ZHONG AO HOME GROUP LIMITED
中奧到家集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1538)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2015	2014	
	RMB'000	*RMB'000*	*Change*
Revenue	**420,155**	361,202	16.3%
Gross profit	**140,088**	120,711	16.1%
Profit attributable to owners of the Company	**10,911**	56,031	(80.5)%
Adjusted net profit for the year (1)&(2)	**80,744**	59,878	34.8%
Gross profit margin *(%)*	**33.3%**	33.4%	(0.1) pp
Net profit margin *(%)*	**2.5%**	15.5%	(13.0) pp
Adjusted net profit margin *(%)* (1)&(2)	**19.2%**	16.6%	2.6 pp
Basic earnings per share *(RMB)*	**0.019**	0.123	(83.7)%
Final dividend per share *(HK$)*	**0.025**	–	N/A
Special dividend per share *(HK$)*	**0.020**	–	N/A

Notes:

(1) Adjusted net profit for the year is derived by adding listing expenses of RMB35.9 million (2014: RMB4.0 million), change in fair value of financial liabilities designated as at fair value through profit or loss of RMB6.3 million (2014: Nil), share-based payment expenses of RMB19.9 million (2014: Nil) and excluding the net loss of RMB8.0 million (2014: Nil) incurred for the community O2O platform for the year.

(2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a "non-GAAP" financial measure. It is not a measurement of the Group's financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of the Group's liquidity.

The board (the "Board") of directors (the "Directors") of Zhong Ao Home Group Limited 中奧到家集團有限公司 (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 together with the comparative audited figures for the corresponding period in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	NOTES	**2015** **RMB'000**	2014 *RMB'000*
Revenue	*3*	**420,155**	361,202
Cost of sales and services		**(280,067)**	(240,491)
Gross profit		**140,088**	120,711
Other income	*4*	**1,467**	3,155
Other gains and losses	*4*	**(4,019)**	(16,328)
Change in fair value of financial liabilities designated as at fair value through profit or loss		**(6,343)**	–
Administrative expenses		**(51,002)**	(21,472)
Selling and distribution expenses		**(7,615)**	(3,765)
Listing expenses		**(35,881)**	(3,980)
Share of results of associates		**–**	(670)
Share of results of joint ventures		**243**	(98)
Finance costs	*5*	**(1,572)**	(5)
Profit before tax		**35,366**	77,548
Income tax expense	*6*	**(24,753)**	(21,650)
		10,613	55,898
Profit for the year attributable to:			
— Owners of the Company	*7*	**10,911**	56,031
— Non-controlling interests		**(298)**	(133)
		10,613	55,898
Earnings per share *(RMB)*			
— Basic	*9*	**0.019**	0.123
— Diluted	*9*	**0.019**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	NOTES	**2015** **RMB'000**	2014 RMB'000
Non-current Assets			
Property, plant and equipment		**22,007**	21,121
Payments for acquisition of properties		**59,504**	44,000
Interests in joint ventures		**1,045**	802
Goodwill		**41**	41
Intangible assets		**89**	145
Deferred tax asset		**9,894**	7,282
		92,580	73,391
Current Assets			
Trade and other receivables	*10*	**106,134**	79,197
Amounts due from directors		**–**	59,838
Amount due from a related party		**178**	1,000
Pledged bank deposits		**62,834**	–
Bank balances and cash		**449,107**	65,618
		618,253	205,653
Current Liabilities			
Trade and other payables	*11*	**154,695**	149,193
Amounts due to related parties		**–**	72
Tax liabilities		**19,485**	22,140
Borrowings due within one year		**22,361**	2,361
		196,541	173,766
Net Current Assets		**421,712**	31,887
Total Assets less Current Liabilities		**514,292**	105,278
Non-current Liabilities			
Borrowings due after one year		**7,279**	9,639
Liabilities for cash-settled share-based payments		**5,276**	–
		12,555	9,639
Net Assets		**501,737**	95,639
Capital and Reserves			
Share capital/Paid-in capital	*12*	**6,594**	10,000
Reserves		**494,894**	85,522
Equity attributable to owners of the Company		**501,488**	95,522
Non-controlling interests		**249**	117
Total Equity		**501,737**	95,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 5 January 2015. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 November 2015. The addresses of the registered office, principal place of business in Hong Kong and principal place of business in the People's Republic of China (the "PRC") of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands; Suite Nos. 5 and 6, 9th Floor, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Hong Kong; 1–2/F, Block 5, Southern Olympic Garden, Han Xi Avenue, Zhong Cun, Panyu, Guangzhou, Guangdong, China respectively.

The Company's immediate and ultimate holding company is Qichang International Limited ("Qichang"), a limited liability company incorporated in the British Virgin Islands (the "BVI"). The Company's ultimate controlling parties are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin who are directors of the Company.

The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the provision of property management services and sales assistance services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and the subsidiaries established in the PRC.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

The Group has consistently applied all the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 January 2015 for both the current and prior years.

HKICPA has issued the following new standards and amendments, which are not yet effective. The Group has not early applied these new standards and amendments.

HKFRS 9	*Financial Instruments*[1]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[3]
Amendments to HKAS 1	*Disclosure Initiative*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[3]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[3]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after a date to be determined

3. REVENUE AND SEGMENT INFORMATION

The segment information reported internally was analysed on the basis of geographical zones of services rendered in the PRC, representing Southern Region, Eastern and Central Region and Northern Region which is consistent with the internal information that are regularly reviewed by the management of the Group, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by geographical location. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

- Southern Region includes the cities of Guangzhou, Nanning, Shunde, Sanya, Foshan, Chengmai, Zhongshan, Jiangmen, Dongguan, Qingyuan, Zhaoqing, Guilin and Zhuhai.

- Eastern and Central Region includes the cities of Hangzhou, Shangyu, Suzhou, Chongqing, Ningbo, Jiangyin, Jiaxing, Nantong, Yuhang, Shaoxing, Kunshan, Haiyan, Haining, Quzhou, Zhuji, Nanchang, Zhangjiagang, Changshu, Shanghai, Wuxi, Taicang, Yixing, Nanjing, Jiande, Guangde, Xuancheng, Changxing, Zhengjiang, Fuzhou and Huzhou.

