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 2019

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 (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the same period ended 30 June 2018, as follows.

HIGHLIGHTS

The Group has won the first place of "China's top 100 leading enterprises in terms of Property Service Satisfaction" for 6 consecutive years.

During the six months ended 30 June 2019, the Group achieved the following:

— Revenue of RMB3,663.1 million, representing an increase of 25.1% year on year ("**y/y**") from the same period of 2018 at RMB2,927.5 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 66.9% of overall revenue. It had a revenue of RMB2,452.5 million, an increase of 21.7% y/y from the same period of 2018's RMB2,015.3 million; (ii) community living services (18.9% of overall revenue), recorded an increase of 34.8% y/y in revenue to RMB690.1 million, from the same period of 2018's RMB511.8 million; and (iii) consulting services, which make up 14.2% of overall revenue. It registered a revenue of RMB520.6 million, an increase of 30.0% y/y from the same period of 2018's RMB400.4 million.

— Gross profit reached RMB706.2 million, rising by 28.2% y/y from the same period of 2018's RMB550.8 million; gross margin was 19.3%, a slight increase of 0.5 percentage points from 18.8% of the same period of 2018 and an increase of 1.5 percentage points from 17.8% of 2018.

— Profit for the Period was RMB231.7 million, representing an increase of 6.9% as compared to RMB216.8 million of the same period of 2018. Adjusted profit for the Period excluding equity-settled share-based payment expenses was RMB270.5 million, representing a growth of 24.8% as compared to the same period of 2018. Net profit margin for the Period was 6.3%, and adjusted net profit margin excluding equity-settled share-based payment expenses was 7.4%, which was basically the same as compared to 7.4% and 7.3% (excluding equity-settled share-based payment expenses) of the same period of 2018 and 2018 full-year, respectively.

— Basic earnings per share was RMB0.08, based on the total number of issued shares of 2,777,776,000 shares during the Period.

— Cash and cash equivalents as at 30 June 2019 was RMB2,018.0 million.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — unaudited
(Expressed in RMB'000)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**3,663,127**	2,927,481
Cost of sales		**(2,956,905)**	(2,376,644)
Gross profit		**706,222**	550,837
Other revenue	*5*	**10,995**	6,132
Other net income	*5*	**20,003**	3,391
Selling and marketing expenses		**(43,302)**	(14,747)
Administrative expenses		**(316,949)**	(233,993)
Other operating expenses		**(64,407)**	(33,583)
Profit from operations		**312,562**	278,037
Finance income		**16,734**	11,663
Finance costs		**(6,142)**	–
Net finance income	*6(a)*	**10,592**	11,663
Share of profits less losses of associates		**(815)**	(3,152)
Share of profits less losses of joint ventures		**(207)**	(1,097)
Gain on disposal of a subsidiary		**1,585**	–
Loss on disposal of a joint venture		**(52)**	–
Gain on disposal of an associate		**–**	12,000
Profit before taxation	*6*	**323,665**	297,451
Income tax	*7*	**(91,966)**	(80,671)
Profit for the period		**231,699**	216,780
Attributable to:			
Equity shareholders of the Company		**234,374**	229,315
Non-controlling interests		**(2,675)**	(12,535)
Profit for the period		**231,699**	216,780

	Note	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Other comprehensive income for the period (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Share of other comprehensive income of the investees		**(7,982)**	–
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of the investees		**(1,029)**	(1,390)
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**(3,519)**	1,480
		(12,530)	90
Other comprehensive income for the period		**(12,530)**	90
Total comprehensive income for the period		**219,169**	216,870
Attributable to:			
Equity shareholders of the Company		**221,844**	229,405
Non-controlling interests		**(2,675)**	(12,535)
Total comprehensive income for the period		**219,169**	216,870
Earnings per share			
Basic *(RMB)*	*8(a)*	**0.08**	0.08
Diluted *(RMB)*	*8(b)*	**0.08**	0.08

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2019 — unaudited
(Expressed in RMB'000)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	*10(a)*	**400,330**	371,906
Right-of-use assets	*10(b)*	**570,620**	–
Intangible assets		**88,678**	74,419
Goodwill		**101,862**	82,071
Interest in associates		**147,945**	145,410
Interest in joint ventures		**63,621**	72,499
Other financial assets		**684,501**	620,469
Deferred tax assets		**149,468**	117,143
Prepayments		**27,008**	22,060
		2,234,033	1,505,977
Current assets			
Other financial assets		**70,325**	15,736
Inventories		**315,850**	291,361
Trade and other receivables	*11*	**2,046,356**	1,202,201
Restricted bank balances		**193,559**	148,897
Cash and cash equivalents		**2,017,990**	2,180,021
		4,644,080	3,838,216
Current liabilities			
Bank loans		**18,705**	950
Contract liabilities		**1,133,921**	748,695
Trade and other payables	*12*	**2,026,826**	1,892,174
Lease liabilities		**91,989**	–
Current taxation		**281,485**	259,907
Provisions		**20,054**	20,700
		3,572,980	2,922,426
Net current assets		**1,071,100**	915,790
Total assets less current liabilities		**3,305,133**	2,421,767

	Note	At **30 June** **2019** ***RMB'000***	At 31 December 2018 *(Note)* *RMB'000*
Non-current liabilities			
Bank loans		**281,661**	–
Lease liabilities		**478,213**	–
Deferred tax liabilities		**9,923**	8,861
Provisions		**10,442**	8,143
		780,239	17,004
Net assets		**2,524,894**	2,404,763
Capital and reserves			
Share capital		**24**	24
Reserves		**2,410,734**	2,328,738
Total equity attributable to equity shareholders of the Company		**2,410,758**	2,328,762
Non-controlling interests		**114,136**	76,001
Total equity		**2,524,894**	2,404,763

