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 2018

Greentown Service Group Co. Ltd.'s (the "**Company**", "**Greentown 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 2018, together with the comparative figures for the year ended 31 December 2017, as follows.

HIGHLIGHTS

The Group's financial performance

— Revenue was RMB6,709.9 million. Compared with that of the same period of 2017, which was RMB5,140.1 million, the growth rate on year- on-year basis reached 30.5%.

— The Group's revenue comes from three major businesses: (i) property services, (ii) community living services, and (iii) consulting services. During the year, (i) revenue from the property services is still the Group's largest source of revenue, which reached RMB4,460.7 million, accounting for 66.5% of the Group's revenue. Compared with RMB3,559.6 million in 2017, there's a year-on-year growth of 25.3%; (ii) revenue from community living services reached RMB1,309.8 million, accounting for 19.5% of the Group's revenue. Compared with the year 2017, there was a year-on-year growth of 45.5%, and (iii) revenue from consulting services amounted to RMB939.5 million, which accounted for 14.0% of the Group's revenue, revealing a year-on-year growth of 38.1% compared with the year 2017.

- Gross profit has reached RMB1,197.7 million, a growth of 26.6% compared with RMB946.4 million in 2017. Gross profit margin is 17.8%, decreasing by 0.6 percentage points, compared with the same period of 2017. The main reason for the reduction of the gross profit margin is the decline of gross profit margin in the community living services.

- Profit for the year was RMB465.7 million with an increase of 18.8% during the same period of 2017; profit attributable to equity shareholders of the Company was RMB483.3 million, a growth of 24.7% compared with the same period of 2017; after deduction of share-based payment transaction expenses (RMB26.4 million), the adjusted profit attributable to equity shareholders of the Company rose by 31.5% on a year-on-year basis. Net profit margin, being profit attributable to equity shareholders of the Company divided by revenue, was 7.2%, a slight decrease of 0.3% compared with 7.5% in 2017. Basic and diluted earnings per share was RMB0.17, a year-on-year growth of 21.4%.

- In 2018, cash and cash equivalents of the Group amounted to RMB2,180.0 million, increasing year-on-year by 18.7% as compared to RMB1,836.5 million as at 31 December 2017.

- The Board recommended the payment of a final dividend for 2018 of HK$0.075 per share (2017: HK$0.06 per share).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018
(Unless otherwise stated, all amounts are expressed in RMB'000)

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	4	**6,709,906**	5,140,059
Cost of sales		**(5,512,253)**	(4,193,669)
Gross profit		**1,197,653**	946,390
Other revenue	5	**12,920**	12,784
Other net income	5	**23,187**	6,747
Selling and marketing expenses		**(59,367)**	(22,532)
Administrative expenses		**(597,319)**	(415,952)
Other operating expenses		**(60,900)**	(42,914)
Profit from operations		**516,174**	484,523
Finance income		**18,156**	18,904
Finance costs		**(23)**	–
Net finance income		**18,133**	18,904
Share of profits less losses of associates		**(22,785)**	7,297
Share of profits less losses of joint ventures		**1,863**	306
Gain on acquisition of subsidiaries		**–**	419
Gain on disposal of subsidiaries		**–**	709
Gain on acquisition of an associate		**–**	53
Loss on deemed disposal of an associate		**–**	(4,500)
Gain on disposal of a joint venture		**–**	1,208
Gain on disposal of associates	6	**115,668**	–
Profit before taxation	7	**629,053**	508,919
Income tax	8	**(163,319)**	(116,849)
Profit for the year		**465,734**	392,070

	Note	2018 RMB'000	2017 (Note) RMB'000
Attributable to:			
Equity shareholders of the Company		**483,296**	387,483
Non-controlling interests		**(17,562)**	4,587
Profit for the year		**465,734**	392,070
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		**1,176**	(20,180)
Exchange differences on translation of:			
— financial statements of overseas subsidiaries		**35,551**	(70,842)
Other comprehensive income for the year		**36,727**	(91,022)
Total comprehensive income for the year		**502,461**	301,048
Attributable to:			
Equity shareholders of the Company		**520,023**	296,461
Non-controlling interests		**(17,562)**	4,587
Total comprehensive income for the year		**502,461**	301,048
Earnings per share			
Basic and diluted *(RMB)*	9	**0.17**	0.14

Notes: 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 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(Unless otherwise stated, all amounts are expressed in RMB'000)

	Note	**2018**	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**371,906**	303,931
Intangible assets		**74,419**	57,034
Goodwill		**82,071**	79,422
Interest in associates		**145,410**	490,159
Interest in joint ventures		**72,499**	68,344
Other financial assets		**620,469**	112,755
Deferred tax assets		**117,143**	72,810
Prepayments		**22,060**	18,970
		1,505,977	1,203,425
Current assets			
Other financial assets		**15,736**	29,232
Inventories		**291,361**	127,693
Trade and other receivables	*11*	**1,202,201**	789,719
Restricted bank balances		**148,897**	153,248
Cash and cash equivalents		**2,180,021**	1,836,467
		3,838,216	2,936,359
Current liabilities			
Bank loans		**950**	–
Receipts-in-advance		**–**	649,787
Contract liabilities		**748,695**	–
Trade and other payables	*12*	**1,892,174**	1,303,589
Current taxation		**259,907**	167,471
Provisions		**20,700**	17,453
		2,922,426	2,138,300
Net current assets		**915,790**	798,059
Total assets less current liabilities		**2,421,767**	2,001,484

	Note	**2018**	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Non-current liabilities			
Deferred tax liabilities		**8,861**	3,816
Provisions		**8,143**	5,950
		17,004	9,766
NET ASSETS		**2,404,763**	1,991,718
CAPITAL AND RESERVES			
Share capital		**24**	24
Reserves		**2,328,738**	1,918,190
Total equity attributable to equity shareholders of the Company		**2,328,762**	1,918,214
Non-controlling interests		**76,001**	73,504
TOTAL EQUITY		**2,404,763**	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 1(c).

