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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	**Change**
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Revenue	**655,608**	498,033	31.6%
Gross profit	**201,448**	152,132	32.4%
Net profit	**58,206**	52,340	11.2%
Profit attributable to owners of the parent	**52,188**	47,118	10.8%
Gross profit margin (%)	**30.7%**	30.5%	+0.2pp
Net profit margin (%)	**8.9%**	10.5%	–1.6pp
Earnings per share attributable to ordinary equity holders of the parent — Basic and diluted (RMB)	**0.064**	0.058	10.3%

PROSPECTS AND FUTURE PLANS

In January 2019, the Company acquired a 60% equity interest in 廣東銘錦城園林景觀設計工程有限公司 (Guangdong Ming-King-City Landscape Architecture Co. Ltd.) ("Ming-King-City") from an independent third party. Ming-King-City is engaged in the provision of landscaping design and construction services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in the PRC. The purchase consideration for the acquisition was in the form of cash, with approximately RMB5.0 million paid in February 2019 and no more than approximately RMB4.0 million payable by the Group in cash upon satisfaction of certain conditions.

In April 2019, the Company made a capital injection in total amount of approximately RMB56.3 million into 蘇州工業園區建屋物業發展有限公司 (Suzhou Industrial Park House Construction Property Development Company Limited*) ("Suzhou House Construction") for subscription of 66% of the enlarged registered capital in Suzhou House Construction. Suzhou House Construction is a PRC property management company located in Suzhou with 28 properties and approximately 2.8 million sq.m. of ground floor area ("GFA") under its management. Suzhou House Construction is now applying the capital injection amount as its working capital and for its business development.

As disclosed in the Company's announcement dated 17 April 2019, the Company entered into two separate agreements. 廣東中奧物業管理有限公司 (Guangdong Zhong Ao Property Management Company Limited*) ("Guangdong Zhong Ao") as the Purchaser, a wholly-owned subsidiary of the Company, entered into the First Agreement with Mr. Liang Xiwei ("Mr. Liang") as the First Vendor and Mr. Huang Junhua ("Mr. Huang") as the Second Vendor to acquire 51% equity interests in 廣西輝煌房地產諮詢服務集團有限公司 (Guangxi Huihuang Real Estate Advisory Services Group Limited) ("Huihuang Real Estate*"), a company established in the PRC with limited liability subject to the terms and conditions of the First Agreement for an aggregate consideration of approximately RMB65.0 million (equivalent to approximately HK$78.0 million) (the Company has paid approximately RMB20.0 million for the change of equity interests of Huihuang Real Estate in May 2019). Huihuang Real Estate is principally engaged in real estate information consulting services, real estate brokerage and consulting services, real estate marketing planning and house leasing.

Guangdong Zhong Ao also entered the Second Agreement with Mr. Liang as the First Vendor and Mr. Huang as the Second Vendor to acquire 51% equity interests in 廣西輝煌置業諮詢服務有限公司 (Guangxi Huihuang Property Advisory Services Company Limited*) ("Huihuang Property"), a company established in the PRC with limited liability, subject to the terms and conditions of the Second Agreement for an aggregate consideration of approximately RMB35.0 million (equivalent to approximately HK$42.0 million) (the Company has paid approximately RMB10.0 million for the change of equity interests of Huihuang Property in May 2019). Huihuang Property is principally engaged in real estate investment consulting services, real estate information consulting services, real estate brokerage services, real estate marketing planning, house leasing as well as agency services for obtaining property ownership certificates.

Guangdong Zhong Ao successfully completed the acquisition of Huihuang Real Estate and Huihuang Property on 30 April 2019.

It is expected that (i) investment in Ming-King-City to start up a newly vertically integrated business of landscaping design and construction services to the Group's property developers and owners; (ii) strategic investment of Suzhou House Construction will have positive effect to the profit and growth of Suzhou House Construction which will enhance the property management business in new areas; and (iii) the investment of Huihuang Real Estate and Huihuang Property will enter into a new business of real estate and property agency services which will explore further opportunity for the Group to develop other new business segments.

The board (the "Board") of directors (the "Directors") of Zhong Ao Home Group Limited (the "Company" or "Zhong Ao") is pleased to announce the unaudited financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
REVENUE	*5*	**655,608**	498,033
Cost of sales and services		**(454,160)**	(345,901)
GROSS PROFIT		**201,448**	152,132
Other income and gains	*5*	**16,946**	19,102
Selling and marketing expenses		**(4,102)**	(2,512)
Administrative expenses		**(97,407)**	(76,279)
Other expenses		**(24,919)**	(22,841)
Operating profit		**91,966**	69,602
Share of profits and losses of:			
Joint ventures		**1,655**	2,808
Associates		**148**	162
Finance (costs)/income		**(7,295)**	3,726
PROFIT BEFORE TAX	*6*	**86,474**	76,298
Income tax expenses	*7*	**(28,268)**	(23,958)
PROFIT FOR THE PERIOD		**58,206**	52,340
Attributable to:			
Owners of the parent		**52,188**	47,118
Non-controlling interests		**6,018**	5,222
		58,206	52,340
PROFIT AND TOTAL COMPREHENSIVE INCOME, NET OF TAX, FOR THE PERIOD		**58,206**	52,340
Attributable to:			
Owners of the parent		**52,188**	47,118
Non-controlling interests		**6,018**	5,222
		58,206	52,340
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (RMB)	*9*	**0.064**	0.058

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property and equipment		**59,360**	41,533
Investment properties	*10*	**188,004**	184,384
Right-of-use assets		**42,886**	–
Prepayments for acquisition of properties	*11*	**10,131**	7,958
Investments in joint ventures		**3,383**	4,412
Investments in associates		**3,771**	3,175
Goodwill		**251,406**	155,456
Intangible assets		**96,875**	90,837
Long-term deposits		**4,954**	997
Deferred tax assets		**46,741**	30,929
Total non-current assets		**707,511**	519,681
CURRENT ASSETS			
Inventories		**1,857**	1,409
Trade and bills receivables	*12*	**421,995**	207,826
Prepayments, deposits and other receivables	*13*	**267,279**	196,508
Financial assets at fair value through profit or loss		**62,410**	–
Contract assets		**15,919**	–
Cash and cash equivalents		**355,987**	415,795
Total current assets		**1,125,447**	821,538
CURRENT LIABILITIES			
Trade and bills payables	*14*	**78,293**	47,687
Other payables and accruals	*15*	**693,029**	433,332
Interest-bearing bank and other borrowings		**120,914**	70,382
Tax payables		**108,063**	98,573
Total current liabilities		**1,000,299**	649,974
NET CURRENT ASSETS		**125,148**	171,564
TOTAL ASSETS LESS CURRENT LIABILITIES		**832,659**	691,245