- Northern Region includes the cities of Baotou, Eérduosi, Dalian, Tangshan, Qingdao, Shenyang and Beijing.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs, bank interest income, investment income on financial assets designated as at fair value through profit and loss ("FVTPL"), change in fair value of financial liabilities designated as at FVTPL, (loss) gain on deemed disposal/disposal of subsidiaries, share of results of associates and joint ventures, net exchange gain, share-based payment expenses, listing expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

No analysis of segment assets and segment liabilities is presented as these information are not regularly provided to the chief operating decision maker for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

	Southern Region *RMB'000*	**Eastern and Central Region** *RMB'000*	**Northern Region** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2015				
Segment revenue	**179,447**	**221,371**	**19,337**	**420,155**
Segment results	**49,611**	**54,575**	**4,275**	**108,461**
Bank interest income				**1,198**
Net exchange gain				**9,732**
Change in fair value of financial liabilities designated as at FVTPL				**(6,343)**
Central administrative costs				**(20,459)**
Listing expenses				**(35,881)**
Share-based payment expenses of the Company				**(14,630)**
Share-based payment expenses of a subsidiary				**(5,298)**
Share results of joint ventures				**243**
Finance costs				**(1,572)**
Loss on deemed disposal of subsidiaries				**(85)**
Profit before tax				**35,366**

	Southern Region *RMB'000*	Eastern and Central Region *RMB'000*	Northern Region *RMB'000*	Total *RMB'000*
Year ended 31 December 2014				
Segment revenue	158,981	178,291	23,930	361,202
Segment results	45,443	47,473	5,713	98,629
Bank interest income				116
Investment income on financial assets designated as at FVTPL				1,086
Central administrative costs				(18,696)
Gain on disposal of subsidiaries				1,166
Share of results of associates				(670)
Share of results of joint ventures				(98)
Listing expenses				(3,980)
Finance costs				(5)
Profit before tax				77,548

Other segment information

	Southern Region *RMB'000*	Eastern and Central Region *RMB'000*	Northern Region *RMB'000*	Total *RMB'000*
Year ended 31 December 2015				
Segment information included in the measure of segment results:				
Depreciation of property, plant and equipment	**3,554**	**1,410**	**185**	**5,149**
Amortisation of intangible assets	**–**	**56**	**–**	**56**
Loss on disposal of property, plant and equipment	**25**	**–**	**–**	**25**
Impairment loss recognised on trade receivables	**3,961**	**7,730**	**2,094**	**13,785**

	Southern Region *RMB'000*	Eastern and Central Region *RMB'000*	Northern Region *RMB'000*	Total *RMB'000*
Year ended 31 December 2014				
Segment information included in the measure of segment results:				
Depreciation of property, plant and equipment	3,697	742	124	4,563
Amortisation of intangible assets	–	56	–	56
Loss on disposal of property, plant and equipment	–	40	–	40
Impairment loss recognised on trade receivables	5,061	7,013	1,778	13,852
Impairment loss recognised on other receivables	1,247	814	546	2,607

Revenue from major services

	2015 *RMB'000*	2014 *RMB'000*
Property management services income under lump sum basis	**320,837**	268,421
Property management services income under commission basis	**–**	362
Ancillary services income	**30,856**	23,410
Consulting services income	**343**	667
Sale assistance services income under lump sum basis *(note)*	**66,137**	68,342
Community online to offline ("O2O") business income	**1,982**	–
	420,155	361,202

Note: Such amounts represent property management service income from property developers for their sales centers.

Geographical information

The Group's revenue from external customers is derived solely from its operations and services rendered in the PRC, and non-current assets of the Group are principally located in the PRC by location of assets.

Information about major customers

During the years ended 31 December 2015 and 2014, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. OTHER GAINS AND LOSSES AND OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Other gains and losses		
Impairment loss recognised on trade receivables	**(13,785)**	(13,852)
Impairment loss recognised on other receivables	**–**	(2,607)
Loss on disposal of property, plant and equipment	**(25)**	(40)
Loss on partial disposal of interest in a joint venture	**–**	(31)
(Loss) gain on deemed disposal/disposal of subsidiaries	**(85)**	1,166
Net exchange gain	**9,732**	–
Others	**144**	(964)
	(4,019)	(16,328)
Other income		
Bank interest income	**1,198**	116
Unconditional government grants	**179**	1,795
Penalty income *(note)*	**90**	158
Investment income on financial assets designated as at FVTPL	**–**	1,086
	1,467	3,155

Note: The amount mainly represents penalty income received/receivable from property developers to compensate the loss arising from termination of contract.

5. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on borrowing wholly repayable within five years	**1,450**	5
Imputed interest expense on non-current liabilities for cash-settled share-based payments	**122**	–
	1,572	5

6. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**27,365**	25,113
Deferred tax		
Current year	**(2,612)**	(3,463)
	24,753	21,650

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong during the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%.

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary differences attributable to the accumulated undistributed earnings of the subsidiaries of the Company established in the PRC amounting to RMB23,488,000 (2014: nil) as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

7. PROFIT FOR THE YEAR

	2015	2014
	RMB'000	*RMB'000*
Profit has been arrived at after charging:		
Directors' remuneration	**7,329**	1,137
Other staff cost:		
— salaries and other benefits	**165,985**	156,536
— contributions to retirement benefit scheme	**12,744**	9,244
— Share-based payment expenses of the Company	**9,836**	–
— Share-based payment expenses of a subsidiary	**5,298**	–
Total staff costs	**201,192**	166,917
Auditors' remuneration	**2,260**	93
Depreciation for property, plant and equipment	**5,149**	4,563
Amortisation of intangible assets	**56**	56

8. DIVIDENDS

Dividends of RMB87,592,000 (2014: RMB12,500,000) has been distributed by Guangdong Zhong Ao Property Management Company Limited ("Guangdong Zhong Ao"), a limited liability company established in the PRC and indirect wholly-owned subsidiary of the Company to its then equity interest holders during the year ended 31 December 2015 in which RMB54,073,000 have been offset with amounts due from directors and RMB33,519,000 was distributed in cash.

Subsequent to 31 December 2015, a final dividend for the year ended 31 December 2015 of HK2.50 cents, equivalent to RMB2.10 cents (2014: nil), per share amounting to HK$20,000,000, and a special dividend for the year ended 31 December 2015 of HK2.00 cents, equivalent to RMB1.68 cents (2014: nil), per share amounting to HK$16,000,000 in aggregate have been proposed by directors for approval by the shareholders in the annual general meeting. The final dividend and special dividend proposed after the end of the reporting period have not been recognised as liabilities at the end of reporting period.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2015	2014
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purposes of basic and diluted earnings per share, as appropriate (profit for the year attributable to owners of the Company)	**10,911**	56,031
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**578,454,795**	456,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**578,454,795**	N/A

The calculation of the weighted average number of ordinary shares in issue during the years ended 31 December 2015 and 2014 is based on the assumption that the reorganisation and the capitalisation issue (details are set out in "History, Reorganisation and Corporate Structure" of the prospectus issued by the Company date 13 November 2015) had been completed on 1 January 2014.

