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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	
	RMB'000	*RMB'000*	*Change*
Revenue	**1,519,482**	1,023,011	48.5%
Gross profit	**403,441**	282,105	43.0%
Profit for the year	**133,920**	106,950	25.2%
Profit attributable to owners of the parent	**108,568**	96,088	13.0%
Gross profit margin (%)	**26.6%**	27.6%	-1 pp
Net profit margin (%)	**8.8%**	10.5%	-1.7 pp
Basic earnings per share *(RMB)*	**0.133**	0.119	11.8%
Final dividend per share *(HK$)*	**0.0275**	0.025	10.0%

The board (the "Board") of directors (the "Directors") of Zhong Ao Home Group Limited ("the Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	NOTES	**2019** **RMB'000**	2018 *RMB'000*
REVENUE	*4*	**1,519,482**	1,023,011
Cost of sales and services		**(1,116,041)**	(740,906)
GROSS PROFIT		**403,441**	282,105
Other income and gains	*4*	**33,844**	30,809
Selling and marketing expenses		**(13,455)**	(5,539)
Administrative expenses		**(192,296)**	(151,065)
Net impairment losses (recognised)/reversal on financial assets		**(26,763)**	1,672
Share of profits and losses of:			
Joint ventures		**1,438**	2,895
Associates		**466**	(4)
Other expenses		**(10,195)**	(1,641)
Finance costs	*6*	**(21,501)**	(1,833)
PROFIT BEFORE TAX	*5*	**174,979**	157,399
Income tax expenses	*7*	**(41,059)**	(50,449)
PROFIT FOR THE YEAR		**133,920**	106,950
Attributable to:			
Owners of the parent		**108,568**	96,088
Non-controlling interests		**25,352**	10,862
		133,920	106,950
PROFIT AND TOTAL COMPREHENSIVE INCOME, NET OF TAX, FOR THE YEAR		**133,920**	106,950
Attributable to:			
Owners of the parent		**108,568**	96,088
Non-controlling interests		**25,352**	10,862
		133,920	106,950
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (RMB)	*9*	**0.133**	0.119

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**55,228**	41,533
Investment properties	*10*	**183,309**	184,384
Right-of-use assets		**46,769**	–
Goodwill		**248,315**	155,456
Prepayments for acquisition of properties	*11*	**55,839**	7,958
Investments in joint ventures		**3,166**	4,412
Investments in associates		**4,578**	3,175
Other intangible assets		**89,176**	90,837
Long-term deposits		**4,984**	997
Deferred tax assets		**60,360**	30,929
Total non-current assets		**751,724**	519,681
CURRENT ASSETS			
Inventories		**2,224**	1,409
Trade and bills receivables	*12*	**332,260**	207,826
Prepayments, deposits and other receivables	*13*	**288,232**	196,508
Contract assets		**59,650**	–
Financial assets at fair value through profit or loss		**2,536**	–
Cash and cash equivalents		**458,000**	415,795
Total current assets		**1,142,902**	821,538
CURRENT LIABILITIES			
Trade and bills payables	*14*	**136,890**	47,687
Other payables and accruals	*15*	**645,147**	433,332
Interest-bearing bank and other borrowings		**82,965**	70,382
Lease liabilities		**24,518**	–
Deferred liabilities		**3,820**	–
Tax payables		**125,871**	98,573
Total current liabilities		**1,019,211**	649,974
NET CURRENT ASSETS		**123,691**	171,564
TOTAL ASSETS LESS CURRENT LIABILITIES		**875,415**	691,245

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER

	Notes	**2019** **RMB'000**	2018 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**26,848**	25,376
Interest-bearing bank and other borrowings		**47,570**	41,459
Lease liabilities		**22,773**	–
Other long-term payables		**40,299**	18,460
Total non-current liabilities		**137,490**	85,295
NET ASSETS		**737,925**	605,950
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	*16*	**6,745**	6,689
Reserves		**671,686**	555,123
		678,431	561,812
Non-controlling interests		**59,494**	44,138
TOTAL EQUITY		**737,925**	605,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 P.O. Box 2681, Cricket Square, Hutchins Drive, 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 People's Republic of China (the "PRC"). 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").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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 to HKFRSs 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015–2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

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.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of HKFRS 16 (Continued)

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.

