foundation for good development in the whole year.

Looking back to the past half year, from the country to households, the word "service" is the essence. For the economic performance of China in the first half of the year, the growth rate of the service industry was 1.5 percentage points higher than the industrial growth rate, accounting for 54.3% of GDP and the total proportion continued to rise. More importantly, in the entire economic pull structure, the contribution rate of consumer spending to economic growth was 78.5%. As a comprehensive service provider covering over 130 cities across 24 provinces (direct-controlled municipalities) in China, the customer spending trend under our services may become a landscape in China's consumption upgrade situation. For community living service, one of the three business services of the Company, the overall revenue recorded a year-on-year increase of 45.0%. Our "Green Orange" closely related to living service has been equipped with the "Lightning Delivery" online distribution, ultimately reflecting the convenience of home delivery on routes 200 meters away from home. To supply for everyone's living needs, we maintain good planning of routes and accumulate experience. Wonderful Garden targeting 0-3-year old children is also gaining a reputation for customer education consumption. We have customized express delivery cabinet service for landlords, and the express delivery volume showed a rapid growth trend. We are then encouraged and reminded that services that are deeply rooted in people's hearts must be based on rigid needs of the landlords. With needs becoming more abundant, landlords will pay more attention to safety, convenience and quality.

As of 30 June 2018, the Group's managed GFA reached 150.8 million sqm, including a number of quality stock projects undertaken in strategic cities. Regardless of the new and old projects, premiums are given to quality services, reflecting landlords' recognition of service upgrade under the urban life in the process of consumption upgrade. At the same time, our consulting services for B (Business subject) customers also showed a robust ability. We have opened up the traditional service market, bringing breakthroughs to the new business model. Based on the service advantages and technical capabilities under the service office buildings and urban public construction, we have designed the service model of the industrial park. For example, industrial services have covered Zhejiang Overseas High-level Talents Innovation Park in Hangzhou, with smart communities' construction, investment operations and property services mapping, thereby improving the efficiency and value of asset allocation.

No matter how far we go, we will not forget where we start. Property services for the interface of architecture, environment and security have always been the foundation for a better life. Solid foundation relies on the efforts of service providers and technology support. With the direction of the Internet of Things and under the guidance of the issued "Research on Smart

Community Construction Standard System in China" edited by the Company, for qualified management projects, the pilot layout of intelligent equipment contacts will increase the patrol density of facilities and equipment, improve efficiency, and give efficiency and quality to the basic property services. In the scenes that must be served by people, we start from the corporate philosophy of "sincerity, goodwill, exquisiteness, perfection" and hope to bring appropriate warmth to the life of the landlords. Therefore, in June this year, under the "2018 China Top Hundred Property Management Companies", Greentown Service continued to be the first in terms of Property Service Satisfaction and the second in terms of comprehensive strength.

We should focus on the long term. Greentown Service is committed to the vision of being a happy life service provider. It not only pays attention to the construction of the bottom layer, but also strives to maintain the stability and balance of development with the perseverance and endurance of long-distance runners. At the same time, it keeps a sense of innovation, deeply explores the demand, and develops a new format for the future. We strengthened our talent strategy, recruited a number of professionals from world-renowned companies, and customized and used the "Growing Cloud School" Application, which is used as an internal online platform for employees' training, to create a learning organization that is always online.

We are also clearly aware that with the gradual expansion of service radius, inadequate service imbalances also occur in the service process, reminding us of the importance of perfecting the service system and improving the service means.

At present, the external economic situation is disturbed and changeable, and the property service industry gives people confidence with its self-contained ecological field. Greentown Service will guard against arrogance and agitation, matching the value of investors' trust on the Company. Greentown Service will always have the belief of service providers, the enterprising of innovators and the passion of strivers to strengthen value growth and strive for a better life.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. In the "2018 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 a solid foundation for the continuous expansion of our management scale, update of our service system and sustained growth of performance.

RESULTS REVIEW

For the six months ended 30 June 2018, the Company achieved:

Revenue of RMB2,927.5 million, representing an increase of 32.9% y/y from the same period of 2017 at RMB2,203.2 million.