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2019 — unaudited
(Expressed in RMB'000)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Operating activities		
Cash (used in)/generated from operations	**(116,891)**	51,677
Income tax paid	**(102,333)**	(90,186)
Net cash used in operating activities	**(219,224)**	(38,509)
Investing activities		
Payments for the purchase of property, plant and equipment and intangible assets	**(69,634)**	(95,198)
Proceeds from disposal of property, plant and equipment	**730**	–
Acquisition of subsidiaries, net of cash acquired	**(3,240)**	(9,994)
Disposal of subsidiaries, net of cash acquired	**(2,542)**	–
Payments for purchase of:		
— financial assets classified as fair value through profit or loss ("**FVPL**")	**(104,598)**	(13,143)
— listed debt investments	**(21,852)**	(1,146)
Proceeds from redemption of:		
— FVPL	**16,249**	21,020
— listed debt investments	**17,876**	12,742
Payment for investment in associates	**(1,250)**	(4,250)
Interest received	**14,361**	13,664
Payment for loans and advances	**(68,974)**	(20,000)
Other cash flows (used in)/generated from investing activities	**(16)**	781
Net cash used in investing activities	**(222,890)**	(95,524)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Financing activities		
Proceeds from new bank loans and other borrowings	**353,192**	–
Repayment of bank loans	**(29,730)**	–
Capital element of lease rentals paid	**(49,723)**	–
Interest element of lease rentals paid	**(4,846)**	–
Capital injection from non-controlling interests	**12,980**	2,370
Proceeds from partial disposal of equity interests in subsidiaries	**1,007**	–
Payment for acquisition of non-controlling interests	**(994)**	–
Dividends paid to non-controlling interests	**(2,434)**	(1,800)
Dividends paid to equity shareholders of the Company	**–**	(134,368)
Interest paid	**(335)**	–
Net cash generated from/(used in) financing activities	**279,117**	(133,798)
Net decrease in cash and cash equivalents	**(162,997)**	(267,831)
Cash and cash equivalents at 1 January	**2,180,021**	1,836,467
Effect of foreign exchanges rate changes	**966**	(2,890)
Cash and cash equivalents at 30 June	**2,017,990**	1,565,746

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan unless otherwise indicated)

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The interim financial report of Greentown Service Group Co. Ltd. (the "**Company**") as at and for the six months ended 30 June 2019 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**"). It was authorised for issue on 23 August 2019.

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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and the initial application has no cumulative effect on the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office equipment and furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.87%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *RMB'000*
Operating lease commitments at 31 December 2018	301,263
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(19,455)
— leases of low-value assets	(66)
	281,742
Less: total future interest expenses	(32,293)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	249,449
Total lease liabilities recognised at 1 January 2019	249,449

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	262,527	262,527
Total non-current assets	1,505,977	262,527	1,768,504
Trade and other receivables	1,202,201	(13,078)	1,189,123
Current assets	3,838,216	(13,078)	3,825,138
Lease liabilities (current)	–	67,649	67,649
Current liabilities	2,922,426	67,649	2,990,075
Net current assets	915,790	(80,727)	835,063
Total assets less current liabilities	2,421,767	181,800	2,603,567
Lease liabilities (non-current)	–	181,800	181,800
Total non-current liabilities	17,004	181,800	198,804
Net assets	2,404,763	–	2,404,763

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	At 1 January 2019
	RMB'000	*RMB'000*
Properties leased for own use, carried at depreciated cost	**570,164**	261,880
Office equipment and furniture, carried at depreciated cost	**456**	647
	570,620	262,527
	570,620	262,527

(d) ***Lease liabilities***

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**91,989**	**94,516**	67,649	69,279
After 1 year but within 2 years	**94,263**	**101,159**	55,844	59,865
After 2 years but within 5 years	**199,931**	**234,387**	92,335	107,126
After 5 years	**184,019**	**258,390**	33,621	45,472
	478,213	**593,936**	181,800	212,463
	570,202	**688,452**	249,449	281,742
Less: total future interest expenses		**(118,250)**		(32,293)
Present value of lease liabilities		**570,202**		249,449

(e) ***Impact on the financial result, segment results and cash flows of the Group***

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

	2019				2018
	Amounts reported under HKFRS 16 (A) *RMB'000*	**Add back: HKFRS 16 depreciation and interest expense (B)** *RMB'000*	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C)** *RMB'000*	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)** *RMB'000*	Compared to amounts reported for 2018 under HKAS 17 *RMB'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**312,562**	**36,896**	**37,189**	**312,269**	278,037
Finance costs	**(6,142)**	**5,807**	**–**	**(335)**	–
Profit before taxation	**323,665**	**42,703**	**37,189**	**329,179**	297,451
Profit for the period	**231,699**	**42,703**	**37,189**	**237,213**	216,780
Reportable segment profit for the six months ended 30 June 2019 (note 3(i)) impacted by the adoption of HKFRS 16:					
— Hangzhou (exclude Yuhang)	**4,106**	**31,561**	**27,763**	**7,904**	36,351
— Yuhang	**(3,023)**	**1,842**	**1,616**	**(2,797)**	15,942
— Yangtze River Delta Region (exclude Ningbo)	**144,444**	**7,244**	**6,079**	**145,609**	114,786
— Ningbo	**38,193**	**881**	**717**	**38,357**	41,426
— Pearl River Delta Region	**27,888**	**147**	**123**	**27,912**	21,495
— Bohai Economic Rim Region	**25,279**	**319**	**277**	**25,321**	18,646
— Hong Kong Region	**15,301**	**579**	**501**	**15,379**	1,904
— Other Regions	**73,199**	**130**	**113**	**73,216**	46,901

	2019			2018
	Amounts reported under HKFRS 16 (A)	**Estimated amounts related to operating leases as if under HKAS 17** *(notes 1 & 2)* **(B)**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)**	Compared to amounts reported for 2018 under HKAS 17
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash (used in)/generated from operations	**(116,891)**	**(54,569)**	**(171,460)**	51,677
Net cash used in operating activities	**(219,224)**	**(54,569)**	**(273,793)**	(38,509)
Capital element of lease rentals paid	**(49,723)**	**49,723**	**–**	–
Interest element of lease rentals paid	**(4,846)**	**4,846**	**–**	–
Net cash generated from/(used in) financing activities	**279,117**	**54,569**	**333,686**	(133,798)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

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 six 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: Hong Kong Region
- Region 6: Other Regions