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**28,239**	25,376
Interest-bearing bank and other borrowings		**87,137**	41,459
Other long-term payables		**37,705**	18,460
Total non-current liabilities		**153,081**	85,295
NET ASSETS		**679,578**	605,950
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		**6,745**	6,689
Reserves		**611,682**	555,123
		618,427	561,812
Non-controlling interests		**61,151**	44,138
TOTAL EQUITY		**679,578**	605,950

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

30 June 2019

1. CORPORATE INFORMATION

Zhong Ao Home Group Limited (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 since 25 November 2015. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's subsidiaries are principally engaged in the provision of property management services, sales assistance services, provision of cleaning and greening services and provision of real estate agency services. In the opinion of the directors, 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").

2. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2019 (the "Interim Financial Information") has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties and land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There were no lease assets recognised previously under finance leases that need to be reclassified from property and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	1,637
Increase in total assets	1,637
Liabilities	
Increase in interest-bearing bank and other borrowings	1,637
Increase in total liabilities	1,637

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	**3,585**
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	2,943
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	1,306
Lease liabilities as at 1 January 2019	**1,637**

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (Continued)

Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease properties for additional terms of certain years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movements during the period are as follows:

	Right-of-use assets *RMB'000*	**Lease liabilities** *RMB'000*
As at 1 January 2019	**1,637**	**1,637**
Addition	2,327	2,327
Acquisition of subsidiaries	42,267	40,195
Depreciation charge	(3,345)	–
Interest expense	–	667
Payments	–	(4,343)
As at 30 June 2019	**42,886**	**40,483**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, based on the Group's tax compliance study, the Group considered that the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

Operating segments

For management purposes, the Group is organised into business units based on different lines of services rendered in the PRC as follows:

(a) The Group primarily provides property developers and property owners with a broad range of property management services for mainly residential properties, and commercial and government buildings. Services provided by the Group include standard property management services and ancillary services;

(b) The Group provides property management service to property developers for their sales centres. The services rendered by the Group include cleaning, security and maintenance for their model houses and sales centres and the provision of general assistance to facilitate the sales process of the properties;

(c) The Group provides property developers and property owners with a series of indoor and outdoor environmental cleaning, greening and maintenance. This business division also provides services to the property developers and property owners of the property management business division. Accordingly, segment result of cleaning and greening division is evaluated by the Group's management on services as subcontracted from the property management business division;

(d) The Group provides property developers and property owners with agency services of the leasing and sales assistance of residential properties and retail units; and

(e) Other businesses comprise landscaping design and construction services, engineering services, catering services and the sale of engineering spare parts.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that changes in fair value of investment properties, bank interest income, investment income, share of profits of joint ventures, share of profits of an associate, net foreign exchange gains, share-based payment expenses, finance income/costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets liabilities exclude deferred tax assets, cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, other long-term payables, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

The following table provides an analysis of the Group's revenue and results based on types of business:

	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2019						
External sales	**547,709**	**21,908**	**12,905**	**38,088**	**34,998**	**655,608**
Intersegment sales	**–**	**–**	**48,521**	**–**	**4,152**	**52,673**
Total revenue	**547,709**	**21,908**	**61,426**	**38,088**	**39,150**	**708,281**
Intersegment adjustments and eliminations	**–**	**–**	**(48,521)**	**–**	**(4,152)**	**(52,673)**
Segment revenue	**547,709**	**21,908**	**12,905**	**38,088**	**34,998**	**655,608**
Segment results	**99,940**	**9,223**	**6,663**	**3,640**	**1,988**	**121,454**
Reconciliation:						
Bank interest income						**659**
Investment income of financial assets at fair value through profit or loss						**823**
Changes in fair value of investment properties						**3,100**
Change in fair value of financial assets/liabilities at fair value through profit or loss						**(246)**
Net foreign exchange gains						**1,887**
Corporate expenses						**(30,998)**
Share-based payment expense						**(4,713)**
Share of profits of a joint venture						**1,655**
Share of profits of an associate						**148**
Finance cost						**(7,295)**
Profit before tax						**86,474**

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Others *RMB'000*	Total *RMB'000*
30 June 2019						
Segment assets	**1,637,528**	**52,501**	**57,201**	**235,931**	**52,888**	**2,036,049**
Reconciliation:						
Elimination of intersegment receivables						**(827,285)**
Corporate and other unallocated assets						**624,194**
Total assets						**1,832,958**
Segment liabilities	**655,346**	**29,436**	**24,774**	**145,508**	**173,601**	**1,028,665**
Reconciliation:						
Elimination of intersegment payables						**(827,285)**
Corporate and other unallocated liabilities						**952,000**
Total liabilities						**1,153,380**

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2018						
External sales	463,126	19,689	–	–	15,218	498,033
Intersegment sales	–	–	15,176	–	1,366	16,542
Total revenue	463,126	19,689	15,176	–	16,584	514,575
Intersegment adjustments and eliminations	–	–	(15,176)	–	(1,366)	(16,542)
Segment revenue	463,126	19,689	–	–	15,218	498,033
Segment results	81,839	8,362	2,782	–	2,797	95,780
Reconciliation:						
Bank interest income						1,510
Investment income of financial assets at fair value through profit or loss						1,443
Changes in fair value of investment properties						1,219
Net foreign exchange gains						1,690
Corporate expenses						(26,379)
Share-based payment expense						(5,661)
Share of profits of joint ventures						2,808
Share of profits of an associate						162
Finance income						3,726
Profit before tax						76,298

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Others *RMB'000*	Total *RMB'000*
31 December 2018						
Segment assets	1,350,213	29,567	45,809	–	26,032	1,451,621
Reconciliation:						
Elimination of intersegment receivables						(648,337)
Corporate and other unallocated assets						537,935
Total assets						1,341,219
Segment liabilities	512,769	19,079	31,403	–	71,377	634,628
Reconciliation:						
Elimination of intersegment payables						(648,337)
Corporate and other unallocated liabilities						748,978
Total liabilities						735,269