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. 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 leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Adoption of HKFRS 16 (Continued)

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

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

	Increase *RMB'000* (Audited)
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

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

	RMB'000 (Audited)
Operating lease commitments as at 31 December 2018	3,586
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(627)
	2,959
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	1,637
Lease liabilities as at 1 January 2019	1,637

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) 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, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on different lines of services rendered in the People's Republic of China (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 are evaluated by the Group's management on services as subcontracted from the property management business division;

(d) The Group 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; and

(e) Other businesses comprise landscaping design and construction services, consulting 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, other interest income from financial assets at fair value through profit or loss, fair value adjustment of contingent consideration, share of profits of joint ventures, share of profits of an associate, net foreign exchange gains loss, share-based payment expenses, finance income/costs as well as head office and corporate expenses are excluded from such measurement.

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

3. **OPERATING SEGMENT INFORMATION (Continued)**

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Operating segments

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*	**Other businesses** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2019						
Segment revenue *(note 4)*						
Sales to external customers	1,138,745	40,361	31,595	185,913	122,868	1,519,482
Intersegment sales	4,133	–	95,927	–	6,275	106,335
	1,142,878	40,361	127,522	185,913	129,143	1,625,817
Reconciliation:						
Eliminations of intersegment sales						(106,335)
Revenue from continuing operations						1,519,482
Segment results	186,767	8,511	14,312	29,232	13,441	252,263
Reconciliation:						
Bank interest income						2,358
Other interest income from financial assets at fair value through profit or loss						2,148
Changes in fair value of investment properties						4,052
Fair value adjustment of contingent consideration						(174)
Net foreign exchange loss						(3,334)
Corporate expenses						(58,024)
Share-based payment expense						(4,713)
Share of profits of a joint venture						1,438
Share of profits of associates						466
Finance cost						(21,501)
Profit before tax						174,979

3. 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*	Other businesses *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018						
Segment revenue *(note 4)*						
Sales to external customers	948,296	41,503	47	–	33,165	1,023,011
Intersegment sales	–	–	58,957	–	4,822	63,779
	948,296	41,503	59,004	–	37,987	1,086,790
Reconciliation:						
Eliminations of intersegment sales						(63,779)
Revenue from continuing operations						1,023,011
Segment results	165,445	14,646	6,145	–	9,514	195,750
Reconciliation:						
Bank interest income						2,943
Other interest income from financial assets at fair value through profit or loss						3,915
Changes in fair value of investment properties						3,216
Net foreign exchange gains						1,431
Gain on disposal of a subsidiary						299
Gain on disposal of a joint venture						1,450
Corporate expenses						(47,003)
Share-based payment expense						(5,660)
Share of profits of joint ventures						2,895
Share of profits of an associate						(4)
Finance cost						(1,833)
Profit before tax						157,399

3. 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*	Other businesses *RMB'000*	Total *RMB'000*
31 December 2019						
Segment assets	1,599,992	37,921	63,678	250,665	85,110	2,037,366
Reconciliation:						
Elimination of intersegment receivables						(838,616)
Corporate and other unallocated assets						695,876
Total assets						1,894,626
Segment liabilities	694,890	21,010	22,293	134,144	87,255	959,592
Reconciliation:						
Elimination of intersegment payables						(838,616)
Corporate and other unallocated liabilities						1,035,725
Total liabilities						1,156,701
Other segment information						
Share of profits and losses of:						
Joint ventures	1,438	–	–	–	–	1,438
Associates	466	–	–	–	–	466
Net impairment losses recognised/(reversal) in profit or loss	20,798	4,630	(218)	2,708	2,126	30,044
Depreciation and amortisation						
Unallocated						1,015
Segment	30,280	695	32	12,528	186	43,721
Investments in associates	4,578	–	–	–	–	4,578
Investment in a joint venture	3,166	–	–	–	–	3,166
Capital expenditure*						
Unallocated						803
Segment	63,928	3,913	463	28,673	401	97,378

* Capital expenditure consists of additions to property and equipment, investment properties, intangible assets and prepayments for acquisition of properties.

3. 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*	Other businesses *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
Other segment information						
Share of profits and losses of:						
Joint ventures	2,895	–	–	–	–	2,895
Associates	(4)	–	–	–	–	(4)
Net impairment losses recognised/ (reversal) in profit or loss	(1,811)	139	–	–	–	(1,672)
Depreciation and amortisation						
Unallocated						405
Segment	24,078	544	–	–	237	24,859
Investments in associates	3,175	–	–	–	–	3,175
Investment in a joint venture	4,412	–	–	–	–	4,412
Capital expenditure*						
Unallocated						2,145
Segment	38,914	948	28	–	70	39,960

* Capital expenditure consists of additions to property and equipment, investment properties, intangible assets and prepayments for acquisition of properties.