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 2019								
	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	1,089,161	189,286	1,111,010	207,652	212,996	491,752	–	361,270	3,663,127
Inter-segment revenue	6,466	21,893	1,882	22	176	32	–	159	30,630
Reportable segment revenue	1,095,627	211,179	1,112,892	207,674	213,172	491,784	–	361,429	3,693,757
Reportable segment profit	4,106	(3,023)	144,444	38,193	27,888	25,279	15,301	73,199	325,387
As at 30 June 2019									
Reportable segment assets	2,241,965	347,528	2,091,929	456,302	376,624	765,174	1,309,752	718,389	8,307,663
As at 30 June 2019									
Reportable segment liabilities	2,633,065	197,828	1,359,591	260,345	212,277	398,085	517,549	341,011	5,919,751

	Six months ended 30 June 2018								
	Hangzhou		Yangtze River Delta Region						
	Hangzhou (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*	Hong Kong Region *RMB'000*	Other Regions *RMB'000*	Total *(Note)* *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	1,904	46,901	297,451
As at 30 June 2018									
Reportable segment assets	1,625,713	231,721	1,593,449	318,147	264,243	503,882	992,897	494,484	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	33,204	264,693	3,860,014

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

(ii) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018 *(Note)*
	RMB'000	*RMB'000*
Reportable segment profits	**325,387**	297,451
Elimination of inter-segment profits	**(1,722)**	–
Reportable segment profit derived from the Group's external customers	**323,665**	297,451
Consolidated profit before taxation	**323,665**	297,451

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4. REVENUE

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

(i) Disaggregation of revenue

Disaggregation of revenue from customers that fall within HKFRS 15 by each significant category as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised by service lines:		
Property services	**2,452,452**	2,015,277
Community living services	**690,075**	511,795
Consulting services	**520,600**	400,409
	3,663,127	2,927,481

Disaggregation of revenue from customers that fall within HKFRS 15 by timing of revenue recognition are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised over time:		
Property services		
Property services	**2,452,452**	2,015,277
	2,452,452	2,015,277
Community living services		
Community products and services	**57,384**	12,510
Home living services	**50,558**	30,323
Community space services	**110,133**	94,011
Property asset management services	**68,849**	59,102
Cultural & education services	**24,486**	15,574
	311,410	211,520
Consulting services		
Property under construction services	**425,377**	333,360
Management consulting services	**95,223**	67,049
	520,600	400,409

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	3,284,462	2,627,206
Revenue recognised at point in time:		
Community living services		
Community products and services	**167,847**	108,638
Property asset management services	**210,818**	191,637
	378,665	300,275
	3,663,127	2,927,481

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

5. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Other revenue		
Government grants *(note (i))*	**8,838**	5,176
Others	**2,157**	956
	10,995	6,132

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Other net income		
Net loss on sale of property, plant and equipment	**(249)**	(43)
Net gain on redemption of listed debt instruments	**204**	7
Net realised and unrealised gains on FVPL		
— Convertible notes	**16,952**	–
— Unlisted equity investments	**–**	3,054
— Treasury products	**36**	151
— Listed equity securities	**2,323**	106
Net foreign exchange gains	**737**	116
	20,003	3,391

6. PROFIT BEFORE TAXATION

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

(a) Net finance income

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Interest income on listed debt instruments	**2,332**	2,236
Interest income on bank deposits	**14,402**	9,427
Interest expense on bank loans	**(335)**	–
Interest expense on lease liabilities	**(5,807)**	–
Net finance income	**10,592**	11,663

(b) Staff costs

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries and other benefits	**975,565**	787,726
Equity-settled share-based payment expenses	**38,790**	–
Contributions to defined contribution scheme	**154,319**	121,727
	1,168,674	909,453

(c) Other items

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Impairment losses		
— trade and other receivables	**54,504**	29,098
Cost of inventories	**261,629**	192,811
Depreciation and amortisation		
— owned property, plant and equipment	**37,036**	35,142
— right-of-use assets	**36,896**	–
Operating lease charges *(note (i))*	**47,520**	51,902

(i) Operating lease charges for the six months ended 30 June 2019 are mainly short-term lease expenditure for staffs' dormitory.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC corporate income tax	**123,562**	96,611
Under-provision in respect of prior years	**349**	2,282
	123,911	98,893
Deferred taxation		
Origination and reversal of temporary differences	**(31,945)**	(18,222)
	(31,945)	(18,222)
	91,966	80,671

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB234,374,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB229,315,000) and the weighted average of 2,777,776,000 ordinary shares (six months ended 30 June 2018: 2,777,776,000 shares) in issue during the period.

(b) Diluted earnings per share

The equity settled share-based transaction has a dilutive effect on the earnings per share during the six months period ended 30 June 2019. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from equity settled share-based transaction. No adjustment is made to earnings (numerator).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB234,374,000 (six months ended 30 June 2018: RMB229,315,000) and the weighted average number of ordinary shares outstanding after adjustment of all dilutive potential ordinary shares amounting to 2,785,689,816 ordinary shares (six months ended 30 June 2018: 2,777,776,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
Issued ordinary shares at 1 January	**2,777,776,000**	2,777,776,000
Effect of equity settled share-based transaction	**7,913,816**	–
Weighted average number of ordinary shares at 30 June(diluted)	**2,785,689,816**	2,777,776,000

9. **DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019.

10. **PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

(a) **Acquisitions of owned assets**

During the six months ended 30 June 2019, the Group acquired items of office equipment and furniture, motor vehicles, leasehold improvement and construction in progress with a cost of RMB64,532,000 (six months ended 30 June 2018: RMB61,927,000).

(b) **Right-of-use assets**

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of office space, teaching building, service apartments and retail stores, and therefore recognised the additions to right-of-use assets of RMB361,611,000.