The Group's revenue arises from three service lines: (i) property services; (ii) community living services; and (iii) consulting services. In the Period: (i) Property services continued to be the Group's largest revenue and earnings contributor for the Group, accounting for 68.8% of overall revenue. It had a revenue of RMB2,015.3 million, an increase of 31.8% y/y from the same period of 2017's RMB1,528.6 million; (ii) community living services, now being the Group's second largest revenue contributor (17.5% of overall revenue), recorded an increase of 45.0% y/y in revenue to RMB511.8 million, from the same period of 2017's RMB353.0 million; and (iii) consulting services, which is still the second largest gross profit contributor making up 13.7% of overall revenue. It registered a revenue of RMB400.4 million, an increase of 24.5% y/y from the same period of 2017's RMB321.7 million.

	Six months ended 30 June				
	2018		2017		
	RMB'000	***% of the total revenue***	*RMB'000*	*% of the total revenue*	Y/Y%
Property services					
Property services	**2,015,277**	**68.8%**	1,528,571	69.4%	31.8%
	2,015,277	**68.8%**	1,528,571	69.4%	31.8%
Consulting services					
Property under construction services	**333,360**	**11.4%**	271,087	12.3%	23.0%
Management Consulting Services	**67,049**	**2.3%**	50,600	2.3%	32.5%
	400,409	**13.7%**	321,687	14.6%	24.5%
Community living services					
Community products and services	**121,148**	**4.1%**	85,914	3.9%	41.0%
Home living services	**30,323**	**1.0%**	29,335	1.3%	3.4%
Community space services	**94,011**	**3.2%**	33,337	1.5%	182.0%
Property asset management services	**250,739**	**8.6%**	195,377	8.9%	28.3%
Cultural & education services	**15,574**	**0.5%**	8,999	0.4%	73.1%
	511,795	**17.5%**	352,962	16.0%	45.0%
	2,927,481	**100.0%**	2,203,220	100.0%	32.9%

Gross Profit

— Gross profit reached RMB550.8 million, risen by 34.3% y/y from the same period of 2017's RMB410.1 million; gross margin was 18.8%, a slight increase of 0.2 percentage points from 18.6% of the same period of 2017.

— Gross margins for the three service lines are: 11.9% for property services, 30.2% for community living services, and 39.1% for consulting services. For the full year 2017, these were 11.2%, 33.5% and 36.1%, whilst for the same period of 2017: 10.8%, 35.8% and 37.1% respectively.

— Gross margin for property service was 11.9%, slightly higher than 10.8% in same period of 2017 and 11.2% for the full year of 2017.

  For the disclosure in the 2017 annual report, the Group spares no efforts to provide more premium service experience for owners through applying the Internet, utilization of intelligent devices, improvement in management system and standardizations of service. Also, the Group tightens the cost control to provide protection for the rapid expansion of the Group across the country.

— Gross margin for community living service was 30.2%, there was a decline as compared to 35.8% in same period of 2017 and 33.5% for the full year of 2017. This was mainly due to the rapid changes in sales portfolio as a result of the strategic planning of development of community living services.

— Gross margin for consulting service was 39.1%, slightly higher than 37.1% in the same period of 2017 and 36.1% for the full year of 2017, which has been stable in recent years.

Cost of sales

In the Period, this amounted to RMB2,376.6 million, a 32.5% y/y increase from the same period of 2017's RMB1,793.1 million. The percentage increase is in line with the overall revenue increase. This increase was largely due to the increase in the cost in response to the fast increase in the service scale expansion. The Group continues to be cost conscious, and increases the coverage and efficiency of using the automation and intelligence devices.

Administrative expenses

Our administrative expenses reached RMB234.0 million, an increase of 45.1% from RMB161.3 million in the same period of 2017. The increase is faster than increase of Group's revenue, the main reasons were (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 management information systems. For example, the upgrade of the main database and project management system, system software development, and hardware servicing etc. (iii) investment in building support center platforms, which include financial sharing centers and human resources sharing centers in order to manage costs, improve management efficiency.

We believe that the construction of information systems and sharing centers will enhance the Group's operational efficiency, which has been reflected in the steady increase in the gross margin of property services.

Finance income

In the Period, finance income was RMB11.7 million, compared to the same period of 2017's finance income of RMB9.4 million. The increase in income was due to the absence of bank loan of the Group, there were only funds raised from listing as well as internal cash deposits and bonds interest income.

	Six months ended 30 June		
	2018	2017	Y/Y
	RMB'000	*RMB'000*	*%*
Interest income on listed debt instruments	**2,236**	–	–
Interest income on bank deposits	**9,427**	9,410	0.0%
Finance income	**11,663**	9,410	23.9%

Share of profit less losses of associates, and joint ventures

In the Period, they amounted to a loss of RMB3.2 million, and a loss of RMB1.1 million, compared to gain of RMB3.6 million, and RMB1.4 million loss respectively in the same period of 2017. It is mainly because several associates were still in the early stages of development or integration, and losses still occurred during the Period; and some joint ventures were on track and losses gradually reduced.