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2018
(Unless otherwise stated, all amounts are expressed in RMB'000)

		2018	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**765,360**	629,356
Income tax paid		**(109,128)**	(100,782)
Net cash generated from operating activities		**656,232**	528,574
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(176,749)**	(118,646)
Proceeds from disposal of property, plant and equipment		**3,553**	1,702
Payments for purchase of:			
— financial assets classified as fair value through profit or loss ("**FVPL**")		**(54,150)**	(383,238)
— financial assets classified as fair value through other comprehensive income ("**FVOCI**")		**(12,000)**	–
— listed debt investments		**(16,811)**	(80,468)
— available-for-sale financial instruments		**–**	(25,700)
Proceeds from redemption:			
— FVPL		**41,317**	11,975
— listed debt investments		**21,749**	–
Investment income received from other financial assets		**2,254**	165
Acquisition of subsidiaries, net of cash acquired		**(6,904)**	(69,969)
Disposal of subsidiaries, net of cash disposed		**–**	(1,557)
Payment for investment in associates		**(95,733)**	(99,186)
Capital injection to an associate		**(4,250)**	–
Proceeds from disposal of interest in associates		**80,488**	–
Proceeds from disposal of interest in joint ventures		**–**	1,500
Payment for investment in joint ventures		**–**	(2,534)
Interest received		**18,154**	16,153
Loan to an associate		**(20,000)**	–
Loan received		**20,000**	–
Net cash used in investing activities		**(199,082)**	(749,803)

	Note	2018 RMB'000	2017 (Note) RMB'000
Financing activities			
Proceeds from new bank loans		**4,450**	–
Repayment of bank loans		**(3,500)**	–
Payment for acquisition of additional equity interests in subsidiaries		**–**	(759)
Partial disposal of equity interests in subsidiaries		**–**	6,000
Capital injection from non-controlling interests		**20,766**	23,680
Interest paid		**(23)**	–
Dividends paid to non-controlling interests		**(7,232)**	–
Dividends paid to equity shareholders of the Company		**(134,368)**	(99,939)
Net cash used in financing activities		**(119,907)**	(71,018)
Net increase/(decrease) in cash and cash equivalents		**337,243**	(292,247)
Cash and cash equivalents at 1 January		**1,836,467**	2,181,692
Effect of foreign exchange rate changes		**6,311**	(52,978)
Cash and cash equivalents at 31 December		**2,180,021**	1,836,467

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 1(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 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 set out below:

- investments in convertible notes and equity financial instruments measured at fair value; 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

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:

(i) HKFRS 9, *Financial instruments*

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

(iii) 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.

(i) 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

	HKAS 39 carrying amount at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	HKFRS 9 carrying amount at 1 January 2018 *RMB'000*
Share of other comprehensive income of the investees-fair value reserve (recycling)	18,818	(18,818)	–
Share of other comprehensive income of the investees-fair value reserve (non-recycling)	–	18,818	18,818

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

a. *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. 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 *RMB'000*	Reclassification *RMB'000*	Remeasurement *RMB'000*	**HKFRS 9 carrying amount at 1 January 2018** ***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)	–	**–**

Notes:

(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.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (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 following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates); and

— contract assets as defined in HKFRS 15.

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

c. 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.

(ii) ***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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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 HKASs 11 and 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) *Timing of revenue recognition*

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and provide services and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly over one year in advance of revenue recognition in the Group's arrangements with its customers.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises financing component from sale of goods and provision of services and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

(iii) 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.

2. ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies, which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

The key sources of estimation uncertainly are as follows:

(i) Impairment for trade and other receivables

The impairment allowances for trade and other receivables are based on assumptions about risk of expected credit loss rates. The Group adjusts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting period. Any change in such assumptions and judgement would affect the expected credit loss to be recognised and hence the net profit in future years.

(ii) Fair value of financial instruments

The Group invested certain financial instruments measured at fair value. The valuation of the Group's financial instruments is based on a combination of market data, valuation models and valuation report, if any, issued by an independent external valuer. The above valuation results often require a considerable number of inputs, including risk-free rate, share price volatility, expected dividends, discount rate and market multiples. Some of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. Any change in such assumptions and judgement would affect the fair value of financial instruments and hence the net profit and other comprehensive income in future years.

(iii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(iv) Impairment of non-current assets

If circumstances indicate that the carrying amounts of property, plant and equipment, interest in associates, interest in joint ventures and other financial assets may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

3. SEGMENT REPORTING

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

Currently, 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 years ended 31 December 2018 and 2017 is set out below:

	Year ended 31 December 2018								
	Hangzhou		Yangtze River Delta Region						
	Hangzhou (exclude Yuhang)	Yuhang Region	Yangtze River Region (exclude Ningbo)	Ningbo Region	Pearl River Delta Region	Bohai Economic Rim Region	Hong Kong Region	Other Regions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	2,019,983	378,085	1,990,160	379,619	371,825	943,220	–	627,014	6,709,906
Inter-segment revenue	43,495	30,163	3,763	473	20	38	–	378	78,330
Reportable segment revenue	2,063,478	408,248	1,993,923	380,092	371,845	943,258	–	627,392	6,788,236
Reportable segment profit	64,040	35,557	155,199	56,152	48,051	80,138	87,587	102,329	629,053
Interest income	8,330	23	536	146	74	335	8,530	182	18,156
Interest expense	(23)	–	–	–	–	–	–	–	(23)
Share of profits less losses of associates	3,811	–	–	–	–	–	(26,596)	–	(22,785)
Share of profits less losses of joint ventures	1,863	–	–	–	–	–	–	–	1,863
Gain on disposal of associates	12,000	–	–	–	–	–	103,668	–	115,668
Depreciation and amortisation for the year	(61,279)	(1,559)	(7,028)	(2,713)	(1,906)	(4,241)	(6)	(1,950)	(80,682)
Reportable segment assets	1,832,484	292,832	1,815,516	354,161	318,293	617,114	974,796	590,222	6,795,418
Including:									
Interest in joint ventures	9,644	–	–	–	–	–	62,855	–	72,499
Interest in associates	75,166	–	–	–	–	–	70,244	–	145,410
Other financial assets	56,100	–	–	–	–	–	580,105	–	636,205
Additions to property, plant and equipment and intangible assets during the year	122,665	3,587	14,766	8,042	2,952	14,694	–	1,707	168,413
Reportable segment liabilities	1,960,519	148,745	1,189,004	194,157	180,149	270,276	11,832	284,348	4,239,030