11. **TRADE AND OTHER RECEIVABLES**

As at the end of the reporting period, the ageing analysis of trade and bills receivable from third parties based on the date of revenue recognition and net of allowance for impairment of trade and bills receivable, is as follows:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *(Note)* *RMB'000*
Within 1 year	**1,269,711**	597,732
1 to 2 years	**114,690**	64,897
Over 2 years	**2,339**	3,043
Total trade and bills receivable from third parties, net of loss allowance	**1,386,740**	665,672
Other receivables, net of loss allowance	**289,436**	227,196
Deposits and prepayments	**265,521**	243,224
Amounts due from related parties		
— trade nature	**6,725**	11,152
— non-trade nature	**53,593**	15,219
Receivables from disposal of an associate	**30,247**	30,198
Amounts due from staff	**14,094**	9,540
	2,046,356	1,202,201

Trade receivables are due for payment when the receivables are recognised and bills receivables are due within 1 year from the day 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.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

12. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of billed trade payables from third parties, based on the invoice date, is as follows:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month or on demand	**113,977**	318,111
After 1 month but within 3 months	**25,600**	88,303
After 3 months	**136,421**	51,617
Total billed trade payables	**275,998**	458,031
Temporary receipts	**477,278**	407,380
Accrued trade payables	**114,952**	77,539
Deposits	**279,803**	242,915
Other taxes and charges payable	**168,588**	133,535
Accrued payroll and other benefits	**161,113**	307,643
Escrow funds held on behalf of customers	**73,264**	49,198
Cash collected on behalf of the owners' associations	**111,620**	94,093
Other payables and accruals	**163,107**	115,650
Dividends payable	**183,611**	–
Amounts due to related parties		
— trade nature	**6,826**	6,190
Payables for acquisition of a subsidiary	**10,666**	–
	2,026,826	1,892,174

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

13. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Acquisition of a subsidiary

On 5 July 2019, the Group acquired 56% equity interests in Montessori Academy Group Holdings Pty Ltd (the "**Target Company**") from Montessori Academy Pty Ltd, CCA Investment Group Pty. Limited, Colette Assaf and Charles Peter Assaf for a cash consideration of approximately AUD50,267,656.51 (equivalent to RMB242,586,683.55). The consideration will be adjusted in accordance with the clawback threshold condition and earn-out threshold condition as disclosed in announcements dated 29 March 2019 and 11 April 2019. After the acquisition, the Target Company became an indirect non-wholly owned subsidiary of the Company.

The Target Company is a company incorporated in Australia with limited liability and principally engaged in the provision of education and nursery services offering day-to-day education to infants between 0–2 years old, toddlers between 2–3 years old and pre-schoolers between 3–6 years old in accordance with the Montessori curriculum and system.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On the occasion of the presentation of our 2019 interim results, on behalf of the Group, please allow me to pay tribute to the staff who recently fought hard against the typhoon in the front line. They are fearless, professional and attentive; they keep watching and defending one another in the course of service, and turn the Group's culture into practical actions, which allows property owners to discover the power and value of the property services industry from both emotional and rational perspectives. From 9 August 2019 to 11 August 2019, a super typhoon named "Litchma" landed along the coast of Zhejiang, and the areas which it had passed through were regions where the Group's projects were densely populated. In accordance with the standards stipulated in the Anti-typhoon and anti-flood control contingency plans (《防颱防汛防雷應急預案》), we took precautions against the typhoon beforehand, stabilized during typhoon, and started repairing after it. Meanwhile, we monitored various affected areas through high-definition surveillance "Hawk Eye" system, so as to minimize the impact of typhoon with a return period of one in decades on communities that we have been serving. Many property owners expressed their heartfelt feelings and praised us through Happy Greentown APP and public letters. We believe that the reason for employees to show such courage was not only because of the tremendous support and heartfelt feelings expressed by the property owners, but also the display of collective consciousness under the influence of the Company's service culture, which is to serve the people with ultimate effort and work hard amidst adverse conditions.

As we all know, during the first half of 2019, no matter it was world disputes and trade frictions, or the presence of economic fundamentals, it brought devastating impact of different extent, similar to the typhoon, to people and enterprises in the midst of it. It is because of globalization that when we enjoy the benefits brought by deep integration, we must also bear the damages that come along with it. However, as an industry that is deeply rooted in the community, property services industry is relatively unlikely to face pressure amidst adverse environment. During typhoon, the government and media urged people to stay home. In other words, home is safe and is the place where we can enjoy any service needed. Industries that provide "on-site" services (scenario combined with human and services) are bound to gain respect and dependence under such environment.

Given that Greentown Service has undergone in-depth arrangement on the ecosystem of community service, it insists on strengthening strategies, adheres to its ability to safeguard quality and firmly believes in market vitality in the ever-changing external environment. We handed over the following results in the first half of 2019: Revenue reached RMB3,663.1 million, representing an increase of 25.1% as compared to that of the same period of 2018; gross profit reached RMB706.2 million, representing an increase of 28.2% as compared to that of the same period of 2018. As a major source of revenue and gross profit of the Group, property services have been growing steadily, whereas community living services and consulting services focused on the establishment of core business operation capacity and the transformation and upgrading of service content, and the results were reflected during the Period. Thanks to the Group's 20-year efforts to enhance its market-oriented operational capability in adhering to excellent service quality and continuously improving its service system, the area of property service reserve reached 207.0 million square meter ("**sq.m.**") during the Period, representing a net increase of 46.7 million sq.m. The net increase reached a record high, which will continue to lay a solid foundation for the Group's future growth.

In fact, community living services have become the dedicated focal point of the PRC. In June this year, the government rolled out a series of favorable policies. For example, in the next five years, the PRC will increase preferential tax policy support for community and family services industry, such as elderly care, child care and housekeeping. We have been deeply involved in the community-based elderly care business for years, and businesses with natural advantages, such as community-based housekeeping, have also been commenced, all of which have adopted the favorable policies of the PRC. Our early childhood classes "Wonderful Garden", and the acquisition of Australia's leading preschool education group were also in tune with the direction of the country's policies. Furthermore, we have closely linked up technology, products, and service providers, and pursued innovation in the new retail market. We have opened multiple fresh goods stores in Hangzhou, and fresh goods ordered by property owners online can be delivered in 15 minutes. Such service, which is named "Green, Orange, Fresh", has radiated to communities and residential housings within three-kilometer radius, known as the "Orange community". We have provided a service map for the community in pursuit of a better life, and secured strategic footholds in such area. Despite the winding path ahead, we have never doubted our ability to reach the broad and open road.

Half of the people who have embarked on a one hundred mile journey may fall by the wayside. In the first half of 2019, we emphasized on stability and reserving capacities. Certain objectives have been nailed down halfway through the year, yet some of them are still in progress. In the second half of the year, we are heading down the home stretch. Our managers must be equipped with abilities to face and surpass any circumstance.