The computation of diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of the share options of the Company since the exercise price of the share options is higher than the average market price of the Company's shares during the year ended 31 December 2015 and does not take into account of the effect of the Central Oscar and Decision Holdings Subscription Shares as defined in note 12(c) as its impact is anti-dilutive. The computation also does not take into account of the effect of the shares of 杭州壹到科技信息有限公司 Hangzhou Yidao Information Technology Company Limited ("Hangzhou Yidao") that will be transferred to the employees of Hangzhou Yidao as its impact is anti-dilutive.

No diluted earnings per share is presented for the year ended 31 December 2014, as there is no potential ordinary shares in issue during the year.

10. TRADE AND OTHER RECEIVABLES

	Notes	2015 RMB'000	2014 RMB'000
Trade receivables		**110,789**	87,060
Less: allowance for doubtful debts		**(39,576)**	(29,127)
Total trade receivables		**71,213**	57,933
Other receivables:			
Deposits	*(a)*	**3,356**	2,841
Advance to staffs		**9,266**	4,908
Prepayments		**13,151**	7,235
Payment on behalf of residents	*(b)*	**10,257**	10,323
Consideration receivable on disposal of a subsidiary		**3,031**	3,031
Other tax recoverable		**2,186**	12
Others		**1,982**	1,222
		43,229	29,572
Less: allowance for doubtful debts		**(8,308)**	(8,308)
Total other receivables		**34,921**	21,264
Total		**106,134**	79,197

Notes:

(a) The balance represented the deposits paid to utilities suppliers for the community residents.

(b) The balance represented the payment on behalf of community residents for settlement of the utilities bills from utilities suppliers.

Trade receivables are mainly arisen from property management services income.

Property management services income from providing property management services are required to be settled by property owners and property developers within 45 days upon the issuance of demand note, the settlement pattern of the property management services income from property management services are normally within 30 days to 90 days after the issuance of demand note to the property owners and property developers.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of demand note at the end of the year, which approximated the respective revenue recognition dates:

	2015	2014
	RMB'000	*RMB'000*
0 to 30 days	**16,324**	12,883
31 to 90 days	**16,971**	13,629
91 to 180 days	**15,689**	12,009
181 to 365 days	**17,803**	15,524
Over 1 year	**4,426**	3,888
	71,213	57,933

Credit limits attributed to customers are reviewed once a year. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are neither past due nor impaired as they have good repayment history with the Group.

Included in the Group's trade receivable balance are receivables with aggregate carrying amount of RMB47,623,000 (2014: RMB38,142,000) at 31 December 2015, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables from the property management services, the Group estimates the recoverable amount of the trade receivables in each communities managed by the Group. Considering the subsequent settlement for each of trade receivables, impairment allowance is provided mainly to certain communities located in Eastern and Central region and Southern Region of which the property management services are provided. In the opinion of the management of the Group, necessary impairment allowance has been made in respect of the unsettled balances of trade receivables.

Aging of past due but not impaired trade receivables

	2015	2014
	RMB'000	*RMB'000*
0 to 90 days	**9,705**	6,721
91 to 180 days	**15,689**	12,009
181 to 365 days	**17,803**	15,524
Over 1 year	**4,426**	3,888
	47,623	38,142

Movement in the allowance for doubtful trade and other receivables

	2015	2014
	RMB'000	*RMB'000*
Balance at the beginning of the year	**37,435**	20,976
Impairment losses recognised on receivables	**13,785**	16,459
Amount written off as uncollectible	**(3,336)**	–
Balance at the end of the year	**47,884**	37,435

At 31 December 2015, included in the allowance for doubtful receivables are individually impaired trade and other receivables with an aggregate balance of RMB47,884,000 (2014: RMB37,435,000). With reference to the historical collection experience of these receivables, these balances may not be recoverable. The Group does not held any collateral over these balances.

11. TRADE AND OTHER PAYABLES

		2015	2014
	Notes	***RMB'000***	*RMB'000*
Trade payables		**25,139**	23,168
Other payables:			
Receipts on behalf of residents	*(a)*	**32,044**	37,064
Receipts in advance	*(b)*	**36,854**	32,123
Deposits received	*(c)*	**29,252**	23,773
Accrued staff costs		**15,142**	22,837
Accrued listing expenses		**10,252**	–
Other tax payables		**769**	6,942
Others		**5,243**	3,286
Total other payables		**129,556**	126,025
Total		**154,695**	149,193

Notes:

(a) The balances represented the receipts on behalf of community residents to settle the utilities bills from utilities suppliers.

(b) The balances represented the advances from customers for payment of management service fees.

(c) The balances represented the deposits paid by the community residents during the period when their relevant property is under refurbishment.

The credit period granted by suppliers to the Group ranges from 3 days to 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2015	2014
	RMB'000	*RMB'000*
0 to 60 days	**22,731**	18,703
61 to 180 days	**1,530**	3,152
181 to 365 days	**416**	804
Over 1 year	**462**	509
	25,139	23,168

12. SHARE CAPITAL/PAID-IN CAPITAL

Paid-in capital of the Group at 1 January 2014 and 31 December 2014 comprised the fully paid registered capital of Guangdong Zhong Ao of RMB10,000,000 and the issued share capital of Zhong Ao Holdings Limited of USD1.

Share capital of the Company at 31 December 2015 and the movement of the issued share capital of the Company since its incorporation on 5 January 2015 as follows:

	Notes	**Number of shares**	**Nominal value** *HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
On the date of incorporation		38,000,000	380
Increase on 5 November 2015	*(a)*	7,962,000,000	79,620
At 31 December 2015		8,000,000,000	80,000
Issued and fully paid:			
On the date of incorporation	*(b)*	100	–
Issue new shares to Pre-IPO investors	*(c)*	240	–
Issue new shares to immediate and ultimate holding company	*(d)*	660	–
Issue of new shares upon initial public offering	*(e)*	200,000,000	2,000
Capitalisation issue	*(f)*	599,999,000	6,000
		800,000,000	8,000

	Amount *RMB'000*
Shown in the consolidated financial statements	
At 31 December 2014	10,000
At 31 December 2015	**6,594**

Notes:

(a) On 5 November 2015, the authorised share capital of the Company increased from HK$380,000 to HK$80,000,000 by the creation of an additional 7,962,000,000 shares.