	Year ended 31 December 2017								
	Hangzhou		Yangtze River Delta Region						
	Hangzhou (exclude Yuhang)	Yuhang Region	Yangtze River Region (exclude Ningbo)	Ningbo Region	Pearl River Delta Region	Bohai Economic Rim Region	Hong Kong Region	Other Regions	Total
	RMB'000	*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	4,632	80,512	508,919
Interest income	6,397	38	478	119	80	176	11,519	97	18,904
Interest expense	–	–	–	–	–	–	–	–	–
Share of profits less losses of associates	8,470	–	–	–	–	–	(1,173)	–	7,297
Share of profits less losses of joint ventures	306	–	–	–	–	–	–	–	306
Depreciation and amortisation for the year	(32,079)	(538)	(2,196)	(423)	(274)	(1,754)	(5)	(2,907)	(40,176)
Reportable segment assets	1,241,848	232,416	1,293,482	235,737	208,349	428,453	1,108,323	388,338	5,136,946
Including:									
Interest in joint ventures	9,244	–	–	–	–	–	59,100	–	68,344
Interest in associates	47,959	–	–	–	–	–	442,200	–	490,159
Other financial assets	59,573	–	–	–	–	–	82,414	–	141,987
Additions to property, plant and equipment and intangible assets during the year	75,381	2,645	19,130	5,683	2,373	6,719	–	7,025	118,956
Reportable segment liabilities	1,433,648	130,848	825,305	137,204	114,920	203,208	870	200,748	3,046,751

(ii) Reconciliation of reportable segment profit or loss

	2018 *RMB'000*	2017 *RMB'000*
Revenue		
Reportable segment revenue	**6,788,236**	5,168,231
Elimination of inter-segment revenue	**(78,330)**	(28,172)
Consolidated revenue	**6,709,906**	5,140,059

	2018 *RMB'000*	2017 *RMB'000*
Profit		
Reportable segment profit	**629,053**	508,919
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**629,053**	508,919
Consolidated profit before taxation	**629,053**	508,919

4. REVENUE

	2018	2017
	RMB'000	*RMB'000*
Revenue recognised over time:		
Property services		
Property services	**4,460,669**	3,559,644
	4,460,669	3,559,644
Consulting services		
Property under construction services	**787,735**	572,730
Management consulting services	**151,744**	107,612
	939,479	680,342
Community living services		
Community products and services	**24,212**	31,808
Home living services	**84,432**	71,075
Community space services	**228,654**	121,486
Property asset management services	**158,709**	129,703
Cultural & education services	**35,738**	20,165
	531,745	374,237
	5,931,893	4,614,223
Revenue recognised at point in time:		
Community living services		
Community products and services	**217,702**	154,553
Property asset management services	**560,311**	371,283
	778,013	525,836
	6,709,906	5,140,059

5. OTHER REVENUE AND OTHER NET INCOME

	2018	2017
	RMB'000	*RMB'000*
Other revenue		
Government grants	**8,018**	10,577
Others	**4,902**	2,207
	12,920	12,784

	2018	2017
	RMB'000	*RMB'000*
Other net income		
Net gain on sale of property, plant and equipment	**52**	382
Net realised and unrealised gains on FVPL		
— Convertible notes	**17,979**	5,311
— Unlisted equity investments	**5,525**	–
— Treasury products	**193**	91
— Listed trading securities	**(124)**	115
Net foreign exchange (losses)/gains	**(438)**	848
	23,187	6,747

6. GAIN ON DISPOSAL OF ASSOCIATES

In November 2018, the Group disposed of 18% of its equity interests in China CVS Holdings Limited ("**China CVS**") at a cash consideration of USD14,400,000 (equivalent to approximately RMB99,874,000). After such disposal and new equity interests issued by China CVS to third parties, the equity interests of the Group in China CVS decreased from 34.28% as at 31 December 2017 to 11.47% as at 31 December 2018 and no representative director from the Group remained in the board of directors of China CVS since then. As a result, the Group does not have significant influence in China CVS and accounted for the remaining equity interests in China CVS as FVPL. The above disposal resulted in disposal gain of RMB103,668,000 for the year ended 31 December 2018.

In June 2018, the Group disposed of an associate, Zhejiang Greentown Uoko Asset Management Company Limited, at an amount of RMB12,000,000 resulting in a net disposal gain of RMB12,000,000.

The Group recognised a gain or loss in profit or loss calculated as follows:

	2018
	RMB'000
The fair value of proceeds from the equity interests disposed of	**111,874**
The fair value of remaining equity interests	**71,735**
The carrying amount of the investment in associates at the date on which significant influence is lost	**(67,755)**
Reclassified from other comprehensive income	**(186)**
Gain on disposal of associates	**115,668**

7. PROFIT BEFORE TAXATION

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

		2018 *RMB'000*	2017 *RMB'000*
(a)	Net finance income		
	Interest income on listed debt instruments	**3,886**	665
	Interest income on bank deposits	**14,270**	18,239
	Interest expense on bank loans	**(23)**	–
	Net finance income	**18,133**	18,904
(b)	Staff costs		
	Salaries and other benefits	**1,798,064**	1,453,608
	Equity-settled share-based payment expense	**26,430**	–
	Contributions to defined contribution scheme	**269,330**	216,435
		2,093,824	1,670,043
	Included in		
	— Cost of sales	**1,668,692**	1,407,830
	— Administrative expenses	**396,295**	255,973
	— Selling and marketing expenses	**28,837**	6,240
		2,093,824	1,670,043
(c)	Other items		
	Impairment losses		
	— Trade and other receivables	**49,432**	35,369
	Depreciation of property, plant and equipment	**50,540**	33,187
	Amortisation of intangible assets	**30,142**	6,989
	Operating lease charges	**115,320**	67,876
	Auditors' remuneration		
	— audit services	**3,900**	3,600

8. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**199,282**	147,427
Under-provision in respect of prior years	**2,282**	2,161
	201,564	149,588
Deferred tax		
Origination and reversal of temporary differences	**(38,245)**	(21,935)
Reversal of withholding tax on the profits of the Group's PRC subsidiaries	**–**	(10,804)
	(38,245)	(32,739)
	163,319	116,849

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB483,296,000 (2017: RMB387,483,000) and the weighted average of 2,777,776,000 ordinary shares (2017: 2,777,776,000 shares) in issue during the year.

The Company has issued potentially dilutive instrument such as equity settled share-based transaction in 2018. However, the Company did not include this instrument in its calculation of diluted earnings per share during the periods presented, because the effect of such inclusion would be anti-dilutive. Therefore, diluted earnings per share are the same as the basic earnings per share.