Looking back, I saw my path. Lie in levels of deep shadow. After setting foot in 2019, looking forward, we can see ourselves continuously making progress in the field of living services. The cultivation of living services projects, such as education, elderly care and new retail, has brought us down to a narrow and winding road, which is similar to the powerful yet short-lived typhoon. However, the PRC is constantly rolling out favorable policies on the national level, couple with the experience, stability, willingness to innovate and courage of our management team, each of our core results has been improved immensely, which provides a solid ground for us to believe that, in the future, the Company's technological transformation, platformization and ecological strategic transformation will be more comprehensive and ample. In this regard, we must bear all of our responsibilities, forge ahead, and realize our wishes with utmost endeavour.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. In the "2019 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.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group achieved:

Revenue of RMB3,663.1 million, representing an increase of 25.1% y/y from the same period of 2018 at RMB2,927.5 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 66.9% of the overall revenue. It had a revenue of RMB2,452.5 million, an increase of 21.7% y/y from the same period of 2018's RMB2,015.3 million; (ii) community living services (18.9% of the overall revenue), recorded an increase of 34.8% y/y in revenue to RMB690.1 million, from the same period of 2018's RMB511.8 million; and (iii) consulting services, which make up 14.2% of the overall revenue. It recorded a revenue of RMB520.6 million, an increase of 30.0% y/y from the same period of 2018's RMB400.4 million.

	2019		2018		
	RMB'000	***% of the total revenue***	*RMB'000*	*% of the total revenue*	*Y/Y%*
Property services					
Property services	**2,452,452**	**66.9%**	2,015,277	68.8%	21.7%
	2,452,452	**66.9%**	2,015,277	68.8%	21.7%
Community living services					
Community products and services	**225,231**	**6.2%**	121,148	4.1%	85.9%
Home living services	**50,558**	**1.4%**	30,323	1.1%	66.7%
Community space services	**110,133**	**3.0%**	94,011	3.2%	17.1%
Property asset management services	**279,667**	**7.6%**	250,739	8.6%	11.5%
Cultural & education services	**24,486**	**0.7%**	15,574	0.5%	57.2%
	690,075	**18.9%**	511,795	17.5%	34.8%
Consulting services					
Property under construction services	**425,377**	**11.6%**	333,360	11.4%	27.6%
Management Consulting Services	**95,223**	**2.6%**	67,049	2.3%	42.0%
	520,600	**14.2%**	400,409	13.7%	30.0%
	3,663,127	**100.0%**	2,927,481	100.0%	25.1%

Cost of sales

In the Period, this amounted to RMB2,956.9 million, a 24.4% y/y increase from the same period of 2018's RMB2,376.6 million. The percentage increase is slightly lower than 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.

Selling and marketing expenses

Selling and marketing expenses amounted to RMB43.3 million, representing an increase of 194.6% as compared to RMB14.7 million of the same period in 2018. The increase was mainly due to the development of the Group's new retail, education and property assets management services businesses, as well as the increases in sales personnel and site rental costs.

Administrative expenses

Our administrative expenses reached RMB316.9 million, an increase of 35.5% from RMB234.0 million in the same period of 2018. Although the growth rate was higher than the revenue growth of the current period, it experienced a decrease of 9.6 percentage points as compared to the growth rate of 45.1% of the same period of 2018, and a decrease of 8.1 percentage points as compared to the growth rate of 43.6% of 2018 full-year. To achieve employee's incentives, the Group granted share options to employees in 2018, which accrued equity-settled share-based payment expenses of RMB38.8 million for the period. If such expenses are excluded, the growth rate would be 18.9%, which is lower than the growth rate of revenue for the period.

The Group is in the process of establishing a data-driven, intelligent and efficient peer-to-peer management system which provides platform services and automatic supervision in order to realize the "penetration" of vertical business and the "connection" of horizontal business through its sharing centre with an aim to achieve the objectives of efficient management and convenient services. The effect is gradually becoming visible.

Gross Profit

— Gross profit reached RMB706.2 million, risen by 28.2% y/y from the same period of 2018's RMB550.8 million; gross profit margin was 19.3%, a slight increase of 0.5 percentage points from 18.8% of the same period of 2018 and an increase of 1.5 percentage points from 17.8% of 2018.

— Gross profit margins for the three service lines are: 11.9% for property services, 31.3% for community living services, and 38.1% for consulting services. For the full year 2018, these were 11.4%, 25.5% and 38.0%, whilst for the same period of 2018: 11.9%, 30.2% and 39.1% respectively.

— Gross profit margin for property service was 11.9%, in line with 11.9% in same period of 2018 and slightly higher than 11.4% for the full year of 2018. Despite the occasional fluctuation in real estate market and the increasing labor costs, the Group has achieved two-way improvement in user experience and business efficiency through the establishment of big data platforms, the application of mobile Internet and the investment in intelligent equipment. The gross profit margin of property services is steadily growing.

— Gross profit margin for community living service was 31.3%, an increase as compared to 30.2% in same period of 2018 and 25.5% for the full year of 2018. Our community living services focused on core business operation capacity establishment, and improvement in gross profit margin was achieved in terms of community products and services, property asset management services, and cultural & education services.

— Gross profit margin for consulting service was 38.1%, slightly lower than 39.1% in the same period of 2018, which has been stable in recent years.

Net finance income

In the Period, net finance income of the Group was RMB10.6 million, compared to the same period of 2018's net finance income of RMB11.7 million. The Group relied on the financial sharing centre to strengthen its fund management. Interest income on bank deposits for the Period were RMB14.4 million, representing an increase of 52.8% as compared to RMB9.4 million of the same period of 2018. Due to the initial application of new lease standards, the addition of finance cost on lease liabilities for the Period was RMB5.8 million, resulting in the decrease in net finance income.

	Six months ended 30 June		
	2019	2018	
	RMB'000	*RMB'000*	*Y/Y%*
Interest income on listed debt instruments	**2,332**	2,236	4.3%
Interest income on bank deposits	**14,402**	9,427	52.8%
Interest expense on bank loans	**(335)**	–	N/A
Interest expense on lease liabilites	**(5,807)**	–	N/A
Net finance income	**10,592**	11,663	–9.2%

Share of profit less losses of associates, and joint ventures

In the Period, share of profit less losses of associates and share of profit less losses of joint ventures amounted to a loss of RMB0.8 million, and a loss of RMB0.2 million, compared to loss of RMB3.2 million, and loss of RMB1.1 million respectively in the same period of 2018, which showed the improvement was mainly because the operations of associates and joint ventures were back on track during the Period with gradual decrease in losses.