Income tax

In the Period, income tax expense amounted to RMB80.7 million, versus RMB65.3 million for the same period of 2017, or a 23.5% y/y increase. The effective tax rate is 27.1%, slightly higher than the same period of 2017's 26.6%. The reason was that certain individual subsidiaries did not provide for deferred income tax assets at the end of the Period, hence the tax bearing rate increased by 0.5 percentage point y/y from the same period of 2017.

Net margin reached 7.8%, remained flat as compared with 8.1% in the same period of 2017, and 7.6% for the full year of 2017.

	Six months ended 30 June		
	2018	2017	
	RMB'000	*RMB'000*	Y/Y%
Current tax			
PRC corporate income tax	**96,611**	67,245	43.7%
Under-provision in respect of prior years	**2,282**	2,161	5.6%
	98,893	69,406	42.5%
Deferred tax			
Origination and reversal of temporary differences	**(18,222)**	(4,073)	347.4%
	80,671	65,333	23.5%

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 Period is 16.5%. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2017 and 2018 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 2017 and six months ended 30 June 2018.

Profit before taxation

Pre-tax profit reached RMB297.5 million in the Period, an increase of RMB51.5 million from the same period of 2017, or 21.0% y/y. Profit attributable to the equity shareholders of the Company was RMB229.3 million, increased 29.1% y/y from RMB177.6 million in the same period of 2017.

Profit for the Period

Profit for the Period was RMB216.8 million, a 20.0% y/y increase. Net profit attributable to equity shareholders reached RMB229.3 million, being 29.1% y/y increase from the same period of 2017s' RMB177.6 million.

Trade and other receivables

Trade and other receivables reached RMB1,385.1 million, being 43.0% y/y increase from RMB968.7 million in the same period of 2017. Trade receivables alone amounted to RMB990.2 million, versus RMB704.4 million in the same period of 2017, an increase of 40.6% y/y. The deposit and prepayments was 62.5% higher than the same period in 2017. Property service fee was the main part of trade receivables. As we have stressed in the Prospectus as well as in previous interim and annual reports, property service fee always been collected by year. Therefore, trade receivables in the middle of the year would traditionally be at high levels, and then subside rapidly towards year end. Further, overall receivables and trade receivables as a percentage of overall revenue stood at 47.3% and 33.8%, was slightly higher than 43.9% and 31.9% in 2017.

Trade and other payables

Trade and other payables was RMB1,424.6 million, an increase of 32.3% y/y from the same period of 2017's RMB1,077.0 million, and 9.3% from the whole year of 2017. The growth was roughly in line with the growth of the revenue.

Net cash: the Group was in net cash throughout the Period, without any bank borrowing. As at 30 June 2018, our cash on hand was equivalent to RMB1,565.7 million. This translates into RMB0.56 (HK$0.67) net cash per share, deceased by 18.6% as compared to the same period of 2017. This was because (i) the 43% y/y increase in trade and other receivables, higher than the growth rate of total revenue during the Period, while trade and other payables recorded a 32.3% y/y increase, the same as the growth rate of total revenue during the Period; administrative expenses during the Period recorded a 45.1% increase, higher than the growth rate of total revenue during the Period; (ii) net cash used in investing activities was RMB95.5 million; (iii) net cash used in financing activities was RMB133.8 million; and (iv) decrease of RMB2.9 million arising from fluctuation in exchange rate.

Return on net equity: this is calculated by dividing the net profit attributable to shareholders for the Period, against the shareholders equity. For the six months ended 30 June 2018, this ratio stood at 11.0%, which has improved from the 9.8% for the same period of 2017.

Property service — 68.8% of the total revenue, 43.6% of the gross profit

Property services are the Group's largest revenue and gross profit contributor. During the past 20 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 20 years, property services provide us with stable revenue and profit, as well as good reputation. For the Period:

— Revenue reached RMB2,015.3 million, a 31.8% y/y increase from the same period of 2017's RMB1,528.6 million. This growth rate is in line with the Group's historical growth trend.

— Gross profit was RMB240.0 million, a 46.0% y/y increase from same period of 2017's RMB164.8 million last year, and gross margin also increased from 10.8% to 11.9% in the corresponding period.