10. DIVIDEND

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

	2018 *HKD'000*	2018 equivalent *RMB'000*	2017 *HKD'000*	2017 equivalent *RMB'000*
Proposed final dividend for HKD0.075 (2017: HKD0.06) per ordinary share	**208,333**	**177,746**	166,667	134,368

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 RMB134,368,000 attributable to the previous financial year was approved and paid in 2018 (2017: RMB99,939,000).

The Board recommended to pay final dividend for the year ended 31 December 2018 of HK$0.075 per ordinary share, subject to approval by the shareholders at the Annual General Meeting ("**AGM**") to be held on 14 June 2019.

11. TRADE AND OTHER RECEIVABLES

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

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**621,517**	415,212
One to two years	**86,070**	68,902
Over two years	**27,782**	5,014
Trade receivables	**735,369**	489,128
Less: Allowance for impairment of trade receivables	**(69,697)**	(31,830)
	665,672	457,298
Other receivables, net of loss allowance	**272,613**	146,557
Deposits and prepayments	**243,224**	166,083
Amounts due from related parties	**11,152**	16,062
Amounts due from other staff	**9,540**	3,719
	1,202,201	789,719

Trade receivables are due when the receivables are recognised. We do not provide a credit period to any debtor of other receivables.

12. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**535,570**	222,211
— Billed trade payables	***458,031***	*152,527*
— Accrued trade payables	***77,539***	*69,684*
Refundable deposits	**242,915**	175,847
Other taxes and charges payable	**133,535**	60,170
Accrued payroll and other benefits	**307,643**	234,692
Escrow funds held on behalf of customers	**49,198**	69,969
Cash collected on behalf of the owners' associations	**94,093**	73,459
Other payables and accruals	**115,650**	71,377
Temporary receipts	**407,380**	392,616
Amounts due to related parties	**6,190**	3,248
	1,892,174	1,303,589

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month or on demand	**318,111**	100,330
After 1 month but within 3 months	**88,303**	17,513
After 3 months	**51,617**	34,684
Total billed trade payables	**458,031**	152,527

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 10.

(ii) On 25 February 2019, the Group entered into the cornerstone investment agreement with Binjiang Service Group Co. Ltd. (濱江服務集團有限公司), CLSA Limited and CLSA Capital Markets Limited and acquired 9,870,000 shares of Binjiang Service Group Co. Ltd. accounting for 3.7% of total issued shares of Binjiang Service Gorup Co. Ltd. at a total consideration of HK$68,695,200 (equivalent to RMB59,194,654) on 15 March 2019.

CHAIRMAN STATEMENT

Dear Shareholders,

2018 was a fleeting year. Looking back on the journey of the past year, relying on the trust of the property owners and investors, the management and employees of the Group feel more cherished and have worked diligently, striving to be steady at every step. We have left the mark of growth while accumulating intrinsic energy.

In 2017, the downward pressure on China's economy increased quarter by quarter, and the real estate industry were also fully regulated. In such context, Greentown Service responded flexibly and deepened into the life scenes to expand its scope of services and diversify its product portfolio, leading to its independent growth that emphasized the improvement of internal value.

In 2018, the total retail sales of consumer goods in China reached RMB38.1 trillion, while the proportion of service consumption has increased to 49.5%. Its growth was obviously faster than commodity consumption, and the quality of consumption has been further improved. Personalized, diversified and customized consumptions have gradually become the new trends. As a small element in the macro-economy, we are best positioned and active in the "residential neighbourhood" and "office zone", providing strongly correlated service products; as significant changes may be seen from a small beginning, we feel the power driven by the economic trend, which is, the development data presented by the company continues to match the main data that drives the economy. For example, to increase the revenue growth of community living services, we further strengthen the offline advantage to establish a home service team called "Four Seasons Housekeeping", and hire staff for the service with professional talents introduced from giant companies such as Ali and Huawei; with respect to the personalized and customized services for high-end property owners, we have upgraded the original butler service system and established the training and application function of the E.O (Experience Organizer), butler brand. Although the current property owners have more service options, when we walk into their homes and step into their office, no matter how the world is connected, our service is closer; just like a movie line saying: beyond seven steps, the gun is faster; within seven steps, the fist is faster. We can satisfy needs for and overcome pain points of service consumption only by leveraging our advantages in locations and human resources and combining various quality life services.

The buildings that carry all kinds of consumer services have also become a refined area for expanding such services; we have signed contracts with landmark buildings such as Wuxi International Financial Center (IFC), Xi'an CNNC Chang'an Yin, Taizhou Tiansheng Center; at the same time, we are expanding our living services to include comprehensive urban services, and services were also launched for Shanghai Pudong International Airport, Wenzhou Airport and Yueyang Airport regarded as the window of cities. The strategy of changing with the trend has also optimized the value of the project portfolio; coupled with more than ten years of market-oriented expansion capabilities, this year, we have newly signed the management contract of 84.2 million square meters.

In our service and expansion, we have also found that the role of technology empowerment has become more apparent, this is the result of our early deployment and generous investment in the past few years. With technology as the underlying layer, the Group has built a sharing centre to form a data-driven, intelligent and efficient peer-to-peer management system. The intelligent hardware transformation in the community and the exploration of the Internet of Things through it formed a service highlight; the "Green Alliance" business management area, which is launched as a "hard-core" service in 2018, reached 156.6 million square meters. During the year, consulting services recorded a 38.1% growth. We have grown in quality on a large scale with many servie offerings. We are still proud of that though the market expects more out of us.

As a company based in Hangzhou, China, we actively integrate ourselves into this city with a strong Internet gene, and form synergy with the scientific and ecological layout of "urban brain" and "future community". In December 2018, we signed a strategic cooperation agreement with Alipay to jointly develop the integrated community service cloud platform and take advantage of the internet industry leader.

Talents are the "Chip" of services. 2018 was also our year to upgrade our talent strategy. Firstly, with "share options awarded to the middle layer", we issued share options to our employees, out of which only 18.1% was awarded to the top management, so that most of the backbone forces constitute a community of undertaking and destiny with the Company. It is particularly worth mentioning that we leverage service projects flexibly, to transform them into innovative platforms for nurturing talents. For example, many of our employees volunteered to serve in Hangzhou Jingshan Temple, one of our projects under management. The serenity and inclusiveness of the temple have enhanced their peaceful mind and broad vision. We grandly unveiled the corporate university, named the College of Good Life, and divided it into management, engineering, housekeeping, quality, alliance, community and other professional colleges to cultivate service-oriented talents from basic to high-end. This will help improve the competence of people for projects under management and provide sufficient talent for reserved projects. When I took stock of young talents, I saw that a group of top university graduates from home and abroad gathered in the company this year, making us feel gratified and hopeful.