(b) At the date of incorporation, 100 shares of HK$0.01 each were allotted and issued to its immediate holding company at par.

(c) The Company agreed to issue and allot to Central Oscar Holdings Limited ("Central Oscar") and Decision Holdings Limited ("Decision Holdings"), and Central Oscar and Decision Holdings agreed to subscribe for 150 and 90 ordinary shares (the "Central Oscar and Decision Holdings Subscription Shares") of HK$0.01 in the Company with a subscription price of USD20,000,000 and USD12,000,000 respectively on 3 February 2015. Such shares were accounted for as financial liabilities designated as at FVTPL pursuant to the terms of the instruments as at initial recognition date.

Central Oscar and Decision Holdings Subscription Shares were reclassified from financial liability designated as at FVTPL to equity of the Company as at 29 June 2015 and the difference between the par value and fair value of Central Oscar and Decision Holdings Subscription Shares were included in the share premium of the Company.

(d) On 17 April 2015, 660 additional shares of HK$0.01 each of the Company were further allotted and issued to its immediate and ultimate holding company of the Company at par.

(e) On 25 November 2015, 200,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$1.88 each by way of global offering. On the same date, the Company's shares were listed on the SEHK. The proceeds of HK$2,000,000 (equivalent to RMB1,649,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$374,000,000 (equivalent to RMB308,251,000), before issuing expenses, were credited to share premium account.

(f) Pursuant to the written resolutions passed by all shareholders of the Company dated 5 November 2015, the directors of the Company were authorised to capitalise HK$6,000,000 (equivalent to RMB4,945,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 599,999,000 ordinary shares of HK$0.01 each of the Company for allotment and issue to the shareholders of the Company on the register of members of the Company as at the close of business in proportion to their then existing respective shareholdings in the Company, conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the global offering. The Company's global offering was completed on 25 November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading independent property management company in China. In 2013, the Group was ranked third in terms of overall strength among independent property management companies in China by China Index Academy, and ninth in 2014 in the China Top 100 Property Management Companies (中國物業服務百強企業) rankings compiled by China Real Estate Top 10 Research and China Index Academy. As of 31 December 2015, the Group had a total contracted gross floor area ("GFA") of 33.8 million sq. m. across 167 properties, which included undelivered GFA of 9.2 million sq. m. In addition, its recently developed community O2O platform is also one of its strategic focus areas and the Group expects it to become a key driver of its future growth. The Group has three main business lines:

Property management business line

Under this business line, the Group primarily provides property developers and property owners with a broad range of property management services to mostly residential properties. Services provided by the Group include standard property management services, ancillary services and consulting services.

Sales assistance business line

Under this business line, the Group provides property developers with cleaning, security and maintenance of their model homes and sales centers and general assistance to facilitate the sales process of the properties.

Community O2O platform

Under this business line, the Group offers a broad range of services and products to its residents, as well as enhancement to its existing property management services through its O2O platform. For example, residents would be able to purchase certain daily necessities from the Group's O2O platform and the products would be delivered to the residents' homes by the Group's butlers.

China's economy is evolving to enter a stage with a senior form, a more sophisticated division of labor and a more optimized structure. As the economy has entered into a state of new norm, the gear of growth is shifting from high speed to medium-to-high speed. The economic structure is being constantly optimized and upgraded and the consumer demand for the tertiary industry has gradually become principal. However, the property management industry in the PRC is still objectively in a phase of low-level operation with a relatively narrow margin space of profitability, and there is a certain gap between current service content and quality provided and the demand from property owners, which provides a broad space of development for the property management industry. Therefore, "Internet + Property" has become a new format combining industry and finance together that brings advantages of capital, Internet and property management into play and integrates online and offline resources. The Internet, especially the mobile Internet, contributes to the forming of the two huge consumption markets, namely "online payment consumption" market and "community O2O consumption" market. "Internet +" entering property management makes the development of property management into a diversified services. By the current development status of the property management industry and policy advantages, the Group's business is expected to continue to grow steadily.

Property Management Services

As of 31 December 2015, the Group had expanded its presence to 28 cities in China where the Group was contracted to manage 167 residential properties or non-residential properties with an aggregate contracted GFA of 33.8 million square meters, representing a year-on-year increase of 7.7%, including revenue-bearing GFA of 15.5 million square meters, representing a year-on-year increase of 23.4%.

Currently, the property management market is quite fragmented, where a trend of industry consolidation is expected. Through acquisitions, the Group will be able to strengthen its market position, expand its geographical coverage and gain access to new capacity. After the listing of the Company on the Main Board of the Stock Exchange in November 2015, the Company successfully acquired 70% equity interest in Eastern Harbour Engineering Management Limited ("Eastern Harbour") in February 2016. Eastern Harbour is principally engaged in property management services in Shanghai where it has 11 properties with a GFA of about 1 million square meters under management. The successful acquisition of Eastern Harbour will enable the Group to expand its service market in Shanghai in the future.

Geographic Presence

Since the commencement of the Group's business in 2005, the Group has expanded its presence from Guangzhou to 28 cities in 11 provinces in the PRC where it contracted to manage 167 properties as of 31 December 2015. The Group strategically selects markets with more developed economies and comparatively higher per capita GDP. Once the Group has established presence in a new city, it seeks to expand its business within the same city or neighboring cities with a view to maximize the economies of scale. The Group primarily provides a variety of property management services to residential properties and occasionally to non-residential properties.

The table below sets forth the revenue breakdown of different geographic areas where the Group has established presence for the period indicated.

	2015	2014
	RMB'000	*RMB'000*
Eastern and Central China	**221,371**	178,291
Southern China	**179,447**	158,981
Northern China	**19,337**	23,930
Total	**420,155**	361,202

The map below illustrates the cities in which properties the Group was contracted to manage were located and number of projects in each city as of 31 December 2015.

■ Southern China

1. Foshan (18)
2. Guangzhou (4)
3. Guilin (2)
4. Haikou (3)
5. Jiangmen (1)
6. Nanning (17)
7. Qingyuan (2)
8. Sanya (7)
9. Zhaoqing (2)
10. Zhongshan (2)
11. Zhuhai (1)

■ Eastern and Central China

12. Chongqing (1)
13. Hangzhou (28)
14. Huzhou (3)
15. Jiaxing (4)
16. Nanchang (1)
17. Nantong (4)
18. Ningbo (12)
19. Quzhou (2)
20. Shanghai (1)
21. Shaoxing (21)
22. Suzhou (7)
23. Wuxi (14)
24. Xuancheng (3)
25. Zhenjiang (1)

■ Northern China

26. Baotou (3)
27. Dalian (1)
28. Eérduosi (2)

Note: Numbers in parentheses represent the number of contracted projects.