The Group is organised into business units based on the geographical zones of services rendered in the PRC. The following table provides an analysis of the Group's revenue and results based on geographical zones as follows:

For the six months ended 30 June 2019	**Southern region** ***RMB'000*** *(Note a)*	**Eastern and Central region** ***RMB'000*** *(Note b)*	**Northern region** ***RMB'000*** *(Note c)*	**Total** ***RMB'000***
Segment revenue	**195,160**	**438,604**	**21,844**	**655,608**
Segment results	**44,523**	**72,371**	**4,560**	**121,454**

For the six months ended 30 June 2018	Southern region *RMB'000* *(Note a)*	Eastern and Central region *RMB'000* *(Note b)*	Northern region *RMB'000* *(Note c)*	Total *RMB'000*
Segment revenue	123,787	346,414	27,832	498,033
Segment results	29,514	61,943	4,323	95,780

Notes:

(a) Southern Region including the cities of Guangzhou, Nanning, Sanya, Foshan, Zhongshan, Jiangmen, Qingyuan, Zhaoqing, Guilin, Wenchang, Huizhou, Wuzhou, Cenxi and Guigang.

(b) Eastern and Central Region including the cities of Changde, Hangzhou, Suzhou, Chongqing, Ningbo, Jiaxing, Nantong, Shaoxing, Quzhou, Nanchang, Shanghai, Wuxi, Xuancheng, Zhenjiang, Huzhou, Nanjing, Hengyang, Chuzhou, Yixing, Wenzhou, Huai'an, Táizhou, Taixing, Tàizhou, Yueyang, Huanggang, Longyou and Changsha.

(c) Northern Region including the cities of Baotou, Eerduosi, Dalian, Beijing, Tianjin, Bazhou, Tangshan, Qingdao, Baoding, Heze and Zhangjiakou.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Rendering of services	**648,868**	492,684
Sales of goods	**6,740**	5,349
	655,608	498,033

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2019

Segments	**Property management business**	**Sales assistance business**	**Cleaning and greening business**	**Real estate agency business**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods or services						
Rendering of services	**547,709**	**21,908**	**12,905**	**38,088**	**28,258**	**648,868**
Sales of goods	**–**	**–**	**–**	**–**	**6,740**	**6,740**
Total revenue from contracts with customers	**547,709**	**21,908**	**12,905**	**38,088**	**34,998**	**655,608**
Geographical markets						
Mainland China	**547,709**	**21,908**	**12,905**	**38,088**	**34,998**	**655,608**
Timing of revenue recognition						
Revenue recognized over time	**521,672**	**21,908**	**12,905**	**–**	**28,258**	**584,743**
Revenue recognized at a point of time	**26,037**	**–**	**–**	**38,088**	**6,740**	**70,865**
Total revenue from contracts with customers	**547,709**	**21,908**	**12,905**	**38,088**	**34,998**	**655,608**

5. **REVENUE, OTHER INCOME AND GAINS (CONTINUED)**

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the six months ended 30 June 2018

Segments	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or services						
Rendering of services	463,126	19,689	–	–	9,869	492,684
Sales of goods	–	–	–	–	5,349	5,349
Total revenue from contracts with customers	463,126	19,689	–	–	15,218	498,033
Geographical markets						
Mainland China	463,126	19,689	–	–	15,218	498,033
Timing of revenue recognition						
Revenue recognized over time	435,842	19,689	–	–	9,869	465,400
Revenue recognized at a point of time	27,284	–	–	–	5,349	32,633
Total revenue from contracts with customers	463,126	19,689	–	–	15,218	498,033

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2019

Segments	**Property management business** ***RMB'000***	**Sales assistance business** ***RMB'000***	**Cleaning and greening business** ***RMB'000***	**Real estate agency business** ***RMB'000***	**Others** ***RMB'000***	**Total** ***RMB'000***
Revenue from contracts with customers						
External customers	**547,709**	**21,908**	**12,905**	**38,088**	**34,998**	**655,608**
Intersegment sales	**–**	**–**	**48,521**	**–**	**4,152**	**52,673**
Intersegment adjustments and eliminations	**–**	**–**	**(48,521)**	**–**	**(4,152)**	**(52,673)**
Total revenue from contracts with customers	**547,709**	**21,908**	**12,905**	**38,088**	**34,998**	**655,608**

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the six months ended 30 June 2018

Segments	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from contracts with customers						
External customers	463,126	19,689	–	–	15,218	498,033
Intersegment sales	–	–	15,176	–	1,366	16,542
Intersegment adjustments and eliminations	–	–	(15,176)	–	(1,366)	(16,542)
Total revenue from contracts with customers	463,126	19,689	–	–	15,218	498,033

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**659**	1,510
Government grants	**6,054**	9,519
Rental income	**3,014**	2,730
Others	**1,409**	991
	11,136	14,750
Gains		
Fair value gains on investment properties	**3,100**	1,219
Gain on disposal of financial assets at fair value through profit or loss	**823**	1,443
Net foreign exchange gain	**1,887**	1,690
	5,810	4,352
	16,946	19,102

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Cost of services provided		**451,165**	341,960
Cost of goods sold		**2,995**	3,941
Employee benefit expense (excluding compensation to key management personnel)			
Salaries and other benefits		**231,497**	170,561
Retirement benefit scheme contributions		**10,234**	8,398
Share-based payment expenses of the Company		**4,713**	5,661
		246,444	184,620
Depreciation of property and equipment		**8,410**	5,227
Depreciation of right-of-use assets		**3,345**	–
Amortisation of intangible assets		**6,912**	7,177
Impairment of trade and bills receivables		**22,340**	20,019
Impairment of prepayments, deposits and other receivables	*13*	**817**	1,624
Impairment of contract assets		**492**	–
Fair value gains on investment properties	*10*	**(3,100)**	(1,219)
Gross rental income		**(3,014)**	(2,730)
Minimum lease payments under operating leases		**–**	3,917
Foreign exchange gains		**(1,887)**	(1,690)
Change in fair value of financial assets/liabilities at fair value through profit or loss		**246**	–
Bank interest income		**(659)**	(1,510)
Investment income of financial assets at fair value through profit or loss		**(823)**	(1,443)
Loss on disposal of items of property and equipment		**318**	17

7. INCOME TAX

Provision for PRC corporate income tax ("CIT") has been made at the applicable income tax rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

The Company incorporated in the Cayman Islands and the subsidiaries incorporated in the British Virgin Islands are not subject to corporate income tax as they do not have a place of business (other than a registered office) or carry on any business in the Cayman Islands and British Virgin Islands.