FUTURE EXPECTATIONS

During this year, we will continue to implement the vision of a happy life service provider continually, with a purpose of further improving the advantageous entities. In both existing and growth markets, we have achieved premium appreciation for high-end services. With a long-term vision, we are committed to expand and to new industries such as education, health and nursing. Despite diversity and hardships, all these are part of a good life and something that we must endure. However, the construction of a wider and deeper "moat" for the business won't be completed overnight, and we will continue to move forward in a high quality manner.

Before the release of the Annual Report, it coincided with the National People's Congress and the Chinese People's Political Consultative Conference, the policies from the Prime Minister's work report on tax and levy reduction, employment expansion, release of domestic demand, supply of preschool education, improvement of people's livelihood, and regional integration development were all related to the property service industry, which is a new environment created at the national level; we also found that relevant policies were introduced across the country soon afterward. we will take advantage of these policies, adhere to the values of being people-oriented and service-oriented, be driven by technological civilization, continue to enhance the company's intrinsic value and improve the ecological circle of our happy life service.

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 maintain our 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 the solid foundation of the continuous expansion of our management scale and sustained growth of financial performance.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group achieved:

Revenue

Revenue was RMB6,709.9 million. Compared with that of the same period of year ended 31 December 2017, which was RMB5,140.1 million, the growth rate on year-on-year basis reached 30.5%.

The Group's revenue comes from three major businesses: (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 revenue and profit, which reached RMB4,460.7 million, accounting for 66.5% of the Group's revenue. Compared with RMB3,559.6 million in the year of 2017, there's a year-on-year growth of 25.3%; (ii) community living services revenue reached RMB1,309.8 million, accounting for 19.5% of the Group's revenue. Compared with the year of 2017, there was a year-on-year growth of 45.5%; (iii) the revenue of consulting services amounted to RMB939.5 million, which accounted for 14.0% of the Group's revenue, revealing a year-on-year growth of 38.1% compared with the same period of 2017.

	2018		2017		
	RMB'000	***% of the total revenue***	*RMB'000*	*% of the total revenue*	*Y/Y%*
Property services					
Property services	**4,460,669**	**66.5%**	3,559,644	69.3%	25.3%
	4,460,669	**66.5%**	3,559,644	69.3%	25.3%
Consulting services					
Property under construction services	**787,735**	**11.7%**	572,730	11.1%	37.5%
Management consulting services	**151,744**	**2.3%**	107,612	2.1%	41.0%
	939,479	**14.0%**	680,342	13.2%	38.1%
Community living services					
Community products & services	**241,914**	**3.6%**	186,361	3.6%	29.8%
Home living services	**84,432**	**1.3%**	71,075	1.4%	18.8%
Community space services	**228,654**	**3.4%**	121,486	2.4%	88.2%
Property asset management services	**719,020**	**10.7%**	500,986	9.7%	43.5%
Cultural & education services	**35,738**	**0.5%**	20,165	0.4%	77.2%
	1,309,758	**19.5%**	900,073	17.5%	45.5%
	6,709,906	**100.0%**	5,140,059	100.0%	30.5%

Cost of sales

During the year, the cost of sales was RMB5,512.3 million, which was an increase of 31.4% compared with that of RMB4,193.7 million in the same period of 2017 and it was basically in line with the Group's revenue growth rate being 30.5%. This is mainly due to the fact that our cost increased as the scale expanded. We will continue to improve and promote the Group's cost control measures while expanding the coverage and increasing the efficiency of automated and intelligent devices in providing services.

Administrative expenses

The Group's administrative expenses were RMB597.3 million, an increase of 43.6% compared with RMB416.0 million in 2017. This growth rate is higher than that of the Group's income. This figure, however, represents a decline of 7.7 percentage points from 51.3% over the same period in 2017 and a slight decrease from mid-2018. Obviously, the Group's cost control measures adopted in the second half of 2018 are effective and our information systems and sharing center are a continuous contributor to the Group's efficient operations. Our administrative expenses increased mainly because: (i) we issued share options to employees in 2018, with accrued option expenses of RMB26.4 million; (ii) rapid revenue growth led to increased personnel service needs and staff costs increased due to a continuous rise in the per capita wage in 2018; (iii) we continued to invest in constructions of intelligent facilities, equipment, and information systems (for example, project management system improvement, system software development, and hardware maintenance); (iv) we invested in the building and maintenance of platform support centers, including financial, procurement, and human resources sharing platforms, to facilitate cost control and improve management efficiency.

Gross profit margin

— Gross profit has reached RMB1,197.7 million, a growth of 26.5% compared with RMB946.4 million in 2017. Gross profit margin was 17.8%, decreased by 0.6 percentage points, compared with the same period of last year; the main reason for the reduction of the gross profit margin was the decline of gross profit margin in the community living services.

— Gross profit margin for property service was 11.4%, slightly increased by 0.2 percentage points compared with 11.2% in 2017. In 2018, the Group continued to expand rapidly with its high-quality services and strong market development capability. Despite increased unit labor cost, the Group has established an automated, centralized, and standardized management system by building big data platforms, applying mobile Internet, and investing in intelligent equipment. All these have increased the efficiency of property management and helped controlling costs while ensuring high quality service experience to our property owners.

— Gross profit margin for community living services was 25.5%, an obvious decline as compared to 33.5% in 2017, mainly due to the falling gross profit margin for asset management services and continued losses in cultural education services.

  (i) Property asset management services: In 2018, these services remained to be a major source of revenue from community living services with a contribution of 54.9%. Macro-control in the real estate market in 2018 resulted in the universally decreased transaction volume of second-hand housing and the lower per-capita signing rate of the real estate broker team. Therefore, gross profit margin for this segment was down to 20.2% in 2018 from 33.3% in 2017, significantly diluting the average gross profit margin for community living services overall.