— This growth of 33.3 million sqm of the managed GFA is mainly driven by the 28.3% y/y increase in the Group's managed GFA for 150.8 million sqm, up from the same period of 2017's 117.5 million sqm. 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 period, resulting in increased income.

— Reserved GFA, as one of the most important sources of managed GFA, reached a new high of 160.3 million square meters in the period, a growth of 19.2% compared with 134.5 million square meters for the same period in 2017, or net increase of 25.8 million square meters, providing a solid foundation for the Group's future growth.

— Managed projects reached 1,095, covering 24 provinces, municipalities and autonomous regions and 134 cities in the nation.

	Six months ended 30 June			
	2018		2017	
	% of property management revenue	***% of managed GFA***	*% of property management revenue*	*% of managed GFA*
Contracted GFA				
— Residential	**69.1**	**79.5**	78.4	82.0
— Non-residential	**30.9**	**20.5**	21.6	18.0
Total	**100.0**	**100.0**	100.0	100.0

— In the Period, average property service fee edged up slightly from the same period of 2017's RMB3.09, and end of 2017's RMB3.11 per month, per sqm, to RMB3.13 in the Period.

	Six months ended 30 June			
	2018		2017	
	% of managed GFA	***% of revenue***	*% of managed GFA*	*% of revenue*
— Hangzhou	**16.7%**	**29.2%**	17.6%	27.7%
— Yu Hang	**7.2%**	**5.1%**	6.4%	6.3%
Greater Hangzhou	**23.9%**	**34.3%**	24.0%	34.0%
— Ningbo	**7.4%**	**6.7%**	8.0%	6.5%
— Yangtze River Delta	**36.6%**	**30.4%**	38.7%	30.2%
— Bohai Economic Rim	**14.6%**	**14.3%**	13.1%	13.7%
— Pearl River Delta	**6.5%**	**5.5%**	5.1%	5.7%
— Others	**11.0%**	**8.8%**	11.1%	9.9%
	100%	**100%**	100%	100%

Community living services — 17.5% of the Group's revenue, 28.0% of gross profit

In the Period, community living services continued to grow amongst all service lines in the Group. It achieved:

— Revenue of RMB511.8 million, an increase of 45.0% y/y from RMB353.0 million in the same period of 2017, slowed down in growth rate as compared to the past. This was mainly due to the slowdown in the income growth of community products and services and property asset management services, which accounted for 72.7% of the segment's revenue. Among them,

(1) The community products and services (accounting for 23.7% of the community living service income): the income reached more than RMB121.1 million, an year-on-year increase of 41.0% compared with RMB85.9 million in the same period of 2017.

(2) Home Life Services (accounting 5.9% of the community living service income): the income reached RMB30.3 million, compared with RMB29.3 million in the same period of 2017, slightly up 3.4%.

(3) Community Space Services (accounting for 18.4% of the community living service income): the income reached RMB94.0 million, a substantial increase of 182.0%, compared with RMB33.3 million in the same period of 2017.

(4) Property Asset Management Services (accounting for 49.0% of the community living service income): the income reached RMB250.7 million, increased by 28.3% compared with RMB195.4 million in the same period of 2017.

(5) Cultural and education services (accounting for 3.0% of the revenue of the community living services): the income reached RMB15.6 million, a year-on-year increase rate of 73.1% compared with RMB9.0 million in the same period of 2017.

— Gross profit was RMB154.4 million, a y/y increase of 22.3%. This lower than revenue y/y increase was due to a further adjustment in the gross margin, down from 35.8% in the same period of 2017, to 30.2% in the Period. The gross profit is expected to maintain at this level.

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". In the Period, we made continuous adjustment and optimization of the relevant content of community living services based on the actual situation of our strategic plan.

	Six months ended 30 June				
	2018			2017	
	Revenue ***RMB'000***	***% of total***	***Y/Y %***	Revenue *RMB'000*	*% of total*
Community products & services	**121,148**	**23.7%**	**41.0%**	85,914	24.3%
Home living services	**30,323**	**5.9%**	**3.4%**	29,335	8.4%
Community space services	**94,011**	**18.4%**	**182.0%**	33,337	9.4%
Property asset management services	**250,739**	**49.0%**	**28.3%**	195,377	55.4%
Cultural & education services	**15,574**	**3.0%**	**73.1%**	8,999	2.5%
Total	**511,795**	**100%**	**45.0%**	352,962	100%