Hong Kong profits were subject to profits tax at the rate of 16.5% (six months ended 30 June 2018: 16.5%) and no provision for Hong Kong profits tax has been made for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

7. INCOME TAX (CONTINUED)

Income tax in the interim condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China:		
Charge for the period	**33,853**	32,068
Deferred tax	**(5,585)**	(8,110)
Total tax charge for the period	**28,268**	23,958

8. DIVIDENDS

During the six months ended 30 June 2019, a dividend of HK2.5 cents per share in respect of the year ended 31 December 2018 was declared by the directors of the Company and approved in the Company's annual general meeting on 29 May 2019. Dividends amounting to RMB19,566,000 were paid during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB33,984,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2019, and the weighted average number of ordinary shares of 817,033,000 (six months ended 30 June 2018: 809,965,000) in issue during the period.

The calculation of the basic earnings per share amount is based on:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**52,188**	47,118
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**817,033,000**	809,965,000

The computation of diluted earnings per share for the six months ended 30 June 2019 and 2018 has not included the exercise of the share options of the Company since the exercise prices of the share options were higher than the average market prices of the Company's shares during the periods ended 30 June 2019 and 2018.

10. INVESTMENT PROPERTIES

	RMB'000 (Unaudited)
At 1 January 2019	184,384
Additions	520
Net gain from fair value adjustments *(note 6)*	3,100
At 30 June 2019	188,004

Certain investment properties are leased to third parties under operating leases.

Investment properties are stated at fair value, which has been determined with reference to the valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professionally qualified valuers, using the market approach, as at 30 June 2019. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The Group's management had discussions with the valuer on the valuation assumptions and valuation results on a regular basis when the valuation is performed.

Included in the completed investment properties were certain buildings with a carrying value of RMB450,000 (31 December 2018: RMB450,000) of which the property certificates have not been obtained as at 30 June 2019.

The Group's investment properties with a carrying value of RMB139,958,000 (31 December 2018: RMB93,122,000) were pledged to secure general banking facilities granted to the Group as at 30 June 2019.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 30 June 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Investment properties	–	–	188,004	188,004

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties	–	–	184,384	184,384

10. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

During the six months ended 30 June 2019 and the year ended 31 December 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

			2019	2018
			RMB'000	*RMB'000*
	Valuation techniques	**Significant Unobservable inputs**	Range	
Residential properties	Direct comparison method-based on market observable transaction of similar properties and adjusted to reflect the conditions of the subject property	Market unit price per square metre (the higher of the market unit price, the higher of the fair value)	**RMB7 to RMB24**	RMB9 to RMB23

A significant increase in the market unit price per square metre would result in a significant increase in the fair value of the investment properties.

11. PREPAYMENTS FOR ACQUISITION OF PROPERTIES

As at 30 June 2019, the Group had prepayments of RMB10,131,000 (31 December 2018: RMB7,958,000) in relation to the acquisition of properties situated in Mainland China from property developers. The acquisitions of certain properties were completed during the six months ended 30 June 2019 and the related prepayments of RMB310,000 were transferred to investment properties and RMB2,481,000 to property and equipment. No acquisition of properties was completed during the six months ended 30 June 2018.

12. TRADE AND BILLS RECEIVABLES

An aging analysis of the trade and bills receivables as at the end of the reporting period, based on the date of the demand note net of loss allowance, is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**61,319**	20,321
Over 30 days and within 90 days	**81,361**	28,386
Over 90 days and within 180 days	**123,095**	51,929
Over 180 days and within 365 days	**63,287**	53,847
Over one year	**92,933**	53,343
	421,995	207,826

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Payment on behalf of customers to utility suppliers	**97,013**	78,948
Prepayments	**93,474**	49,679
Deposits paid to utility suppliers	**26,755**	19,352
Taxes recoverable	**2,727**	6,076
Other receivables	**74,778**	69,104
	294,747	223,159
Less: Impairment allowance	**(27,468)**	(26,651)
Total	**267,279**	196,508

The movements in the loss allowance for impairment of other receivables are as follows:

	RMB'000
	(Unaudited)
At 1 January 2019	26,651
Impairment losses recognised *(note 6)*	817
At 30 June 2019	27,468

Prepayments, deposits and other receivables that were past due but not impaired relate to a number of independent creditors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than one year	**69,207**	45,650
Over one year	**9,086**	2,037
	78,293	47,687

The trade and bills payables are interest-free and normally settled on terms of 30 to 90 days.

The fair values of trade and bills payables approximate to their carrying amounts due to their relatively short term maturity.

15. OTHER PAYABLES AND ACCRUALS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Contract liabilities	**146,794**	92,010
Receipts on behalf of community residents for utilities	**228,874**	161,287
Accruals and other payables	**168,504**	82,725
Deposits received	**60,798**	57,458
Other payable for an option	**19,882**	21,415
Receipts in advance	**–**	188
Amounts due to non-controlling equity holders of a subsidiary	**46,662**	10,241
Other tax payables	**21,515**	8,008
	693,029	433,332

As at 30 June 2019, the Group's other payables and accruals included amounts due to non-controlling equity holders of a subsidiary which are unsecured, interest-free and repayable on demand.

Except for other payable for an option and contingent consideration, other payables are non-interest-bearing and have an average term of three months.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is a leading independent property management company in China. In 2018, the Group was rated among the Best 10 of property management enterprises in China in terms of the overall strength by 中國房地產業協會 (China Real Estate Association*), 上海易居房地產研究院 (Shanghai E-house China R&D Institute*) and 中國房地產測評中心 (China Real Estate Apprasial Centre*). As at 30 June 2019, the Group had a total contracted gross floor area ("GFA") of approximately 70.6 million square meters ("sq.m."), where it was contracted to manage 578 properties across 42 cities in China.

The Group main business line is property management business. Under the property management business line, the Group is engaged in the provision of property management services, sales assistance services, provision of cleaning and greening services, provision of real estate agency services, and other services and sale of goods.