(ii) Cultural and education services: In 2018, we continued to increase investment in teaching venues. During the year, more communities were open with occupancy rate still on the slow rise. All these significantly affected the overall gross profit margin. Meanwhile, the approval process took longer than expected due to tighter fire control policies, slowing down the opening of some communities and increasing teacher and site costs. In addition, we kept increasing input in the research and development of education curriculum systems, hiring of teachers, and building of a training system to continuously improve our own quality. The above factors led to a decline in the gross profit margin for cultural education services to -52.3%, greatly diluting the average gross profit margin for community living services overall.

— Gross profit margin for consulting service was 38.0%, slightly higher than 36.1% in 2017 by 1.9 percentage points. The main reason was that revenue from management consulting services, such as alliance services and real estate consulting, grew higher than that from property under construction services that led to the increase of gross profit margin for consulting service.

Net Finance income

The finance income during the year was RMB18.1 million, decreasing by 4.1% compared with that of RMB18.9 million in the same period of 2017. The declining financing income is mainly due to reduced interest on the deposit of raised funds during the year after the use of the funds raised by the Company for the listing in Hong Kong.

	2018 ***RMB'000***	2017 *RMB'000*	*Y/Y%*
Interest income on listed debt instruments	**3,886**	665	484.4%
Interest income on bank deposits	**14,270**	18,239	–21.8%
Interest expenses on bank loans	**(23)**	–	N/A
Net finance income	**18,133**	18,904	–4.1%

Share of profits less losses of associates and joint ventures

In 2018, losses of associates amounted to RMB22.8 million, an increase of RMB30.1 million compared to the profit of RMB7.3 million in the same period of 2017. This is mainly because three of our associates, still at the early stages of development or rapid integration, were remained in loss during the period. The Board expects that these associates will gradually be on track with fewer losses in 2019.

The share of profit of joint ventures amounted to RMB1.9 million, a year-on-year increase of 533.3% compared with the profit of RMB0.3 million in the same period of 2017. This is mainly because some joint ventures were back on track with growing profits.

Income Tax

The income tax for the year was RMB163.3 million, increased by 39.8% from RMB116.8 million during the same period of 2017. The tax burden increased from 23.0% in 2017 to 26.0%. Excluding the effect of the reversal of withholding taxes for the profit in 2017, the figure grew from 25.1% in 2017 to 26.0%. The main reason is that no deferred tax assets were recognised in respect of tax losses of some subsidiaries at the end of the period.

Profit before taxation

Profit before taxation for the year reached RMB629.1 million, an increase of RMB120.2 million from RMB508.9 million in the same period of 2017, or an 23.6% increase year-on-year.

Profit for the year

Profits for the year of the Group were RMB465.7 million, an increase of 18.8% compared with the same period in 2017; profit attributable to equity shareholders of the Company was RMB483.3 million, a growth of 24.7% compared with the same period in 2017. After deduction of share-based payment transaction expenses of RMB26.4 million, the adjusted profit attributable to equity shareholders of the Company rose by 31.5% on a year-on-year basis. The net profit margin, being profit attributable to equity shareholders of the Company divided by revenue, was 7.2%, a slight decrease of 0.3 percentage points from 7.5% in the same period last year.

The basic and diluted earnings per share was RMB0.17, a year-on-year growth of 21.4%.

Liquidity, reserves and capital structure

The Group maintained a good financial condition during the year. The current assets for the year was RMB3,838.2 million, increased by 30.7% compared to RMB2,936.4 million in 2017. The Group's cash and cash equivalents amounted to RMB2,180.0 million in 2018, increased by 18.7% compared with RMB1,836.5 million in 2017. Net cash inflow from operating activities remained the stable upward trend, amounting to RMB656.2 million during the year, grew year-on-year by 24.1% from RMB528.6 million in 2017. Net cash used in investing activities amounted to RMB199.1 million, down by 73.4% compared with 2017. Net cash used in financing activities was RMB119.9 million, up 68.9% from 2017, mainly owing to an increase of RMB41.7 million in dividend payments.

For the operation needs, one subsidiary of the Group got loan from the bank. The total bank loan was RMB4.45 million, and total interest was RMB0.02 million. As at 31 December 2018, the balance of bank loans was RMB0.95 million. Save as disclosed above, the Group had no bank loans regarded to be recorded. The Group is flush with cash.

The debt ratio (total liabilities/total assets) of the Group was 55.0%, in line with 51.9% in the same period last 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. The foreign currency investment income during the year mainly came from the interest income on deposits of the money raised for the listing and investment income from the sale of part of interests in China CVS. The Group considers that there is no major foreign currency exchange risk.

Property, plant and equipment

As at 31 December 2018, the value of property, plant and equipment amounted to RMB371.9 million, which increased by 22.4% from RMB303.9 million as at 31 December 2017. This is mainly because there were extra 201 communities under management (or 19.4%) and additional equipment and facilities necessary for normal operations were in place to adapt to the development of our new retail, asset management services and cultural and educational services.

Trade and other receivables

As at 31 December 2018, trade and other receivables amounted to RMB1,202.2 million, increased by RMB412.5 million, or 52.2%, from RMB789.7 million as at 31 December 2017. Trade receivables amounted to RMB665.7 million, an increase of 45.6% from RMB457.3 million as at 31 December 2017, which was higher than the total revenue growth rate of 30.5%. This is mainly due to the impact of the macro environment, real estate site and developer subsidies, and slowdown in collection of special service fees.

Trade and other payables

As at 31 December 2018, this amount amounted to RMB1,892.2 million, increased by RMB588.6 million or 45.2% from RMB1,303.6 million as at 31 December 2017. This is mainly because the procurement volume grew with income gains; meanwhile, the payment of procurement funds is further appropriately controlled due to the launch of the Procurement Sharing Funds Collection system.

Property Services — accounting for 66.5% of total revenue, and 42.3% of total gross profit

Property services are the Group's largest revenue and margin source. 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. Throughout 2018:

— Revenue reached RMB4,460.7 million, an increase of 25.3% compared with RMB3,559.6 million in 2017. Our managed gross floor area ("GFA") continued to expand and there were sufficient projects, laying the foundation for the continued growth of income from property services. As mergers and acquisitions continued to thrive in the property sector, acquisition projects had high premiums. Given this, we adopted the expansion model of internal growth and prudent acquisition in 2018 and will stick to this development strategy in the future. As the revenue base of property services continues to increase, the growth of this segment is expected to stabilize in the future.

— Gross profit reaching RMB507.0 million, up 27.0% from RMB399.3 million in 2017 compared to the same period of 2017. Gross profit margin increased from 11.2% in 2017 to 11.4%.