The table below sets forth the total contracted GFA and the number of residential properties and non-residential properties in different regions in the PRC, as well as revenue-bearing GFA, undelivered GFA and common area GFA, as of the date indicated.

	As of 31 December 2015		As of 31 December 2014	
	Sq. m. in thousands	***No.***	*Sq. m. in thousands*	*No.*
Total Contracted GFA[4]				
Residential properties				
Eastern and Central China[1]	**17,628**	**97**	15,997	88
Southern China[2]	**13,737**	**55**	13,028	49
Northern China[3]	**1,354**	**6**	1,870	6
Subtotal	**32,719**	**158**	30,895	143
Non-residential properties	**1,096**	**9**	494	6
Total	**33,815**	**167**	31,389	149

	As of 31 December 2015	As of 31 December 2014
	Sq. m. in thousands	*Sq. m. in thousands*
Revenue-bearing GFA[5]		
Residential properties		
Eastern and Central China[1]	**8,657**	6,646
Southern China[2]	**6,056**	5,249
Northern China[3]	**718**	568
Subtotal	**15,431**	12,463
Non-residential properties	**116**	138
Total	**15,547**	12,601
Undelivered GFA[6]		
Residential properties		
Eastern and Central China[1]	**4,720**	5,651
Southern China[2]	**3,412**	3,849
Northern China[3]	**158**	333
Subtotal	**8,290**	9,833
Non-residential properties	**863**	218
Total	**9,153**	10,051
Common area GFA	**9,115**	8,737

Notes:

(1) Including Chongqing, Hangzhou, Huzhou, Jiaxing, Nanchang, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Wuxi, Xuancheng, Zhenjiang.

(2) Including Foshan, Guangzhou, Guilin, Haikou, Jiangmen, Nanning, Qingyuan, Sanya, Zhaoqing, Zhongshan, Zhuhai.

(3) Including Baotou, Dalian and Eérduosi.

(4) Total contracted GFA equals the sum of revenue-bearing GFA, undelivered GFA and common area GFA (which includes pathways, gardens, parking lots, swimming pools, advertisement bulletin boards and club houses).

(5) Revenue-bearing GFA means contracted GFA in relation to which the collection of property management fees has started when a property has been delivered or is ready to be delivered (this happens when the delivery notice is given to the first group of property owners). In properties that have been delivered or are ready to be delivered after delivery notices have been given to the first group of property owners in such properties, property developers would pay property management fees on unsold units until such units are sold.

(6) Undelivered GFA means contracted GFA in relation to which the collection of property management fees has not started because the relevant property is not ready to be delivered.

The Group will continue to expand its business through obtaining new service engagements and acquisitions of other property management companies. The table below indicates the movement of the total contracted GFA and the number of properties the Group was contracted to manage during the year.

	As of 31 December 2015		As of 31 December 2014	
	Sq. m. in thousands	***No.***	*Sq. m. in thousands*	*No.*
As of beginning of period	**31,389**	**149**	29,171	143
New engagements[1]	**3,967**	**26**	5,005	18
Terminations[2]	**(1,541)**	**(8)**	(2,787)	(12)
As of end of period	**33,815**	**167**	31,389	149

Notes:

(1) In relation to properties the Group manage, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential properties replacing their previous property management companies.

(2) Including the contracted GFA and the number of properties the Group ceased to manage, which were primarily due to non-renewal of certain property management contract and mutual termination prior to expiration for commercial reasons.

Sales Assistance Services

The Group provides property developers with cleaning, security and maintenance of their model homes and sales centers and provide general assistance to facilitate the sales process of the properties. The sales assistance services contracts generally have a duration of 6 to 18 months and could be terminated prior to the expiration date if all display units have been sold out. In 2014 and 2015, the Group provided sales assistance services to 85 and 81 properties, respectively. If high quality services and expertise during the terms of the sales assistance services contracts enable the Group to retain most of the property developer clients through entering into new property management contracts, the Group intends to obtain further businesses from its sales assistance business line.

Community O2O Platform

Since the launch of the Aidaojia mobile application platform by the Group in June 2015, the application has experienced rapid development. As of 31 December 2015, the Aidaojia mobile application platform of the Group covered 1,111 residential properties in Hangzhou (as compared to 99 as of 30 September 2015, representing an increase of approximately 1,022%), 1,103 of which were properties managed by third-party property management companies. The number of registered users as of 31 December 2015 was approximately 179,500 (as compared to approximately 36,200 as of 30 September 2015, representing an increase of approximately 396%), of which approximately 64% had logged into the Aidaojia application during the month of December 2015 (Monthly Active User). During the month of December 2015, the Group had, on average, approximately 7% of its registered users logging into the Group's application per day (Daily Active User).

As of 31 December 2015, the Group had 1,273 merchants as partners (as compared to 715 as of 30 September 2015, representing an increase of approximately 78%). The Group had received and processed approximately 172,000 orders (including orders with promotional offers) for the month of December 2015 (as compared to approximately 36,000 for the month of September 2015, representing an increase of approximately 378%), on average approximately 5,545 orders per day. Since June 2015, approximately 80% of the Group's registered users have placed orders. Among them, 36% were repeat customers, who have at least made purchases twice on the Group's O2O platform (excluding orders with promotional offers).

Prospects and Future Plans

As stated above, the property management market in the PRC is currently quite fragmented, with industry consolidation expected in the future. Through acquisitions, the Group will be able to strengthen its market position, expand its geographical coverage and gain access to new capacity. The Group plans to spend 60% of the net proceeds from the Global Offering on acquisition. It is expected that the acquisition targets will be located in areas with high population density and advanced economic development, such as Ningbo, Shanghai, Guangzhou, and so on.

The Group plans to continue to grow organically by acquiring new clients and developing stable relationships with them. The Group mainly targets its marketing efforts for new clients at small and medium-sized property developers without their own property management business. In targeting new clients, the Group also selectively evaluates opportunities in cities with high population in economically developed regions, such as provincial capitals, second-tier and third-tier cities and other areas around the existing locations where it has a presence with a view to maximize its economies of scale. The Group's sales assistance services also provide an entry point to procuring new property management service contracts.

In addition to the traditional sales efforts, the Group further plans to expand its new customer referral channel through partnerships with E-House (China) Holdings Limited ("E-House") and Shenzhen Fangdd Network Technology Co., Ltd. ("Fangdd"), with whom the Group has entered into strategic collaboration agreements. Under such agreements, E-House and Fangdd would introduce various property developers to the Group through their expansive networks of contacts and customers in order to support its growth.