Income tax

In the Period, income tax amounted to RMB92.0 million, versus RMB80.7 million for the same period of 2018, or a 14.0% y/y increase. The effective tax rate is 28.4%, slightly higher than the same period of 2018's 27.1%, which was mainly due to the increased non-deductible expenses of equity-settled share-based payment. The adjusted effective tax rate excluding equity-settled share-based payment expenses was 25.4%, which was lower than that of the same period of 2018.

	Six months ended 30 June		
	2019	2018	
	RMB'000	*RMB'000*	*Y/Y%*
Current tax			
PRC corporate income tax	**123,562**	96,611	27.9%
Under-provision in respect of prior years	**349**	2,282	–84.7%
	123,911	98,893	25.3%
Deferred tax			
Origination and reversal of temporary differences	**(31,945)**	(18,222)	75.3%
	91,966	80,671	14.0%

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

The income tax rate applicable to Group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the periods is 16.5%. No provision for Hong Kong Profits Tax was made for the six months ended 30 June 2018 and 2019 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 tax authority in Hangzhou has approved an income tax rate of 20% for Hangzhou Greentown Vocational Training School from 1 January 2019 to 31 December 2021. Pursuant to Chapter 28 of the Law of the People's Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise. Hangzhou Greentown Information and Technology Company Limited has obtained a high and new technology enterprise certification in 2018 and is entitled to a preferential income tax rate of 15% from 2018 to 2020.

Profit before taxation

Profit before taxation reached RMB323.7 million, an increase of RMB26.2 million from RMB297.5 million for the same period of 2018, or 8.8% y/y.

Profit for the Period

Profit for the Period was RMB231.7 million, representing an increase of 6.9% as compared to RMB216.8 million of the same period of 2018. Adjusted profit for the Period excluding equity-settled share-based payment expenses was RMB270.5 million, representing a growth of 24.8% as compared to the same period of 2018. The growth rate was higher than that of the same period of 2018.

Net profit margin for the Period was 6.3%, and adjusted net profit margin for the Period (excluding equity-settled share-based payment expenses) was 7.4%, which was basically the same as compared to 7.4% and 7.3% (excluding equity-settled share-based payment expenses) of the same period of 2018 and 2018 full-year, respectively.

Property, plant and equipment and right-of-use assets

During the Period, the value of property, plant and equipment and right-of-use assets amounted to RMB971.0 million, representing a y/y increase of 176.1% as compared to RMB351.7 million of the same period of 2018. The increase was primarily attributable to the recognition of an increase in right-of-use assets of RMB570.6 million under the new lease standards. Disregarding the changes resulting from the new lease standards, the value of property, plant and equipment amounted to RMB400.4 million, representing a y/y increase of 13.8%. The right-of-use assets were mainly used in the Group's new retail, education and property assets management services businesses.

Trade and other receivables

Trade and other receivables reached RMB2,046.4 million, being 47.7% y/y increase from RMB1,385.1 million in the same period of 2018. Trade receivables alone amounted to RMB1,386.7 million, versus RMB990.2 million in the same period of 2018, representing an increase of 40.1% y/y. Such increased trade receivables was primarily affected by the macro environment, real estate site and developer subsidies, slowdown in collection of special service fees and increased non-trade nature amount due from related parties. Property service fee was the main part of trade receivables. As we have stated in previous interim and annual reports, property service fees are always collected annually. Therefore, trade receivables in the middle of the year would traditionally be at high levels, and then subside rapidly towards year end.

Trade and other payables

Trade and other payables was RMB2,026.8 million, an increase of 42.3% y/y from the balance as at 30 June 2018's RMB1,424.6 million, and 7.1% from the balance as at 31 December 2018, of which the addition of dividend payable amounted to RMB183.6 million, and payables for new parking space amounted to RMB79.6 million.

Lease liabilities

During the Period, the increase in lease liabilities was recognized in accordance with the new lease standards. Liabilities payable due within one year, which were included in current liabilities, were RMB92.0 million, while liabilities payable due after one year, which were included in long-term lease liabilities, were RMB478.2 million.

Property service — 66.9% of total revenue, 41.4% of gross profit

Property services are the Group's largest revenue and gross profit contributor. 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 RMB2,452.5 million, a 21.7% increase from the same period of 2018's RMB2,015.3 million. The slowdown is due to the uneven deliveries of the management gross floor area ("**GFA**") in the first half year and the second half year. Nevertheless, the overall deliveries of this year are expected to be steadily higher than last year.

— Gross profit was RMB292.3 million, a 21.8% increase from same period of 2018's RMB240.0 million last year, and gross margin was 11.9%, the same number in the corresponding period.

— This net growth of 33.4 million sq.m. of the managed GFA, representing an increase of 22.1% in the Group's managed GFA of 184.2 million sq.m., up from the same period of 2018's 150.8 million sq.m. 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.

— Reserved GFA, as one of the most important sources of managed GFA, reached a new high of 207.0 million sq.m. in the period, a growth of 29.1% compared with 160.3 million sq.m. for the same period in 2018, or net increase of 46.7 million sq.m., showing that the Group retains a sufficient reserve of projects and providing a solid foundation for the Group's future growth. Excellent service capabilities and strong market expansion allowed us to better meet the needs of our customers who were in pursuit of a better life, resulting in significant growth in reserved GFA.

— Managed projects reached 1,305, covering 29 provinces, municipalities and autonomous regions and 137 cities in the nation.