— **Community products and services:** During the Period, community products and services still maintained a relatively strong growth momentum. However, due to the rapid expansion of the previous income scale, the relevant growth rate has decreased compared with the past, but we believe that the growth rate of the segment revenue during the Period was in line with expectations. We also adjusted the development strategy of the segment business according to the owner's living needs, quality requirements and market actual plans. For example, following the rice-centered "Happy Granary" plan in 2017, we have launched the "Happy Orchard" and "Happy Garden" series, and introduced third-party teams and resources to enrich our standardized product sequence to build the "Green Lightning" distribution system, to create a product supply chain around the needs of the owners' holiday products, products popular on the Internet, in addition to meeting the needs of ordinary owners, also to meet the needs of enterprise customers, expand the coverage of our community products, and help us improve a bargaining advantage on standardized product sequences. For this segment of products and services, we always adhere to the quality experience of the owners and use it as one of the important ways to maintain and improve the stickiness of the owners. Therefore, the gross profit margin will not be too high and will continue to be maintained. In addition, we have also reached strategic cooperation with third-party platforms, such as Qianding, to improve the output capabilities of our community products and service platforms, and expand our customer base to promote continuous improvement in performance.

— **Community space services:** We expanded the scope of our service targets by acquiring high-quality brand planning companies, enriching the content and types of our space services. We integrated our business advantages in the community space resources, and vigorously expanded the space service business of non-Group service community. The segment's performance has been growing rapidly during the period. At the same time, we are also actively exploring new directions for the development of this segment. During the Period, we have put a mobile interactive screen in some communities (to display all kinds of public notices and event notices that need to be released during the basic property service process, which can provide publicity for the Company's products and services, and also meet the release needs of advertisers), looking for new formats that can break through the traditional space service framework. Based on the analysis of the consumption behavior patterns of the community owners, the Company provides the products and services that meet the needs of the customers, and improves the advertising publisher conversion rate, which further drives the development of the community space service business.

— **Property asset management services:** the property agency business ("綠城置換") is the major income source of this segment. Affected by the real estate environment, the activity of second-hand housing transactions has dropped significantly compared with the same period in 2017, so the Group's revenue growth in this business was inevitably affected. Based on this, in the first half of the year, we implemented the strategic layout of the National Greentown Rental and Sales Center in the country and differentiated the market share of second-hand housing transactions in our service communities by distinguishing from the traditional "second-hand stores" model. Through the expansion of business coverage areas, we expanded income source while reducing the cost of business expansion. Although the decline in gross profit margin of this part of business was small, it diluted the average gross profit margin of the community segment. Our other asset management services (e.g. parking space business) increased significantly during the period, and revenue increased by 178.1% compared with the same period in 2017. However, due to the impact of business development, gross profit margin decreased. On the other hand, the "Uhomelifes" brand to carry out housing rental business for community owner's idle assets, is still in the stage of rapid development and earnings are not generated. We believe that the gross profit margin of this segment will still be affected in the future. However, this is inevitable in seizing market opportunities, and it will take some time to cultivate. Ultimately, it will establish a stable business model of asset operation and management, increase the added value of our services, and bring us stable income and sources.

— **Cultural & education services:** we will focus on the high-end service market of early childhood education. Through exchanges and cooperation with excellent early childhood education service institutions at home and abroad, we will introduce professional talents and curriculum systems, and continue to improve the core competition of products and establish our own early childhood education brand through deep cultivation of core products such as early education and parent-child classes. During the Period, with the tightening of education policies and the increasing risk of cooperation in running schools, considerations such as the extension of the pre-approval period required for opening the community and the demand for teacher reserves, we are more cautious about new business points, sorting out and standardizing existing business points. As at 30 June 2018, we have invested and operated 30 teaching points through self-operation and cooperation, excluding 12 teaching points that are still undergoing renovation or entering the signing phase. This part of the business is still in the investment period and has not yet generated profit, but we believe that this is inevitable for the establishment of high-end early childhood education service brand, rapid expansion of early childhood education business, and the early incubation period of early childhood education business. We will continue paying attention to and monitoring the profits of our overall and community segments as far as possible.

Consulting services — 13.7% of the Group's revenue, 28.4% of gross profit

As we discussed in the 2017 annual report, we actively responded to changes in the consulting services market environment and continued to explore service content and form upgrade models. Based on the strategic transformation of consulting services in 2017, in the Period we continued to advance the strategy implementation. We continued to expand our customers coverage through centralized procurement, personnel training, quality certification, etc., and achieved initial results.