Through the O2O platform, the Group can achieve a shared economy centered on "community", and form larger market space, covering travel accommodation sharing, logistics sharing, transportation sharing, services sharing, idle items sharing and so on. And "Aidaojia", the O2O platform of the Group, is in rapid development, continuously expanding the scope of services and providing better and faster service experience for householders. Additionally, "Aidaojia" has included community e-commerce services including high-frequency commodities consuming and delivering, daily living services, as well as offline merchant services, providing diversified and convenient services for residents. Meanwhile, "Aidaojia" also has a reminder function of living service, such as automatic reminder of packages which can book butler service to deliver packages through the mobile application for free; and community bulletin reminder service, pushing community management information to residents and so on. As the O2O platform is growing rapidly, the Group plans to increase the number of users and enhance the frequency of utilization by allocating approximately 25% of the proceeds from the global offering, so as to further develop the community O2O platform of the Group.

The Group will continue to work hard in the future, maintaining its own advantage as an independent property management company, competing with counterparts in the market by its high service quality and operational efficiency, actively establishing stable partnership with leading property developers in all regions, and exploring potential new development projects. The Group will accelerate its expansion of business scope and coverage in China through acquisition of property management companies in the capital market.

The Group will continue to expand the coverage of the mobile application platform "Aidaojia", making the best of the advantages of housekeeping service mode and continuing to expand new features of O2O platform of the residential community. The Group intends to expand the service of "Aidaojia" by March 2016 to Guangzhou, Foshan, Suzhou, Shaoxing and Ningbo.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the year ended 31 December 2015, the Group recorded revenue of RMB420.2 million, representing a year-on-year increase of 16.3% over the previous year. During the year, the gross profit of the Group was RMB140.1 million, representing a year-on-year increase of 16.1% over the previous year.

Breakdown of Revenue by business lines

	For the year ended 31 December			
	2015	2014	*Change*	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Property management services	**352,036**	292,860	59,176	20.2
Sale assistance services	**66,137**	68,342	(2,205)	(3.2)
O2O business income	**1,982**	–	1,982	N/A
	420,155	361,202	58,953	16.3

The increase in the Group's revenue was mainly due to an increase in revenue from the property management services. Revenue from the property management services for the year ended 31 December 2015 was RMB352.0 million, as compared to RMB292.9 million for the year ended 31 December 2014, representing an increase of RMB59.1 million, or 20.2%. The increase in the Group's revenue from the property management business line was due primarily to (i) an increase in the total revenue-bearing GFA by 2.9 million sq.m., or 23.4%, to 15.5 million sq.m. from 12.6 million sq.m. as at the same date in 2014 as a result of (i) its business expansion; and (ii) an increase in ancillary services primarily driven by an increase in the area and the number of properties managed.

Revenue from the sales assistance business line for the year ended 31 December 2015 was RMB66.1 million, as compared to RMB68.3 million for the year ended 31 December 2014, representing a decrease of RMB2.2 million, or 3.2%. The decrease in revenue from the sales assistance business line was due to the decrease in the number of projects, where we provided sales assistance services on 81 projects in 2015 compared to 85 in 2014, the effect of which was partially offset by an increase of average revenue of projects from approximately RMB804,000 for the year ended 31 December 2014 to approximately RMB817,000 for the year ended 31 December 2015.

Cost of Sales and Services

The Group's cost of sales and services primarily comprises (i) sub-contracting costs, representing the expenses paid to sub-contractors for various services under the property management business line; (ii) staff costs; (iii) depreciation expenses associated with equipment and property used in providing services; and (iv) others, primarily representing raw material costs, travelling expenses and communication expenses. For the year ended 31 December 2015, cost of sales and services increased by 16.5% from RMB240.5 million for the year ended 31 December 2014 to RMB280.1 million. The increase was primarily due to the growth of the Group's business and the corresponding increase in labor costs and sub-contracting costs. The increase in labor costs was attributable to (i) an increase in the number of employees that the Group employed directly; and (ii) an increase in the average salary of its employees. The increase in sub-contracting costs was attributable to (i) expansion of the Group's business; and (ii) termination of dispatch arrangements with dispatch agency and adoption of sub-contracting arrangement in 2015. However, the cost of sales and services as a percentage of revenue remains stable. See gross profit margin discussion below.

Gross Profit and Gross Profit Margin

The table below sets forth the Group's gross profit margins by business line for the year indicated:

	For the year ended 31 December			
	2015		2014	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Property management services	**112,299**	**31.9**	89,978	30.7
Sale assistance services	**30,050**	**45.4**	30,733	45.0
Community O2O Platform	**(2,261)**	**(114.1)**	–	–
Total	**140,088**	**33.3**	120,711	33.4

The Group's gross profit for the year ended 31 December 2015 was RMB140.1 million, as compared to RMB120.7 million for the year ended 31 December 2014, representing an increase of RMB19.4 million, or 16.1%. Its gross profit margin slightly decreased from 33.4% for the year ended 31 December 2014 to 33.3% for the year ended 31 December 2015. The decrease in its gross profit margin was primarily due to the gross loss incurred in community O2O platform, the effect of which was partially offset by an increase in gross profit margin form property management business line and sales assistance business line.

Property management business line. Gross profit of the property management business line for the year ended 31 December 2015 was RMB112.3 million, as compared to RMB90.0 million for the year ended 31 December 2014, representing an increase of RMB22.3 million, or 24.8%. The Group's gross profit margin also increased from 30.7% for the year ended 31 December 2014 to 31.9% for the year ended 31 December 2015. The increase in the Group's gross profit margin was primarily due to (i) increased average price per residential revenue-bearing GFA from RMB1.77/sq.m./month as of 31 December 2014 to RMB1.81/sq.m./month as of 31 December 2015, (ii) increased economies of scale as multiple phases of the same properties were delivered and became revenue-bearing; (iii) termination of property management services to certain residential properties as the profitability of these properties did not meet the Group's expectations; (iv) more efficient utilization of staff through standardization and centralization efforts; and (v) the Group's selection of and engagement with newer projects with higher margins.

Sales assistance business line. Gross profit for the sales assistance business line for the year ended 31 December 2015 was RMB30.1 million, as compared to RMB30.7 million for the year ended 31 December 2014, representing a decrease of RMB0.6 million, or 2.2%. However, the Group's gross profit margin increased slightly from 45.0% for the year ended 31 December 2014 to 45.4% for the year ended 31 December 2015. The slight increase in its gross profit margin was primarily due to a slight increase in average revenue of projects.