Property management services

The Group primarily provides property developers and property owners with a broad range of property management services to mainly residential properties, commercial and government buildings. Services provided by the Group include standard property management services and ancillary services such as cleaning, gardening, security, repair and maintenance and butler services. Through its butler services, the Group provides personalized and premium property management services to residents with its trained butlers onsite. While its primary and long-term business focus is on the residential property market, the Group also provides services to non-residential properties, including both stand-alone non-residential properties and properties associated with residential properties, such as schools and commercial buildings.

The Group believes that service quality is fundamental to establish a solid foundation to support the growth of the Group's business. The Group holds various qualifications and licenses in respect of property management services, namely ISO 9001, ISO 14001, OHSAS 18001 and level one property management qualification certificate.

Sales assistance services

The Group provides property developers with sales assistance services by deploying on-site staff at the sales centres to maintain the conditions of the centres and provide timely assistance to facilitate various aspects of the sales process. The Group generally continues to service the property developer clients after the expiration of the sales assistance contracts by entering into preliminary property management contracts. Sales assistance serves as an important source of business for the property management services.

Cleaning and greening services

The Group provides property developers and property owners with a series of indoor and outdoor environmental cleaning, greening and maintenance. This business division also provides services to the property developers and property owners of the property management business division. Accordingly, segment result of cleaning and greening division is evaluated by the Group's management on services as subcontracted from the property management business division.

Real estate agency services

The Group provides property developers and property owners with agency services on the leasing and sales assistance of residential properties and retail units.

Other services

Other businesses comprise landscaping design and construction services, engineering services, catering services and the sale of engineering spare parts.

Business Review

Property management services

As at 30 June 2019, the Group had expanded its presence to 42 cities in China where it was contracted to manage a total of 578 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted GFA of approximately 70.6 million sq.m. This represented an increase of 0.3% compared to the aggregate contracted GFA of 70.5 million sq.m. as at 31 December 2018. In relation to the delivered GFA of approximately 58.5 million sq.m. as at 30 June 2019, the increase represented a growth of 2.8% compared to the delivered GFA of 56.9 million sq.m. as at 31 December 2018.

The Group strives to develop new business relationships from the existing customer base and own network in order to provide strong organic growth to the Group. In addition to organic growth, the Group continues to identify the right acquisition targets to strengthen its portfolio and increase geographic presence across China.

Geographic presence

The Group will continue to strategically select markets to enter into, focus on those with more developed economies and comparatively high 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 its economies of scale.

The table below sets forth the revenue breakdown of different geographic areas where the Group has established presence for the six months ended 30 June:

	2019	2018
	RMB'000	*RMB'000*
Eastern and Central China	**438,604**	346,414
Southern China	**195,160**	123,787
Northern China	**21,844**	27,832
Total	**655,608**	498,033

The list below illustrates the cities in which properties the Group was contracted to manage were located and number of projects in each city as at 30 June 2019.

Eastern and Central China	Southern China	Northern China	Western China
1. Changde (1)	23. Cenxi (5)	37. Baotou (4)	42. Lhasa (1)
2. Chongqing (1)	24. Chongzuo (1)	38. Beijing (3)	
3. Chuzhou (4)	25. Foshan (20)	39. Eerduosi (1)	
4. Hangzhou (60)	26. Guangzhou (10)	40. Zhangjiakou (3)	
5. Huai'an (2)	27. Guilin (2)	41. Heze (3)	
6. Huanggang (1)	28. Huizhou (1)		
7. Huzhou (17)	29. Jiangmen (1)		
8. Jiaxing (1)	30. Nanning (18)		
9. Nanchange (1)	31. Qingyuan (3)		
10. Nantong (15)	32. Sanya (9)		
11. Ningbo (281)	33. Wenchang (1)		
12. Quzhou (5)	34. Wuzhou (4)		
13. Shanghai (15)	35. Zhaoqing (3)		
14. Shaoxing (12)	36. Zhongshan (2)		
15. Suzhou (35)			
16. Táizhou (2)			
17. Tàizhou (1)			
18. Wenzhou (8)			
19. Wuxi (12)			
20. Xuancheng (5)			
21. Yueyang (1)			
22. Zhenjiang (3)			

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

The table below sets forth the delivered contracted GFA and the number of properties under management as at the dates indicated.

	As at 30 June 2019		As at 31 December 2018	
	Sq. m. in thousands	**No.**	Sq. m. in thousands	No.
Residential properties				
Eastern and Central China[(1)]	**38,058**	**301**	34,664	252
Southern China[(2)]	**12,789**	**54**	12,818	55
Northern China[(3)]	**1,193**	**4**	2,054	6
Subtotal	**52,040**	**359**	49,536	313
Non-residential properties	**6,470**	**143**	7,371	150
Total	**58,510**	**502**	56,907	463

As at 30 June 2019, the Group's contracted GFA of undelivered properties amounted to approximately 12.1 million sq.m. (31 December 2018: 13.6 million sq.m.).

Notes:

(1) Including Chongqing, Chuzhou, Hangzhou, Huai'an, Huanggang, Huzhou, Jiaxing, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Táizhou, Tàizhou, Wenzhou, Wuxi, Xuancheng, Zhenjiang, and Nanchang.

(2) Including Cenxi, Foshan, Guangzhou, Guilin, Jiangmen, Nanning, Qingyuan, Sanya, Wenchang, Wuzhou, Zhaoqing and Zhongshan.

(3) Including Baotou and Beijing.

Sales assistance services

The Group provides property developers with cleaning, security and maintenance of their model homes and sales centers and assists in facilitating 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. During the six months ended 30 June 2019 and 30 June 2018, the Group provided sales assistance services to 59 and 57 properties, respectively.

Cleaning and greening services

The Group provides property developers and property owners with the environmental cleaning and landscaping services in China with manpower of not less than 1,031 and 59 services contracts in hand as at 30 June 2019.

Real estate agency services

Through the acquisition of Huihuang Real Estate and Huihuang Property on 30 April 2019, the Group also provides property and real estate customers and investors with real estate information consulting services, real estate brokerage and consulting services, real estate marketing planning, house leasing, real estate investment consulting services as well as agency services for obtaining property ownership certificates.