— Revenue grew 24.5% y/y to RMB400.4 million, from the same period of 2017's RMB321.7 million, and higher from 2017 full year's 10.1% y/y. The increase is largely due to the significant increase in business volumes of property under construction services and management consulting services as compared with the corresponding period through implementation of strategic transformation of consulting services.

	Six months ended 30 June				
	2018			2017	
	Revenue ***RMB'000***	***% of total***	***Y/Y %***	Revenue *RMB'000*	*% of total*
Project under construction services	**333,360**	**83.3%**	**23.0%**	271,087	84.3%
Management consulting services	**67,049**	**16.7%**	**32.5%**	50,600	15.7%
Total	**400,409**	**100%**	**24.5%**	321,687	100%

— Gross margin was 39.1%, slightly higher than 37.1% in the same period of 2017. It still maintained a good resilience.

	Six months ended 30 June				
	2018			2017	
	Nos. of projects year end	**Y/Y%**	**Average income/ project *RMB'000***	Nos. of projects year end	Average income/ project *RMB'000*
Project under construction services	**459**	**61%**	**726,275**	285	951,182
Management consulting services	**317**	**75%**	**211,511**	181	279,558

— In the face of market changes, we continued to implement the strategic transformation strategy of consulting services from the three levels of management, product and marketing. We further strengthened our ability to design and quality control products for consulting services, and upgraded traditional case services to better life experience services, using culture and technology to enhance customer service experience and perception in sales cases. Many developers are hence willing to engage us to provide these services, which will lead to more service contracts and drive revenue and profit growth.

— For management consulting services, we will continue to extend "Green Alliance" service. In combination with the Group's achievements in the field of smart community building, we will provide integrated smart community solutions for cooperative developers and property service companies. In addition, we accurately target third-party property service companies with improving service quality demand in second- and third-tier cities across the country, and cooperate with regional property service associations to enhance the influence of the Group's brands in the regional industry through the seminar value sharing model, and promote the development of "Green Alliance" service and further develop it into a long-term partner of the Group. At the same time, we have reached a strategic cooperation with subsidiaries of E-House. By leveraging on the advantages of both parties in the property service and smart community service platform, we are providing small and medium-sized property service companies with service standards and management system introduction, improving the professional skills of personnel and guiding the property service enterprise certification, and linking to community life services, to help small and medium-sized property service companies to create a warm and convenient life service experience for the owners, while providing a broader customer base for the continued and in-depth development of our Green Alliance business.

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 (29.9% has been used)

— 7% for the development and promotion of the "Smart Community" project, and community products and services (6.5% has been used)

— 19% for repayment of loans (fully used)

— 25% for working capital and general enterprise use (23.5% has been used)

The unutilized part of proceeds from listing will be used by the Group against the usage outlined in the Prospectus and the announcement issued on 15 September 2017. The proceeds are expected to be allocated and fully used by 31 December 2021.

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.

Employees and remuneration policies

During the Period, 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 2018, the Group had 22,742 employees, an increase of 12.1% from the same period of 2017. This is normal and acceptable given the increase in our managed GFAs in the Period was 28.3% y/y. Total staff costs were RMB909.5 million.

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018.

Cash, liquidity and indebtedness

In the Period, the current assets was RMB3,385.4 million, increased by 4.2% compared to RMB3,251.6 million of the same period in 2017. The Group's cash and cash equivalents amounted to RMB1,565.7 million, decreased by 18.6% from RMB1,924.7 million in the same period of 2017. But the corporate capital remains plentiful, with no bank loans. The gearing ratio of the Group (total liabilities divided by total assets) was 55.8% which was in line with the gearing ratio 52.5% in the same period in 2017.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During the six months ended 30 June 2018, 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 by 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 six months ended 30 June 2018.

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 2018.

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), who possesses appropriate accounting and related financial management expertise, Mr. Li Feng 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, risk management and internal controls and to perform other duties and responsibilities as assigned by the Board.

The unaudited interim financial statements and the interim results as of 30 June 2018 of the Group have been reviewed by the Audit Committee.

CHANGE OF DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

On 6 June 2018, Mr. Poon Chiu Kwok resigned as a non-executive director of Chong Kin Group Holdings Limited (a company listed on the Stock Exchange, stock code: 1609).

Save for the announcements issued by the Group on 25 March 2018 and 3 August 2018 in relation to the changes of senior management (chief executive officer and chief financial officer), the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lvchengfuwu.com). The interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be despatched 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

China, Hangzhou, 24 August 2018

As at the date of this announcement, the executive Directors 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. LI Feng, Mr. POON Chiu Kwok and Mr. WONG Ka Yi.