Other Income

Other income for the year ended 31 December 2015 was RMB1.5 million, as compared to RMB3.2 million for the year ended 31 December 2014, representing a decrease of RMB1.7 million, or 53.5%. Such decrease in other income was primarily attributable to the decrease in unconditional government grants and investment income on financial assets designated as at FVTPL, driven by the Group's decreased investment amount in 2015.

Other Gains and Losses

The Group's other gains and losses for the year ended 31 December 2015 was a net loss of RMB4.0 million as compared to a net loss of RMB16.3 million for the year ended 31 December 2014, representing a decrease of RMB12.3 million, or 75.4%. The decrease in net losses was primarily due to (i) the decrease in impairment loss recognised on other receivables from RMB2.6 million for the year ended 31 December 2014 to nil for the year ended 31 December 2015; and (ii) net exchange gain of RMB9.7 million recognised for the year ended 31 December 2015 due to the Renminbi exchange fluctuations in foreign currency bank deposits and bank balances.

Change of the Fair Value of Financial Liabilities Designated as at FVTPL

For the valuation of Pre-IPO investments with put option classified as financial liabilities designated as at FVTPL, the valuation is by reference to the discounted cashflow to capture the present value of the expected future economic benefits that will flow out of the Group and share price of the Company and expected volatility of the Company's shares represent the key unobservant input in the valuation of put option.

On 29 June 2015, Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing, Mr. Long Weimin, the Company and the Company's immediate and ultimate holding company, Qichang have, among others, entered into an Amendment to Shareholders' Agreement (the "Amendment") with the two Pre-IPO investors. Pursuant to the Amendment, the Company and certain subsidiaries of the Company and the joint ventures of the Company were no longer jointly or severally liable for the obligations of Qichang for the put option. As a result, the Pre-IPO investments which were initially classified as financial liabilities designated as at FVTPL of the Group were then reclassified to the equity of the Company at fair value on 29 June 2015 amounting to RMB199.0 million. The change of the fair value of financial liabilities designated as at FVTPL between initial recognition date and 29 June 2015 amounting to RMB6.3 million was recognised in profit or loss during the year. There will be no more change in the fair value of financial liabilities designated as at FVTPL.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2015 was RMB51.0 million, as compared to RMB21.5 million for the year ended 31 December 2014, representing an increase of RMB29.5 million, or 137.5%. The increase in its administrative expenses was primarily due to (i) share-based payment expenses relating to the grant of the Pre-IPO Share Options by the Company on 20 April 2015, together with the batch granted on 10 July 2015, resulting in a charge of an amount of RMB14.6 million as administrative costs for the year ended 31 December 2015; (ii) share-based payment expenses relating to the share-based payment arrangement under equity incentive to the Group's O2O team of an amount of RMB5.3 million for the year ended 31 December 2015; (iii) an increase in the administrative expenses of RMB2.1 million associated with the operation of O2O platform; (iv) an increase in audit and other professional fee from RMB0.1 million to RMB2.3 million; and (v) an increase in the administrative expenses as a result of the listing in November 2015 and the expansion of the Group's business scale which is in line with the Group's growing GFA.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended 31 December 2015 were RMB7.6 million, as compared to RMB3.8 million for the year ended 31 December 2014 representing, an increase of RMB3.8 million, or 102.3%. The increase in selling and distribution expense was primarily due to an increase in its business development and marketing expenses and other expenses as a result of its marketing effort to expand its business in new cities and the promotion fee of RMB3.6 million incurred for the O2O platform.

Listing Expenses

The Group's listing expenses for the year ended 31 December 2015 amounted to RMB35.9 million, which primarily consisted of the service fees the Group paid to auditors and other professional parties in connection with its preparation for the Global Offering.

Finance Costs

The Group's finance costs increased from approximately RMB5,000 for the year ended 31 December 2014 to RMB1.6 million for the year ended 31 December 2015, which was primarily due to interests incurred on the bank borrowing amounted to RMB1.5 million.

Share Options

The Pre-IPO Share Option Scheme ("Scheme") was adopted pursuant to a resolution passed by the Company on 20 April 2015.

On 20 April 2015 and 10 July 2015, the Company granted 54.7 million and 25.3 million Pre-IPO share options to its employees and Directors of the Company respectively, for which the exercise price is HK$1.72 each. The Pre-IPO share option expense charged to the statement of profit or loss for the year ended 31 December 2015 was RMB14.6 million.

Income Tax Expenses

The Group's income tax expense for the year ended 31 December 2015 was RMB24.8 million, as compared to RMB21.7 million for the year ended 31 December 2014, representing an increase of RMB3.1 million, or 14.3%. The Group's effective tax rate increased from 27.9% for the year ended 31 December 2014 to 70.0% for the year ended 31 December 2015, which was primarily due to an increase in the tax effect of expenses not deductible for tax purposes as a percentage of the profit before tax.

Net Profit and Adjusted Net Profit for the Year

For the year ended 31 December 2015, as a result of the cumulative effect of the above factors, the Group's net profit was RMB10.6 million and its net profit margin was 2.5%.

The Group's adjusted net profit was derived from its net profit for the year excluding share-based payment expenses, change of the fair value of financial liabilities designated as at FVTPL, listing expenses and operating loss incurred for the O2O platform. As these cost items are either non-recurring, non-cash spending and incurred from new business line, the Group believes that separate analysis on the impacts of these cost items adds clarity to the constituent part of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business. The adjusted net profit is an unaudited figure.

The following table reconciles the Group's adjusted net profit for the years presented to the audited profit under HKFRS for the years indicated:

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit for the year under HKFRS	**10,613**	55,898
Add:		
Share-based payment expenses	**19,928**	–
Change of the fair value of financial liabilities designated as at FVTPL	**6,343**	–
Listing expenses	**35,881**	3,980
Net loss incurred for the O2O platform	**7,979**	–
Adjusted net profit for the year	**80,744**	59,878

Adjusted net profit for the year increased from RMB59.9 million in the corresponding period of 2014 to RMB80.7 million, representing an increase of 34.8%

Deferred Taxation

As of 31 December 2015, the deferred tax assets that resulted from the allowance on doubtful debt amounted to RMB9.9 million.