3. OPERATING SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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 year ended 31 December 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	**568,382**	**913,317**	**37,783**	**1,519,482**
Segment results	**119,469**	**122,677**	**10,117**	**252,263**

For the year ended 31 December 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	252,648	706,286	64,077	1,023,011
Segment results	63,157	116,679	15,914	195,750

Notes:

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

(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, Taizhou, Taixing, Tàizhou, Yueyang, Huanggang, Changsha and Fuyang; and

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Rendering of services	**1,496,455**	1,005,742
Sales of goods	**23,027**	17,269
	1,519,482	1,023,011

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Property management business**	**Sales assistance business**	**Cleaning and greening business**	**Real estate agency business**	**Other businesses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods or services						
Rendering of services	**1,138,745**	**40,361**	**31,595**	**185,913**	**99.841**	**1.496.455**
Sales of goods	**–**	**–**	**–**	**–**	**23,027**	**23,027**
Total revenue from contracts with customers	**1,138,745**	**40,361**	**31,595**	**185,913**	**122,868**	**1,519,482**
Geographical markets						
Mainland China	**1,138,745**	**40,361**	**31,595**	**185,913**	**122,868**	**1,519,482**
Timing of revenue recognition						
Revenue recognised over time	**1,138,745**	**40,361**	**31,595**	**–**	**99,841**	**1,310,542**
Revenue recognised at a point of time	**–**	**–**	**–**	**185,913**	**23,027**	**208,940**
Total revenue from contracts with customers	**1,138,745**	**40,361**	**31,595**	**185,913**	**122,868**	**1,519,482**

4. **REVENUE, OTHER INCOME AND GAINS (Continued)**

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2018

Segments	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Type of goods or services						
Rendering of services	948,296	41,503	47	–	15,896	1,005,742
Sales of goods	–	–	–	–	17,269	17,269
Total revenue from contracts with customers	948,296	41,503	47	–	33,165	1,023,011
Geographical markets						
Mainland China	948,296	41,503	47	–	33,165	1,023,011
Timing of revenue recognition						
Revenue recognised over time	948,296	41,503	47	–	15,896	1,005,742
Revenue recognised at a point of time	–	–	–	–	17,269	17,269
Total revenue from contracts with customers	948,296	41,503	47	–	33,165	1,023,011

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

For the year ended 31 December 2019

Segments	**Property management business** ***RMB'000***	**Sales assistance business** ***RMB'000***	**Cleaning and greening business** ***RMB'000***	**Real estate agency business** ***RMB'000***	**Other businesses** ***RMB'000***	**Total** ***RMB'000***
Revenue from contracts with customers						
External customers	**1,138,745**	**40,361**	**31,595**	**185,913**	**122,868**	**1,519,482**
Intersegment sales	**4,133**	**–**	**95,927**	**–**	**6,275**	**106,335**
Intersegment adjustments and eliminations	**(4,133)**	**–**	**(95,927)**	**–**	**(6,275)**	**(106,335)**
Total revenue from contracts with customers	**1,138,745**	**40,361**	**31,595**	**185,913**	**122,868**	**1,519,482**

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2018

Segments	Property management business *RMB'000*	Sales assistance business *RMB'000*	Cleaning and greening business *RMB'000*	Real estate agency business *RMB'000*	Other businesses *RMB'000*	Total *RMB'000*
Revenue from contracts with customers						
External customers	948,296	41,503	47	–	33,165	1,023,011
Intersegment sales	58,957	–	–	–	4,822	63,779
Intersegment adjustments and eliminations	(58,957)	–	–	–	(4,822)	(63,779)
Total revenue from contracts with customers	948,296	41,503	47	–	33,165	1,023,011

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property management services *(note 15)*	**92,010**

	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property management services	82,265

4. **REVENUE, OTHER INCOME AND GAINS (Continued)**

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of property management service

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

Sales assistance services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from customer acceptance of delivered goods.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 are as follows:

	2019
	RMB'000
Within one year	**123,057**
More than one year	**–**
	123,057

All the remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**2,358**	2,943
Other interest income from financial assets at fair value through profit or loss	**2,148**	3,915
Government grants	**16,290**	10,572
Rental income	**7,169**	4,652
Others	**62**	2,331
	28,027	24,413
Gains		
Fair value gains on investment properties	**4,052**	3,216
Gain on disposal of items of property and equipment	**1,765**	–
Net foreign exchange gain	**–**	1,431
Gain on disposal of a joint venture	**–**	1,450
Gain on disposal of a subsidiary	**–**	299
	5,817	6,396
	33,844	30,809

5. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of services provided		**1,099,991**	728,781
Cost of goods sold		**16,050**	12,125
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Salaries and other benefits		**503,652**	353,227
Retirement benefit scheme contributions		**15,908**	20,333
Share-based payment expenses of the Company		**4,713**	5,592
		524,273	379,152
Depreciation of items of property and equipment		**16,553**	11,468
Depreciation of right-of-use assets		**12,026**	–
Amortisation of other intangible assets		**16,157**	13,796
Impairment of financial assets, net			
Net impairment losses recognised of trade and bills receivables		**13,369**	(4,404)
Net impairment losses recognised of other receivables	*13*	**11,093**	2,732
Impairment of contract assets		**1,845**	–
Impairment of items of property and equipment		**456**	–
Impairment of goodwill		**3,281**	–
Fair value gains on investment properties	*10*	**(4,052)**	(3,216)
Gross rental income		**(7,169)**	(4,652)
Foreign exchange losses/(gains)		**3,334**	(1,431)
Lease payments not included in the measurement of lease liabilities		**577**	–
Fair value adjustment of contingent consideration		**174**	–
Bank interest income		**(2,358)**	(2,943)
(Gain)/loss on disposal of items of property and equipment		**(1,765)**	60
Auditor's remuneration		**4,883**	4,678
Other interest income from financial assets at fair value through profit or loss		**(2,148)**	(3,915)
Gain on disposal of a joint venture		**–**	(1,450)
Gain on disposal of a subsidiary		**–**	(299)
Government grants*		**(16,290)**	(10,572)

* Government grants include various subsidies received by the Company's subsidiaries from relevant government bodies. There are no unfulfilled conditions or contingencies related to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank borrowings	**7,247**	4,897
Interest expenses/(reversal of interest) imputed on consideration payable	**10,204**	(3,064)
Interest on lease liabilities	**4,050**	–
	21,501	1,833

7. INCOME TAX

Provision for PRC corporate income tax (the "CIT") has been provided at the applicable income tax rate of 25% for the year ended 31 December 2019 (2018: 25%) on the assessable profits of the Group's subsidiaries in Mainland China, except for those subsidiaries enjoyed lower tax rate for benefit.

No provision for Hong Kong profits tax has been made in the financial statements as no assessable profit was derived from Hong Kong during both years.

	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China:		
Charge for the year	**61,654**	53,980
Deferred tax	**(20,595)**	(3,531)
Total tax charge for the year	**41,059**	50,449

8. DIVIDENDS

During 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 RMB18,209,000 were paid on 14 June 2019 (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 year, and the weighted average number of ordinary shares of 817,354,219 shares (2018: 810,570,384 shares) in issue during the year.

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**108,568**	96,088
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**817,354,219**	810,570,384

For the years ended 31 December 2019 and 2018, the computation of diluted earnings per share did not include the exercise of the share options of the Company since the exercise price of the share options was higher than the average market price of the Company's shares during the years ended 31 December 2019 and 2018.

10. INVESTMENT PROPERTIES

	2019	2018
	RMB'000	*RMB'000*
Carrying amount at 1 January	**184,384**	163,592
Additions	**570**	13,386
Additions from acquisition of a subsidiary	**–**	4,190
Transfer to owner-occupied property	**(1,842)**	–
Sold to third party	**(3,855)**	–
	179,257	181,168
Net gain from fair value adjustments	**4,052**	3,216
Carrying amount at 31 December	**183,309**	184,384

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

The Group's investment properties are all commercial properties in Mainland China. The directors of the Company have determined that all the investment properties are commercial properties, based on the nature, characteristics and risks of each property. 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 31 December 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.

10. INVESTMENT PROPERTIES (Continued)

Each year, the Group's property manager and the financial controller decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the financial controller have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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

The Group's investment properties with a carrying value of RMB146,431,000 (2018: RMB93,122,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2019.