Others

Others include a wide range of all-round services to property developers and property owners as follows:

(1) Through the acquisition of a subsidiary specialized in landscaping design and construction which was completed on late January 2019, the Group provides property developers and property owners with the landscaping design, construction, maintenance and consulting services in China;

(2) The Group provides installation, repairing and maintenance services primarily to the elevators of the properties under management;

(3) The Group provides weak-current engineering services to properties under management;

(4) The Group sells engineering spare parts separately to other elevator servicing companies; and

(5) The Group operates canteens in the government buildings and provides catering services as well.

Prospects and Future Plans

The Group will continue to maintain its own advantage as an independent property management company and compete with counterparts in the market by its high quality service and operational efficiency. The Group will actively establish stable partnership with leading property developers in all regions and explore potential projects under development. The Group will strive to develop new business relationships from the existing customer base and own network in order to provide strong organic growth to the Group. The Group also targets to expand its portfolio of customers by pursuing properties which have owners' association been established. Furthermore, when right opportunities arise, the Group will accelerate its expansion by expanding its business scope and coverage in China by means of acquisitions.

Pursuant to the terms of the Joint Venture Agreement entered between the Group and the vendors on 26 July 2016, the Group will acquire the remaining interests in Yongcheng in four tranches of 7.5% each at a price of RMB22.5 million for each of the subsequent acquisition if the adjusted net profit of Yongcheng for each of the four financial years ending 31 December 2016, 2017, 2018 and 2019 will not be less than RMB32 million. Since the net profit of Yongcheng for the financial year of 2018 has met the profit guarantee provision provided to the Group, the Group entered into acquisition agreements with the vendors on 20 May 2019, to purchase 7.5% of the registered capital of Yongcheng at a consideration of RMB22.5 million.

Upon completion of the above acquisitions, the Group holds 92.5% of the registered capital of Yongcheng in which Yongcheng remains as a non wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company. The directors are of the view that the Group's increase in shareholding in Yongcheng will further consolidate the profit base and provide a stable return of investments to the shareholders.

In January 2019, the Company acquired a 60% equity interest in 廣東銘錦城園林景觀設計工程有限公司 (Guangdong Ming-King-City Landscape Architecture Co. Ltd) ("Ming-King-City") from an independent third party. Ming-King-City is engaged in the provision of landscaping design and construction services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in the PRC. The purchase consideration for the acquisition was in the form of cash, with approximately RMB5.0 million paid in February 2019 and no more than approximately RMB4.0 million payable by the Group in cash upon satisfaction of certain conditions.

In April 2019, the Company has already made capital injection in total amount of approximately RMB56.3 million into 蘇州工業園區建屋物業發展有限公司 (Suzhou Industrial Park House Construction Property Development Company Limited*) ("Suzhou House Construction") for subscription of 66% of the enlarged registered capital in Suzhou House Construction. Suzhou House Construction is a PRC property management company located in Suzhou with 28 properties and approximately 2.8 million sq.m. of ground floor area ("GFA") under its management. Suzhou House Construction is now applying the capital injection amount as its working capital and for its business development.

As disclosed in the Company's announcement dated 17 April 2019, the Company entered into two separate agreements. 廣東中奧物業管理有限公司 (Guangdong Zhong Ao Property Management Company Limited*) ("Guangdong Zhong Ao") as the Purchaser, a wholly-owned subsidiary of the Company, entered into the First Agreement with Mr. Liang Xiwei ("Mr. Liang") as the First Vendor and Mr. Huang Junhua ("Mr. Huang") as the Second Vendor to acquire 51% equity interests in 廣西輝煌房地產諮詢服務集團有限公司 (Guangxi Huihuang Real Estate Advisory Services Group Limited*) ("Huihuang Real Estate"), a company established in the PRC with limited liability subject to the terms and conditions of the First Agreement for an aggregate consideration of approximately RMB65.0 million (equivalent to approximately HK$78.0 million) (the Company has paid approximately RMB20.0 million for the change of equity interests of Huihuang Real Estate in May 2019). Huihuang Real Estate is principally engaged in real estate information consulting services, real estate brokerage and consulting services, real estate marketing planning and house leasing.

Guangdong Zhong Ao also entered the Second Agreement with Mr. Liang as the First Vendor and Mr. Huang as the Second Vendor to acquire 51% equity interests in 廣西輝煌置業諮詢服務有限公司 (Guangxi Huihuang Property Advisory Services Company Limited*) ("Huihuang Property"), a company established in the PRC with limited liability, subject to the terms and conditions of the Second Agreement for an aggregate consideration of approximately RMB35.0 million (equivalent to approximately HK$42.0 million) (the Company has paid approximately RMB10.0 million for the change of equity interest of Huihuang Property in May 2019). Huihuang Property is principally engaged in real estate investment consulting services, real estate information consulting services, real estate brokerage services, real estate marketing planning, house leasing as well as agency services for obtaining property ownership certificates.

Guangdong Zhong Ao successfully completed the acquisition of Huihuang Real Estate and Huihuang Property in 30 April 2019.

It is expected that (i) investment in Ming-King-City to start up a newly vertically integrated business of landscaping design and construction services to the Group's property developers and owners; (ii) strategic investment of Suzhou House Construction will have positive effect to the profit and growth of Suzhou House Construction which will enhance the property management business in new areas; and (iii) the investment of Huihuang Real Estate and Huihuang Property will break into a new business of real estate and property agency services which will explore further opportunity for the Group to develop other new business segments.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the six months ended 30 June 2019, the Group recorded revenue of approximately RMB655.6 million, representing a year-on-year increase of 31.6% over the previous period ended 30 June 2018.

Increase in the Group's revenue was primarily attributable to the growth in property management business revenue from RMB482.8 million for the period ended 30 June 2018 to approximately RMB569.6 million for the period ended 30 June 2019 and represented 18.0% increase over the corresponding period last year. In addition, through acquisition of certain companies during the period, the Group's revenue segments brought forth revenue generated from cleaning and greening business of approximately RMB12.9 million and revenue generated from real estate agency business of approximately RMB38.1 million.