	2018		2017	
	% of property service revenue	***% of managed GFA***	*% of property service revenue*	*% of managed GFA*
Contracted GFA				
— Residential	**70.3**	**78.0**	70.6	79.0
— Non-residential	**29.7**	**22.0**	29.4	21.0
Total	**100.0**	**100.0**	100.0	100.0

— The managed GFA reaching 170.4 million square meters, an increase of 23.7% compared with 137.8 million square meters in 2017, or net increase of 32.6 million square meters, net increased by 19.6 million square meters compared with 150.8 million square meters in the interim period of 2018. 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 existing property market, promoted the increase of managed GFA during the year, resulting in increased income.

— Reserve area, as an important source of the future management area, reached a new high during the year, at 192.1 million square meters, an increase of 28.1% compared with 150.0 million square meters in 2017, or a net increase of 42.1 million square meters. This is the fifth consecutive year that the Group's reserve area is higher than the managed GFA, greatly increasing certainty of the Group's future stable growth.

— management 1,236 projects, covering 137 cities in 29 provinces, municipalities and autonomous regions in China.

— Regional distribution: as at 31 December 2018, our managed GFA and revenue by region are distributed as follows:

	2018		2017	
	% of managed GFA	***% of revenue***	*% of managed GFA*	*% of revenue*
— Hangzhou	**16.6**	**30.1**	17.2	29.0
— YuHang	**6.9**	**5.6**	5.8	5.6
Greater Hangzhou	**23.5**	**35.7**	23.0	34.6
Ningbo	**6.9**	**5.7**	7.7	6.3
Yangtze River Delta	**37.0**	**29.7**	37.9	31.3
Bohai Economic Rim	**15.4**	**14.1**	15.2	13.1
Pearl River Delta	**6.5**	**5.5**	5.0	5.5
Others	**10.7**	**9.3**	11.2	9.2
	100	**100**	100	100

Community Living Services — accounting for 19.5% of our total revenue, and 27.9% of our total gross profit

During the year, the community living service continues to grow among the Group's many businesses, and has gained revenue of RMB1,309.8 million, an increase of 45.5% compared with RMB900.1 million in 2017. Among them,

(1) The community products and services (accounting for 18.5% of the community living service income): in 2018, the annual revenue reached RMB241.9 million, an year-on-year increase of 29.8% compared with RMB186.4 million in 2017.

(2) Home living services (accounting for 6.4% of the community living service income): in 2018, the annual revenue reached RMB84.4 million, compared with RMB71.1 million in 2017, increased 18.8%.

(3) Community space services (accounting for 17.5% of the community living service income): in 2018, the annual revenue reached RMB228.7 million, a substantial increase of 88.2%, compared with RMB121.5 million in 2017.

(4) Property asset management Services (accounting for 54.9% of the community living service income): in 2018, the annual revenue reached RMB719.0 million, increased by 43.5% compared with RMB501.0 million in 2017.

(5) Cultural and education services (accounting for 2.7% of the revenue of the community living services): in 2018, the annual income reached RMB35.7 million, increase 77.2% compared with RMB20.2 million in 2017.

	2018			2017	
	Revenue RMB'000	***% of total***	*Y/Y %*	*Revenue RMB'000*	*% of total*
Community products & service	**241,914**	**18.5**	29.8	186,361	20.7
Home living services	**84,432**	**6.4**	18.8	71,075	7.9
Community space services	**228,654**	**17.5**	88.2	121,486	13.5
Property asset management services	**719,020**	**54.9**	43.5	500,986	55.7
Cultural & education services	**35,738**	**2.7**	77.2	20,165	2.2
Total	**1,309,758**	**100**	45.5	900,073	100

Community living services are the fastest growing business of the Group. Community living services offer systematic product and service solutions for all life service scenes of property owners throughout the life cycle of real estate. They are an extension of property services and an important part of our strategic vision of "being a happy living service provider". During the year, we adjusted and continuously improved the community living services segment based on our strategic planning and according to situation.

— **Community products and services**

The growth of community products and services slowed down compared with 2017. We considered that this is a result of our rapid business expansion and some of our community products and services still being at the development stage. During the year, we launched products of "Happiness Series", including rice, seasonal fruits, fresh produce, and traditional holiday products, based on property owners' living and quality needs. We also expanded our client base to include property owners and companies in communities and inhabitants outside our communities and extended our services from offline to online ("Happy Greentown" app) to new retail stores and the "Green Lightning" distribution system. We hope to maintain and improve the stickiness of property owners and other customers with quality product and service experience, so as to continuously improve our customer satisfaction. In 2018, we have also reached strategic cooperation with third-party platforms, such as Longfor's Qianding smart community platform and will work with more quality partners to improve output capabilities of our community products and service platforms and expand our customer base.

— **Community space services**

This year, we intensified the integration of community space resources and diversified the contents of space service products, leading to both better bargaining power over our partners and greatly higher revenue. While our revenue rose significantly, we increased the investment in the infrastructure for space services, such as installation of mobile interactive screens in some communities, resulting in a slight decrease in gross profit margin of this segment. In the future, we will provide the property owners with products and services that meet the needs of life, improve the conversion rate of the advertisements in the communities, and further drive the development of our community space services, through community-based media convergence according to the analysis of the consumer behaviour patterns of the property owners.

— **Property asset management services**

As shown in the Interim Report 2018, the second-hand housing market had witnessed a significant drop in its activity as affected by the overall real estate environment, and continued to deteriorate in the second half of 2018. However, the National Greentown Rental and Sales Centre, which was rolled out in the first half of the year, was still in its infancy. The majority of our revenue remained with our second-hand stores in the property agency segment throughout the year, resulting in a significantly lower gross profit. In addition, our other asset management service (e.g. parking space business) continued its growth trend since the first half of 2018, with its annual revenue increased by over 211.5% compared with 2017. However, the gross profit margin decreased due to the expansion of the business coverage beyond Hangzhou. In the future, we will focus on the management and operation services for high-quality property assets in Tier 1 and 2 cities to develop a stable business operation model.