Fair value hierarchy

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

	Fair value measurement as at 31 December 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	**–**	**–**	**183,309**	**183,309**

	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

During the year, 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).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2019	2018
	RMB'000	*RMB'000*
Carrying amount at 1 January	**184,384**	163,592
Additions	**570**	13,386
Additions from acquisition of a subsidiary	**–**	4,190
Transfer to owner-occupied property	**(1,842)**	–
Sold to third party	**(3,855)**	–
	179,257	181,168
Net gain from fair value adjustments	**4,052**	3,216
Carrying amount at 31 December	**183,309**	184,384

10. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

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

	Valuation techniques	**Significant Unobservable inputs**	**2019** Range	2018 Range
Residential properties	Direct comparison method	Market unit price (RMB/sq.m.)	**7–24**	9–23

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 31 December 2019, the Group had deposits of RMB55,839,000 (2018: RMB7,958,000) in relation to the acquisition of properties situated in Mainland China paid to property developers. The acquisition of certain properties was completed during the current year and the related prepayments of RMB311,000 (2018: RMB6,874,000) were transferred to investment properties. During the period, RMB2,435,000 was returned to the Group to net-off the corresponding prepayments which has already offset the trade receivables in 2018. The group has increased by RMB 46,575,000 for acquisition of new properties.

12. TRADE AND BILLS RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables	**430,236**	292,636
Bills receivables	**1,243**	1,040
Less: Impairment allowance	**(99,219)**	(85,850)
	332,260	207,826

Trade and bills receivables mainly arise from property management services income. The credit period is generally 90 days for property owners and property developers upon the issuance of demand notes. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a year. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

12. TRADE AND BILLS RECEIVABLES (Continued)

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 30 days	**30,111**	20,321
Over 30 days and within 90 days	**63,052**	28,386
Over 90 days and within 180 days	**68,032**	51,929
Over 180 days and within 365 days	**74,029**	53,847
Over one year	**97,036**	53,343
	332,260	207,826

13. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Payment on behalf of customers to utility suppliers	**109,847**	78,948
Deposits paid to utility suppliers	**27,573**	19,352
Other receivables	**121,411**	69,104
Prepayments	**64,675**	49,679
Taxes recoverable	**2,470**	6,076
	325,976	223,159
Less: Impairment allowance	**(37,744)**	(26,651)
Total	**288,232**	196,508

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
At beginning of year		
As previously reported	**(26,651)**	(10,723)
Effect of adoption of HKFRS 9	**–**	(13.196)
At beginning of year (restated)	**(26,651)**	(23,919)
Impairment loss, net *(note 5)*	**(11,093)**	(2,732)
	(37,744)	(26,651)

Deposits and other receivables mainly represent performance bond, bidding deposits for contracts and employee loans. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there are no comparable companies as at 31 December 2019 ranged from 3% to 30% (2018: 3% to 30%).

14. TRADE PAYABLES

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 60 days	**122,441**	39,312
Over 60 days and within 180 days	**5,020**	3,339
Over 180 days and within 365 days	**1,706**	2,999
Over one year	**7,723**	2,037
	136,890	47,687

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

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

15. OTHER PAYABLES AND ACCRUALS

		31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Contract liabilities	*(a)*	**123,057**	92,010
Receipts on behalf of community residents for utilities		**238,681**	161,287
Received in advance		**–**	188
Accruals and other payables		**155,647**	82,725
Deposits received		**56,210**	57,458
Other Payable for Option	*(b)*	**22,500**	21,415
Amounts due to non-controlling equity holders of a subsidiary		**25,602**	10,241
Other tax payables		**23,450**	8,008
		645,147	433,332

As at 31 December 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 Payables for Option, other payables are non-interest-bearing and have an average term of three months.

(a) Details of contract liabilities as at 31 December 2019 and 1 January 2019 are as follows:

	31 December 2019 *RMB'000*	1 January 2019 *RMB'000*
Short-term advances received from customers		
Property management services *(note 4)*	**123,057**	92,010

Contract liabilities include short-term advances received to deliver property management services. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of property management services at the end of the year.