Breakdown of Revenue by business line and services

For the six months ended 30 June

	2019	2018	**Change**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Property management business				
— Property management services	**547,709**	463,126	84,583	18.3
— Sales assistance services	**21,908**	19,689	2,219	11.3
Cleaning and greening business	**12,905**	–	12,905	N/A
Real estate agency business	**38,088**	–	38,088	N/A
Others	**34,998**	15,218	19,780	130.0
	655,608	498,033	157,575	31.6

Property management business

The Group's property management business includes the provision of property management services, sales assistance services, and other services and sale of goods. Details of analysis of each services are as follows:

Property management services

Revenue from property management services increased by approximately RMB84.6 million, or 18.3% over the same period in 2018 primarily due to growth in the group's existing property management services business as a result of increase in the delivered contracted GFA by 1.6 million sq.m..

Sales assistance services

Revenue from the sales assistance business line for the six months ended 30 June 2019 was approximately RMB21.9 million, comparing to RMB19.7 million for the six months ended 30 June 2018, represented an increase of RMB2.2 million, or 11.3%. The increase in revenue from the sales assistance services was due to the increase in the number of projects, where the Group provided sales assistance services on 59 projects for the six months ended 30 June 2019 as compared to 57 projects for the six months ended 30 June 2018.

Cleaning and greening services

Revenue from cleaning and greening services of approximately RMB12.9 million mainly represented revenue generated from provision of indoor and outdoor environmental cleaning and landscaping services in China during the period.

Real estate agency services

Revenue from real estate agency services of approximately RMB38.1 million mainly represented revenue generated from provision of real estate information consulting services, real estate brokerage and consulting services, real estate marketing planning, house leasing, real estate investment consulting services as well as agency services for obtaining property ownership certificates.

Others

Revenue from others increased from approximately RMB15.2 million for the six months ended 30 June 2018 to approximately RMB35.0 million for the six months ended 30 June 2019. The increase of approximately RMB19.8 million or 130.0% over the period was mainly due to addition of revenue generated from landscaping design and construction services of approximately RMB21.8 million during the period.

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 services and sales assistance services; (ii) staff costs; (iii) depreciation expenses associated with equipment and property used in providing services; (iv) costs of other services and sale of goods such as salaries cost of the technicians in the provision of elevator engineering services and weak-current engineering services; costs of the spare parts sold and operating costs in running the catering services and (v) costs of cleaning and greening products and utensils as well as commission paid for the real estate and property agency services.

Cost of sales and services increased by 31.3% from approximately RMB345.9 million for the six months ended 30 June 2018 to approximately RMB454.2 million for the six months ended 30 June 2019. The increase was due primarily to the growth of the Group's business and the corresponding increase in the labor costs and sub-contracting costs.

Gross Profit and Gross Profit Margin

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

	For the six months ended 30 June			
	2019		2018	
	(Unaudited)		(Unaudited)	
	Gross profit	***Gross profit margin***	*Gross profit*	*Gross profit margin*
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Property management business				
— Property management services and sales assistance services	**174,111**	**33.3**	148,828	30.8
Cleaning and greening business	**8,749**	**14.7**	–	–
Real estate agency services business	**13,657**	**35.9**	–	–
Others	**4,931**	**14.1**	3,304	21.7
Total	**201,448**	**30.7**	152,132	30.5

The Group's gross profit for the six months ended 30 June 2019 was approximately RMB201.4 million, comparing to RMB152.1 million for the six months ended 30 June 2018, represented an increase of RMB49.3 million, or 32.4%. The Group's overall gross profit margin slightly increased from 30.5% for the six months ended 30 June 2018 to 30.7% for the six months ended 30 June 2019.

The Group's gross profit for the property management business line for the six months ended 30 June 2019 was approximately RMB174.1 million, comparing to RMB148.8 million for the six months ended 30 June 2018, represented an increase of RMB25.3 million, or 17.0%. The Group's gross profit margin for the property management business line slightly increased from 30.8% for the six months ended 30 June 2018 to 33.3% for the six months ended 30 June 2019.

Other Income and Gains

The Group's other income and gains for the six months ended 30 June 2019 was approximately RMB16.9 million, which decrease by approximately RMB2.2 million as compared to approximately RMB19.1 million for the six months ended 30 June 2018. The decrease was mainly due to net effect of decrease in government grants of approximately RMB3.5 million and interest income at approximately RMB0.9 million and increase in fair value gains on investment properties at approximately RMB1.9 million.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the six months ended 30 June 2019 were approximately RMB4.1 million, comparing to RMB2.5 million for the six months ended 30 June 2018, represented an increase of RMB1.6 million, or 63.3%. The increase was primarily due to the advertising and promotion expenses of approximately RMB503,000 and other selling expenses of approximately RMB541,000 incurred by real estate agency business.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2019 was approximately RMB97.4 million, comparing to RMB76.3 million for the six months ended 30 June 2018, represented a increase of RMB21.1 million, or 27.7%. The increase was primarily due to the (i) the employee remuneration increased by approximately RMB12.9 million for the newly acquired businesses; (ii) the professional consultancy fee increased by approximately RMB2.4 million; (iii) office expenses increased by approximately RMB1.8 million for expansion of the Group's scale; and (iv) higher depreciation charge of approximately RMB2.7 million.

Other Expenses

The Group's other expenses for the six months ended 30 June 2019 primarily comprised the provision for impairment of trade receivables and other receivables of RMB23.6 million (six months ended 30 June 2018: RMB21.6 million).

Finance Costs

The Group's net finance expenses amounted to approximately RMB7.3 million for the six months ended 30 June 2019 (six months ended 30 June 2018: net finance income of approximately RMB3.7 million). This primarily due to higher average interest-bearing bank and other borrowings balance for the group's business expansion.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2019 was approximately RMB28.3 million, comparing to RMB24.0 million for the six months ended 30 June 2018, the Group's effective tax rate increased from 31.4% for the six months ended 30 June 2018 to 32.7% for the six months ended 30 June 2019, which was primarily due to higher taxable profit for the period.

Right-of-use assets

Right-of-use assets of approximately RMB42.9 million mainly represented the interests in leasehold land held as properties under development as at 30 June 2019 after adoption of HKFRS 16.

Goodwill

As at 30 June 2019, the Group recorded goodwill of approximately RMB251.4 million, representing an increase of 61.7% as compared with that of approximately RMB155.5 million as at 31 December 2018. The increase in goodwill of the Group was primarily due to goodwill in relation to a number of the acquisition transactions during the period. The goodwill primarily derived from the expected future business development of the above acquired companies, increase of market coverage, expansion of service portfolio, integration of value-added services and improvement of management efficiency.