— **Cultural and education services**

We will focus on the high-end service market of early childhood education. Through communications and cooperation with reputable early childhood education service institutions at home and abroad, we will keep improving the core competitiveness of culture and education services and build our Greentown Services into a well-known early childhood education brand, by implementing our strategy "Standardized institutional setup, scientific education system, diversified curriculum design and personalized care service". During the year, the schooling policy was tightened, longer approval period for kindergartens, higher requirements on the teacher reserve and other factors caused the revenue and gross profit margin in the cultural and education services below our expectations. In the future, as the policy tends to be more favourable (2019 Report on the Work of the Government pointed out: In response to the new demands created by the full implementation of the two-child policy, we will move faster to develop various types of infant and child care services, encourage private actors to run childcare and early childhood education agencies, and provide better protection for the safety of our children. We will increase the supply of pre-school education through multiple avenues. The government will support all kindergartens that meet safety standards, charge reasonable fees, and earn the trust of parents, regardless of whether they are public or private), we expect that the revenue and gross profit margin will gradually return to normal levels.

Consulting services — accounting for 14.0% of the total revenue, 29.8% of the total gross profit

As discussed in the Annual Report 2017, we are actively responding to changes in the consulting service market and continuously implementing service innovation. In 2018, we continued to enrich the core competitiveness of the "Green Alliance" service, and worked with China Quality Certification Centre to build a closed-loop from standard setting, promotion, implementation to accreditation, thus improving the awareness and recognition of the "Green Alliance" service in the market. At the same time, to match the needs of real estate developers, we introduced professional consulting services relating to fine decoration and landscaping during the development and construction stage of properties and managed to further mine customer value. For the whole year of 2018:

— The income reached RMB939.5 million, an increase rate of 38.1% compared with the same period of 2017, and compared with the growth rate of 24.5% in mid-year of 2018, there has been a further increase, which also verified that new strategy for our consulting services is effective.

— Our gross profit increased by 45.6% to RMB357.2 million from RMB245.4 million in 2017. Our gross profit margin increased slightly to 38.0% from 36.1% in the same period of 2017, remaining at a high level.

	2018			2017	
	Revenue *RMB'000*	**% of total**	**Y/Y** %	Revenue *RMB'000*	% of total
Project under construction services	**787,735**	**83.8**	**37.5**	572,730	84.2
Management consulting services	**151,744**	**16.2**	**41.0**	107,612	15.8
Total	**939,479**	**100**	**38.1**	680,342	100

	2018			2017		
	No. of Projects Year end	**Y/Y** %	**Average revenue/ project** *RMB'000*	No. of Projects Year end	Y/Y %	Average revenue/ project *RMB'000*
Project under construction services	**438**	**47.5**	**1,798**	297	22.7	1,928
Management consulting services	**407**	**49.6**	**373**	272	29.5	396

— In face of market changes, we have continued to implement the corresponding our transformation strategy for consulting services from three perspectives of management, products and marketing. We have further strengthened our capability of consulting service product design and quality control, upgraded traditional field services to better life experience services, and enhanced customer experience and perception about our field services by cultural and technological means, so that more real estate developers are willing to engage us in provision of the above services, thus bringing more service contracts and driving the growth of income and profits.

— *Property Under Construction Services*

Our revenue increased substantially by 37.5% and 23.0% to RMB787.7 million compared respectively with the same period of 2017 and the mid of 2018. This is mainly due to the fact that after our traditional field services have been upgraded to better life experience services, we have further empowered our employees through a hierarchical training system, centralised accreditation and live training among others. We focus on creating a team of "better life designers", who are confident, keen, altruistic and yearning for a better life. From the perspective of prospective property owners, we have continuously innovated and upgraded various service points of contact to provide customized service experience for house purchasers. As a result, our services have achieved high perception and recognition, and our business has developed rapidly.

— *Management Consulting Services*

Our revenue increased substantially by 41.0% and 32.5% to RMB151.7 million compared respectively with the same period of 2017 and the mid of 2018. This is mainly because the "Green Alliance" has a focused position as an alliance of quality services, which gives full play to our leading advantage in quality over the property service sector, and develops obvious differences from products of the same kind in the market, thus avoiding homogeneous competition. On the other hand, on the basis of the original cooperation mode, we have added more innovative elements by bringing forward technologies, intelligent community, training and quality certification. Those further improved the value chain of "Green Alliance" and developed a long-term, diversified, stackable and sustainable cooperation mode. We will identify the needs of third-party property service providers accurately, make more like-minded ones to establish cooperative relations with us, and facilitate the growth of income.

Proceeds from listing

On 12 July 2016, the Company was 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. For the year ended 31 December 2018:

— 49% for acquiring property services companies and value-added services providers (44.2% has been used)

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

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

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

As for the unused portion of the proceeds from the IPO, our Group will allocate and use them according to the purposes set forth in the prospectus and the announcement issued on 15 September 2017, which is expected to be all allocated and used before 31 December 2019.

Dividend distribution

At the Board meeting held on 22 March 2019, the Board recommended the payment of a final dividend of HK$0.075 per ordinary share of the Company. The final dividend will be paid on or before 16 July 2019.

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.

ANNUAL GENERAL MEETING

The AGM will be held on 14 June 2019 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 11 June 2019 to 14 June 2019, 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 Monday, 10 June 2019.

(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 20 June 2019 to 21 June 2019, 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 Wednesday, 19 June 2019.

FOREIGN EXCHANGE RISKS

The Group conducts substantially its business in mainland 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 2018.

EMPLOYEES AND REMUNERATION POLICIES

Our Group adheres to its philosophy of "people-oriented and service-oriented" and regards our employees as its top product. We aim to add partnership-sourced income to the compensation system, and provide diversified training and personal development platforms for 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.

In 2018, the Group issued share options (Reference is made to the announcement issued by the Company dated on September 11, 2018 in relation to "Issuing of share options". The Company issued a total of 133.5 million share options to a number of directors and employees (the "Grantees"), subject to acceptance by the grantees. Since some of the grantees are no longer eligible participants or do not meet the issuing conditions, 11.1 million share options have automatically lapsed in accordance with the rules of the Company's share options plan.), in order to create an incentive system that share growth and benefits and to develop employees and our Group into a community of undertakings and life.

As at 31 December 2018, our group has 24,975 employees, an increase of 21.0%. The total staff cost is RMB2,093.8 million an increased rate of 25.4% compared with the year of 2017. The increase of contracted GFA and revenue were 23.7% and 30.5% correspondently.

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 2018 had been reviewed by the Audit Committee.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

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 2018, 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 2018 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, 22 March 2019

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.