	Six months ended 30 June			
	2019		2018	
	% of property management revenue	***% of managed GFA***	*% of property management revenue*	*% of managed GFA*
Contracted GFA				
— Residential	**70.9**	**78.5**	69.1	79.5
— Non-residential	**29.1**	**21.5**	30.9	20.5
Total	**100.0**	**100.0**	100.0	100.0

	Six months ended 30 June			
	2019		2018	
	% of managed GFA	***% of total revenue***	*% of managed GFA*	*% of total revenue*
— Hangzhou	**15.4%**	**29.7%**	16.7%	29.2%
— Yu Hang	**6.7%**	**5.2%**	7.2%	5.1%
Greater Hangzhou	**22.1%**	**34.9%**	23.9%	34.3%
Ningbo	**6.7%**	**5.7%**	7.4%	6.7%
Yangtze River Delta	**37.3%**	**30.3%**	36.6%	30.4%
Bohai Economic Rim	**16.1%**	**13.4%**	14.6%	14.3%
Pearl River Delta	**6.9%**	**5.8%**	6.5%	5.5%
Others	**10.9%**	**9.9%**	11.0%	8.8%
	100%	**100%**	100%	100%

Community living services — 18.9% of total revenue, 30.5% of gross profit

Despite the slowdown in growth rate, community living service remains 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 period:

— Revenue of RMB690.1 million, an increase of 34.8% from RMB511.8 million in the same period of 2018, slowed down in growth rate as compared to the past. This was mainly due to the slowdown in the income growth of property asset management services, which accounted for 40.5% of the community living services' revenue. Among them,

  (1) The community products and services (accounting for 32.7% of the community living service income): the income reached more than RMB225.2 million, an increase of 85.9% compared with RMB121.1 million in the same period of 2018.

  (2) Home Life Services (accounting 7.3% of the community living service income): the income reached RMB50.6 million, compared with RMB30.3 million in the same period of 2018, up 66.7%.

  (3) Community Space Services (accounting for 16.0% of the community living service income): the income reached RMB110.1 million, an increase of 17.1%, compared with RMB94.0 million in the same period of 2018.

  (4) Property Asset Management Services (accounting for 40.5% of the community living service income): the income reached RMB279.7 million, an increase of 11.5% compared with RMB250.7 million in the same period of 2018.

  (5) Cultural and education services (accounting for 3.5% of the revenue of the community living services): the income reached RMB24.5 million, an increase rate of 57.2% compared with RMB15.6 million in the same period of 2018.

— Gross profit was RMB215.7 million, an increase of 39.7% as compared with the same period of 2018. This was slightly higher than the revenue growth rate and was due to a further improvement in the gross profit margin, increase from 30.2% for the interim period of 2018 to 31.3% for the Period. The gross profit margin is expected to maintain at this level.

	Six months ended 30 June				
	2019			2018	
	Revenue RMB'000	***% of total***	***Y/Y %***	*Revenue RMB'000*	*% of total*
Community products & services	**225,231**	**32.7**	**85.9**	121,148	23.7
Homeliving services	**50,558**	**7.3**	**66.7**	30,323	5.9
Community space services	**110,133**	**16.0**	**17.1**	94,011	18.4
Property asset management services	**279,667**	**40.5**	**11.5**	250,739	49.0
Cultural & education services	**24,486**	**3.5**	**57.2**	15,574	3.0
Total	**690,075**	**100**	**34.8**	511,795	100

In light of the living needs of property owners, the Group continued to establish a living service platform with the integration of five ecosystems, including culture and education, health and elder-care, new retail, home service and asset operation, into one, as well as online and offline integration. During the Period, we continued to optimize our service mix, focus on core ecosystems and enhance operating capacity based on strategic planning and actual conditions, of which:

— **Community products & services:** During the Period, we have upgraded our original convenience store model to community fresh goods model. Leveraging on the natural resource advantage of our community, while using frequent consumption of fresh goods as a starting point, we have created a quality and affordable community fresh goods brand. The model built a full-scenario consumption experience for community property owners based on three systems, including supply system, warehouse allocation system and front-end system (client side), with stores, warehouses and counters as the hardware foundation, to cover both instant delivery and next-day delivery business scenarios. The model has lower customer costs, warehousing convenience, labor costs and delivery timeliness. With the combination of the model and Happy Greentown APP, we have achieved the accumulation and conversion of data. Our current development strategy is to first cover the property owners of Greentown Community with Hangzhou as the core, then gradually expand to the surrounding areas and export to non-Greentown Community property owners in due course.

— **Home living services:** Revenue growth of this segment has increased significantly, mainly due to the Group's integration of quality resources to establish a home service platform called "Four Seasons Housekeeping". For this segment, our strategy is to integrate high-quality resources through online and offline integration, and build a home service platform with daily cleaning, home appliance maintenance, and high-end elderly care as its core businesses that is driven by customer data. In June 2019, the Ministry of Finance issued the Announcement No.76, and announced that housekeeping service income obtained by organizations that provide housekeeping services to the community will be exempted from VAT, deed tax and real estate registration fee; income generated from the provision of services will enjoyed a tax concession of 10% reduction on assessable revenue and included in total revenue, which created a good policy environment for the development of this business.

— **Property asset management services:** Property agency income remains the largest source of income of this segment. During the Period, our national rental and sales center model has achieved initial success. Through development in the communities we operated, the revenue of our second-hand housing agency service segment increased by 22% as compared to the same period of last year. However, due to fluctuation of the real estate market, income generated from first-hand housing and remaining units agency service decreased significantly, resulting in a slightly lower overall revenue for property agency segment. We believe that revenue growth and gross profit margin of the segment will still be affected in the future due to the macro-control of real estate. On the other hand, although our "Uhomelifes" brand which carries out housing rental/trust services for community housing owners has yet to be profitable, it is currently in the phase of rapid development.

— **Culture & education services:** As forecasted in the 2018 Annual Report, the revenue and gross profit margin of the business improved significantly during the Period. We will focus on the high-end service market of early childhood education. We will continue to build our Greentown Service 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", and improve the occupancy rate of "Wonderful Garden", increase income and control costs through a series of effective measures. On 5 July 2019, we have completed the acquisition of MAG Australia, which effectively enhanced our core competitiveness and brand connotation. We noticed that the policy environment has improved significantly in the first half of the year. The General Office of the State Council and the Ministry of Finance have successively issued the Guiding Opinions of the General Office of the State Council on Promoting the Development of Care Services for Infants and Children under the Age of Three (Guo Ban Fa [2019] No. 15) (《關於促進3歲以下嬰幼兒照護服務發展的指導意見》(國辦發[2019]15號)), and the Announcement on Preferential Tax and Fee Policies Concerning Elderly Care, Infant and Child Care, Housekeeping and Other Community Family Services (Announcement No. 76 [2019] of the Ministry of Finance and etc.) (《關於養老、托育、家政等社區家庭服務業稅費優惠政策的公告》(財政部等公告[2019]年第76號)) to a series of preferential policies for infant care and childcare service organizations. In the next stage, in order to further improve the revenue and gross profit margin of the business, we will continue to give full play to our brand advantages, actively connect with related enterprises, provide hardware resources, such as venues and equipment, through related enterprises, and software resources, such as teachers, courses, and brands, as well as the combination of direct operation, joint venture and commissioned operation.