Liquidity, Financial Resources and Capital Structure

The Group maintains a strong and healthy financial position. The Group's principal sources of funds to finance the working capital, capital expenditure and other capital requirements were internally generated by cash flows and bank loans. As of 31 December 2015, net working capital (calculated as current assets less current liabilities) was RMB421.7 million, representing an increase of RMB389.8 million as compared with RMB31.9 million as of 31 December 2014. The current ratios (calculated as current assets/current liabilities) are 3.1 times and 1.2 times as of 31 December 2015 and 31 December 2014 respectively.

The following table summarises the consolidated statements of cash flows for the two years ended 31 December 2015 and 2014:

	2015 ***RMB'000***	2014 *RMB'000*
Net cash (used in) from operating activities	**(921)**	75,037
Net cash used in investing activities	**(79,723)**	(52,390)
Net cash from (used in) financing activities	**454,958**	(1,775)

As of 31 December 2015, the Group's total cash including pledged bank deposits increased by 680.2% to RMB511.9 million from RMB65.6 million as of 31 December 2014. Among the total cash, RMB62.8 million (31 December 2014: Nil) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's cash from offshore to onshore entities. As of 31 December 2015, the Group had total bank borrowings of RMB29.6 million which were variable rate borrowings and denominated in RMB, among which, RMB20.0 million (31 December 2014: Nil) of it was secured by the Group's bank deposit.

The Group principally focused on the operation in the PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the year ended 31 December 2015, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

Gearing Ratio

The gearing ratio is defined as total borrowings net of pledged bank deposits and bank balances and cash divided by total equity. As of 31 December 2015, the Group was in a strong financial position with a net cash position amounting to RMB482.3 million (2014: RMB53.6 million). Accordingly, no gearing ratio is presented.

Pledge of Assets

As of 31 December 2015, amount of RMB62.8 million (31 December 2014: Nil) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's cash from offshore to onshore entities.

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2015.

Employees and Remuneration Policies

As of 31 December 2015, the Group had approximately 1,488 (2014: 821) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in April 2015 which allows the Directors to grant share options to, among other persons, Directors and employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group. For the year ended 31 December 2015, the Group granted an aggregate of 80,000,000 share options to certain Directors and employees of the Group.

The Group also invests in continuing education and training programmes for management staff and other employees with a view to upgrading their skills and knowledge. These training courses comprise internal courses run by the management of the Group and external courses provided by professional trainers and range from technical training for butlers to financial and administrative trainings for management staff.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2015. In addition, the Group had no significant investments held during the year ended 31 December 2015.

Save for the expansion plans as disclosed in the sections headed "Our Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 13 November 2015 (the "Prospectus"), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

CORPORATE REORGANISATION AND LISTING OF SHARES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 January 2015 and became the holding company of the Group on 15 April 2015. Details of the corporate reorganisation are set out in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. The Company's shares (the "Shares") were successfully listed on Main Board of the Stock Exchange on 25 November 2015 (the "Listing Date").

USE OF NET PROCEEDS

On 25 November 2015, the Company issued 200,000,000 new shares of nominal value of HK$0.01 each in connection with the listing of its shares on the Stock Exchange (the "IPO"). The net proceeds after deducting the underwriting commission and issuing expenses arising from the IPO amounted to HK$289.1 million (equivalent to RMB238.2 million).

Up to 31 December 2015, RMB8.0 million has been utilised for the development of the O2O platform. The remaining net proceeds of RMB230.2 million were deposited with certain licensed financial institutions as of 31 December 2015.

FINAL AND SPECIAL DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK2.5 cents per share for the year ended 31 December 2015 (2014: nil) and a special dividend of HK2.0 cents per share for the year ended 31 December 2015 (2014: nil) to the shareholders whose names appear on the register of members of the Company on 22 June 2016. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM"), the final and special dividends are expected to be payable on or about 8 July 2016. The aggregate amount shall be paid out of the Company's share premium account if the payment of the dividends is approved by the shareholders at the AGM.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on 31 May 2016. To ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Thursday, 26 May 2016.

To ascertain the entitlement to the proposed final and special dividends for the year ended 31 December 2015, the register of members of the Company will be closed from Monday, 20 June 2016 to Wednesday, 22 June 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final and special dividends for the year ended 31 December 2015, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Friday, 17 June 2016.

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. Since the listing of the Company's shares on the Main Board of the Stock Exchange on 25 November 2015, the Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its code of corporate governance. For the year ended 31 December 2015, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provisions A.2.1 and A.2.7:

Code provision of A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Liu Jian as both the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of the Chairman and Chief Executive Officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and Board, which comprises experienced and high-calibre individuals. The Board currently comprises four Executive Directors (including Mr. Liu Jian), three Non-executive Directors and four Independent Non-executive Directors and therefore has a fairly strong independence element in its composition.

Code provision of A.2.7 of the CG Code requires the Chairman of the Board to hold meetings at least annually with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present. As the Company's shares were only listed on Main Board of the Stock Exchange on 25 November 2015, the Chairman of the Board did not hold a meeting with the Non-executive Directors without the Executive Directors present during the year. This constitutes a deviation from this code provision.

AUDIT COMMITTEE

An audit committee of the Board ("Audit Committee") has been established with written terms of reference to, among other matters, review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises all the independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Yuan Boyin, Mr. Zhang Weilun and Mr. Wu Haibing. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2015 have been reviewed by the Audit Committee.

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

Save for the 200,000,000 Shares issued pursuant to the offering under the IPO, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2015.

EVENTS AFTER THE REPORTING PERIOD

On 5 February 2016, the Group announced the acquisition of Eastern Harbour with certain indebtedness (the "Acquisition") at a cash consideration of RMB12,066,000 from an independent third party. Eastern Harbour is primarily engaged in property management services in Shanghai where it manages over 11 properties in the Eastern and Central Region of the PRC.

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 code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2015.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the two years ended 31 December 2015 and 2014 included in this preliminary announcement of the annual results for the year ended 31 December 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gdzawy.com). The annual report for the year ended 31 December 2015 of the Company contains all the information required by the Listing Rules, which will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to extend my sincere thanks to every shareholder and business partner for their constant support and trust of the Group, and also to every employee for their hard work and contribution to the Group over last year. I look forward to achieving greater success hand in hand with the Group in the coming year.

By order of the Board
Zhong Ao Home Group Limited
LIU Jian
Chairman and Chief Executive Officer

Hong Kong, 23 March 2016

As at the date of this announcement, our executive directors are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing, Mr. Long Weimin, our non-executive directors are Mr. Wei Zhe, Ms. Wu Qimin, Mr. Lam Yiu Por, and our independent non-executive directors are Mr. Zhang Weilun, Mr. Lee Kwok Tung Louis, Mr. Yuan Boyin, and Mr. Wu Haibing.