The management of the Group believes that the performance of the acquired companies in the first half of 2019 reached the management's expectation in the first half of 2019, the management of the Group determined that no impairment of goodwill should be recognized.

Trade and Bills Receivables

Trade and bills receivables mainly arose from management and service income from property management services, income from sales assistance service, income from cleaning and greening services as well as real estate agency's business.

As at 30 June 2019, total trade and bills receivables of the Group amounted to approximately RMB422.0 million, representing an increase of approximately RMB214.2 million compared to approximately RMB207.8 million as at 31 December 2018.

The Group's trade and bills receivables turnover days for the six months ended 30 June 2019 was 88 days (year ended 31 December 2018: 71 days). Due to the seasonality caused by property owners' tendency to settle management fee balances towards the end of the year, the Group's trade receivables as at 30 June 2019 are higher than that at the previous year end.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables increase from approximately RMB196.5 million as at 30 June 2018 to approximately RMB267.3 million as at 30 June 2019. The increase of approximately RMB70.8 million or 36.0% was mainly due to increase in payment on behalf of customers to utility suppliers of approximately RMB18.0 million, increase in prepayments by approximately RMB43.8 million and increase in deposits paid to utility suppliers of approximately RMB7.4 million.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of approximately RMB62.4 million mainly represented investment in those financial assets which were interest-bearing structured deposits at the domestic banks in China as at 30 June 2019.

Contract assets

Contract assets of approximately RMB15.9 million mainly represented the value of completed contractual landscaping design and construction works but not yet confirmed by the property owners as at 30 June 2019.

Other Payables and Accruals

Other payables and accruals primarily comprise receipts on behalf of community residents for utilities, receipts in advances, accruals and deposits received. Other payables and accruals increased from approximately RMB433.3 million as at 31 December 2018 to approximately RMB693.0 million as at 30 June 2019, which were primarily attributable to the net effect of (i) the increase of RMB67.6 million in receipts on behalf of community residents for utilities; (ii) the increase of RMB54.8 million in contract liabilities and receipts in advance; and (iii) the increase of approximately RMB85.8 million in accruals and other payables.

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 at 30 June 2019, net working capital (calculated as current assets less current liabilities) was approximately RMB125.1 million which represented a decrease of approximately RMB46.5 million from RMB171.6 million as at 31 December 2018. The current ratios (calculated as current assets/current liabilities) are 1.1 times and 1.3 times as at 30 June 2019 and 31 December 2018 respectively.

As at 30 June 2019, the Group had bank borrowings denominated in RMB of approximately RMB105.3 million (31 December 2018: approximately RMB50.0 million) which was secured by the investment properties of the Group and bore interest at fixed-rate. In addition, the Group had an unsecured bank borrowing amount to approximately RMB62.3 million (31 December 2018: RMB61.8 million) which was variable rate and denominated in HK$ as at 30 June 2019.

The Group principally focused its operation in the PRC. Except for the bank deposits and bank borrowing denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2019, 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, amounts due to non-controlling equity holders of a subsidiary and bank balances and cash divided by total equity. As at 30 June 2019, the Group was in a strong financial position with a net cash position amounting to approximately RMB101.3 million (31 December 2018: RMB293.7 million). Accordingly, no gearing ratio is presented.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2019.

Employees and Remuneration Policies

As at 30 June 2019, excluding the employees under commission basis, the Group had approximately 15,666 (31 December 2018: 10,000) 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 and adopted a share award scheme in June 2017 in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil). The Board will consider to declare final dividend if the annual results of the Group for the year ending 31 December 2019 is satisfactory.

CORPORATE GOVERNANCE

The Board is committed to maintaining and upholding high standards of corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders of the Company ("Shareholders").

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of the Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") as its code of corporate governance.

In the opinion of the Directors, the Company applied and complied with all the code provisions of the CG Code throughout the six months ended 30 June 2019, except for certain deviations as specified and explained with considered reasons hereunder:

Code Provision A.2.1

Chairman and chief executive officer are two key aspects of the management of a company. Chairman is responsible for providing leadership for the board and management of the board while chief executive officer is responsible for day-to-day management of business. Clear division of these responsibilities should be in place to ensure a balance of power and authority. The code provision A.2.1 of CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the period, Mr. Liu Jian is the chairman and chief executive officer of the Company. This constitutes a deviation from the code provision A.2.1 of CG Code.

The Company consider that having Mr. Liu acting as both the chairman and chief executive officer will provide a strong and consistent leadership to the Group and allow for more effective strategic planning and management of the Group. Further, in view of Mr. Liu's experience in the industry, personal profile and role in the Group and historical development of the Group, the Group considers it is to the benefit of the Group that Mr. Liu continues to act as both the chairman and chief executive officer after the Listing. Therefore, the Company currently has no intention to separate the functions of chairman and chief executive officer.

Code Provision A.4.1

Code Provision A.4.1 of the CG Code requires that Non-executive Directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term until termination by the notice period as stipulated in the respective appointment letter in writing served by either the Company or the respective Director. They were, however, subject to the requirement of retirement and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's articles of association. As such, the Company considers that sufficient measures were taken to ensure that the Company's corporate governance practices were no less exacting than those in the code provisions of the CG Code.

EVENTS AFTER THE REPORTING PERIOD

No event has been noted after the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2019.

* *for identification purpose only*

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rule and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Chan Wai Cheung, Admiral, Mr. Zhang Weilun and Mr. Chan Ka Leung, Kevin, all being independent non-executive directors. Mr. Chan Wai Cheung, Admiral is the chairman of the audit committee and is the independent non-executive director with the appropriate professional qualifications. The unaudited interim results of the Group for the six months ended 30 June 2019 have been reviewed by the audit committee of the Board.

The Company's independent auditor, Ernst & Young, has conducted a review of the Interim Financial Information of the Group for the six months ended 30 June 2019 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2019. In addition, the Group had no significant investments held during the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.gdzawy.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 dispatched to the Company's Shareholders and published on the above websites in due course.

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

Hong Kong, 30 August 2019

As at the date of this announcement, the Executive Directors are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin; the Non-Executive Directors are Mr. Wei Zhe and Ms. Wu Qimin; the Independent Non-Executive Directors are Mr. Zhang Weilun, Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Huang Auxin.