Consulting services — 14.2% of total revenue, 28.1% of gross profit

During the Period, we continued to focus on the full life cycle of real estate, and continuously improve the organic growth and strengthen core competitive advantages of consulting service through quality resource integration, standardized system construction and business innovation, thereby achieving:

— Revenue grew by 30.0% to RMB520.6 million, from the same period of 2018's RMB400.4 million. The main reason for such increase was the success of our strategic transformation, as well as the amount of project in management consulting and project under construction services, and the annual service fee also contributed to steady growth.

	Six months ended 30 June				
	2019			2018	
	Revenue RMB'000	***% of total***	***Y/Y %***	*Revenue RMB'000*	*% of total*
Project under construction services	**425,377**	**81.7**	**27.6**	333,360	83.3
Management consulting services	**95,223**	**18.3**	**42.0**	67,049	16.7
Total	**520,600**	**100**	**30.0**	400,409	100

— Gross profit margin was 38.1%, slightly lower than 39.1% in the same period of 2018. It still maintained a good resilience.

	Six months ended 30 June				
	2019			2018	
	No. of projects period end	***Y/Y%***	***Average income/ project RMB'000***	*No. of projects period end*	*Average income/ project RMB'000*
Project under construction services	**532**	**15.9**	**800**	459	726
Management consulting services	**367**	**15.8**	**259**	317	212

In face of market changes, we continued to study the development trend of real estate market and the application of new technologies in the above-mentioned business sectors, and fully integrate them with the development strategies of each business segment to maintain the advantages of the Group's own services and products. Based on the changes in demand for consulting services of developers, we have begun to cultivate operational technology capacity of non-residential format, including industrial parks, office buildings, commercial complexes, and urban renewals. We have determined to coordinate development consulting services and property services based on a "consultation+operation+property" model.

— **Property Under Construction Services**: After our traditional field services have been upgraded in 2018 to better life experience services, we have further empowered our employees through, among others, a hierarchical training system, centralized accreditation and live training. 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 iterated 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 real estate consultation has experienced market testing and cultivation stage, and begun to gain market recognition. Certain developers which purchased our property consulting services chose to cooperate with us in the fields of landscaping and fine decoration for the purpose obtaining more in-depth consulting services, thereby enhancing values; on the other hand, the concept of "alliance of quality services" promoted by the "Green Alliance" was favored by property management associations across the country. It has entered into strategic cooperation agreements with property management associations in Shaoxing, Taizhou, etc., so as to empower localized property service enterprises through management technology and both scientific and technological means, which further increased the number of property service enterprises served by the "Green Alliance".

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 was HK$1,472 million (equivalent to RMB1,265.8 million). These proceeds will be used in accordance with the Prospectus and the purposes set out in the announcement issued on 15 September 2017:

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

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

— 19% for repayment of loans (fully used)

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

ACQUISITION AND FUTURE PROSPECTS

During the Period, we continued to closely monitor and seek suitable acquisition opportunities in the market. We adhered to the Group's consistent acquisition strategy. While adopting the expansion model of internal growth and prudent acquisition, we focused on the development and acquisition opportunities of strategic new businesses within the community service and consulting service segment.

As disclosed in the 2018 annual report of the Group, the Group signed the acquisition agreement to acquire approximately 56% of equity interests in MAG in March 2019 (for details, please refer to the announcements of the Company dated 29 March 2019 and 11 April 2019), and completed the acquisition of equity interests on 5 July 2019 (for details, please refer to the announcements of the Company dated 21 June 2019 and 5 July 2019). In the future, we will empower the Group's early childhood education business in various aspects such as teaching systems, standards, teacher training and brand strengthening, which is an important step for facilitating our strategies in this field.

Of course, we believe that, upon the completion of acquisitions, effective integration of the acquired target businesses and management team with the Group's existing management and control systems and business resources is the key to driving the acquired target businesses to quickly achieve its operational and profit targets, so as to continuously and rapidly push the business development of the Group, and realize its acquisition intention. In the next stage, we will also focus on the implementation of such work.

We believe that we can boost the development or upgrade of strategic and new businesses within our community service and consulting service segment in a speedier manner through prudent acquisition and equity cooperation, and improve the business model of our existing business, thereby better contributing to the Group's business growth. Subsequently, we will continue to closely monitor the market and grasp suitable acquisition opportunities.

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 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 to provide 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 and provident funds are also provided to employees of the Group.

As at 30 June 2019, the Group had 26,289 employees, an increase of 15.6% from the same period of 2018, which was lower than the growth rate of the Group's managed GFA.

Interim dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2019.

Cash, liquidity and indebtedness

In the Period, the current assets was RMB4,644.1 million, increasing by 37.2% compared to RMB3,385.4 million of the same period in 2018. The Group's cash and cash equivalents amounted to RMB2,018.0 million, increasing by 28.9% from RMB1,565.7 million of the same period in 2018. The corporate capital remains plentiful. The gearing ratio of the Group (total liabilities divided by total assets) was 63.3%, representing an increase of 7.5 percentage points as compared to 55.8% of the same period of 2018, mainly due to the increase in lease assets and lease liabilities of RMB570.6 million and RMB570.2 million based on the new lease standards, respectively, at the end of the Period, and the addition of bank loans of RMB300.4 million for the Period.

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 Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During the six months ended 30 June 2019, 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 that he/she has complied with the standards set out in the Model Code during the six months ended 30 June 2019.

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 2019.

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 acts as a professional accountant with related financial 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 2019 of the Group have been reviewed by the Audit Committee.

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 2019 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hangzhou, China
23 August 2019

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.