15. OTHER PAYABLES AND ACCRUALS (Continued)

(b) Pursuant to the Agreements to the financial statements, the non-controlling equity holders of Zhejiang Yongcheng had a put option to require the Group to acquire the remaining 30% equity interests in Zhejiang Yongcheng in four tranches prior to the year 2020. The considerations are contingent and will be adjusted based on the future financial performance of Zhejiang Yongcheng and capped at RMB22,500,000 for each tranche. In every of 2017, 2018 and 2019, the Group further acquired a 7.5% equity interest in Zhejiang Yongcheng, respectively. Since the Group did not have present ownership interests in the 7.5% equity interests in Zhejiang Yongcheng before the non-controlling equity holders exercised the buy-out option, the Group recorded the 7.5% equity interests in Zhejiang Yongcheng owned by the non-controlling equity holders as the non-controlling interests in the financial statements. The buy-out option amount was classified as a financial liability at 31 December 2019 and 2018 and the changes in the amount of the option were recognised in profit or loss. This equity interest redemption option granted to non-controlling equity holders of a subsidiary is a financial liability which only includes the current portions ("Other Payables for Option").

16. SHARE CAPITAL

Shares

	Number of ordinary shares	**Nominal value of HKD0.01 each** *HKD'000*
Authorised:		
At 1 January 2019 and 31 December 2019	8,000,000,000	80,000
Issued and fully paid:		
At 31 December 2017 and 1 January 2018	802,606,000	8,026
Shares issued	8,500,000	85
At 31 December 2018 and 1 January 2019	811,106,000	8,111
Shares issued *(note (a))*	6,516,000	65
At 31 December 2019	817,622,000	8,176

	2019 ***RMB'000***	2018 *RMB'000*
Issued and fully paid:		
Ordinary shares		
At 1 January	**6,689**	6,619
Shares issued	**56**	70
At 31 December	**6,745**	6,689

(a) During the year 2019, 6,516,000 shares were issued and granted to the eligible employees under the share award scheme at nil consideration.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading independent property management company in China. In 2019, the Group has the following recognition and awards.

On February 2019, 浙江永成物業管理有限公司 (Zhejiang Yongcheng Property Management Limited), a 92.5% interests owned subsidiary, has received the recognition of 2018年度江北區服務業明星企業 (2018 Jiangbei District Services Sector Star Enterprise) by 寧波市江北區人民政府 (Ningbo Municipal Jiangbei District People's Government).

On May 2019, the Group was rated 2019 物業服務企業上市公司十強 (2019 Top 10 Listed Company of Property Management Service) by 中國物業管理協會 (China Property Management Institute*) and 上海易居房地產研究院中國房地產測評中心 (China Real Estate Appraisal Centre of Shanghai E-house China R&D Institute*).

On June 2019, the Group was rated 2019 物業服務企業品牌價值50強 (2019 Top 50 Most Valuable Brand of Property Management Service) by 中國物業管理協會 (China Property Management Institute*) and 上海易居房地產研究院中國房地產測評中心 (China Real Estate Appraisal Centre of Shanghai E-house China R&D Institute*).

On October 2019, the Group was rated 2019 物業服務企業綜合實力500強 (2019 Top 500 Property Management Companies) and 2019 物業服務市場化運營領先企業 (2019 Independent Operative Leading Companies in Property Service) by 中國物業管理協會 (China Property Management Institute*) and 上海易居房地產研究院中國房地產測評中心 (China Real Estate Appraisal Centre of Shanghai E-house China R&D Institute*).

On December 2019, 輝煌置業 (Huihuang Property), a 51% equity interests owned subsidiary which is principally engaged in real estate brokerage services, real estate marketing planning, house leasing as well as agency services for obtaining property ownership certificates, has received 廣西地產金磚獎 (Golden Brick Award for Real Estate of Guangxi) for 2019 年度最具影響力中介企業 (2019 the influential agency enterprise), 2019 年度金牌房產仲介企業 (2019 Golden Real Estate Agency Enterprise) by 廣西日報傳媒集團 (Guangxi Daily Media Group). A branch of Huihuang Property, 輝煌置業中央城分行 (Huihuang Property Zhongyang Cheng Branch), has received 2019年度金牌門店 (2019 Golden Store) by the same institution.

As at 31 December 2019, the Group had a total contracted gross floor area ("GFA") of approximately 72.0 million square meters ("sq.m.") where it was contracted to manage 584 properties across 45 cities in China.

The Group's 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, cleaning and greening business, real estate agency business and other services.

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 also 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 CMS31950, IEC27001, ISO50001, ISO 9001, ISO 14001, OHSAS 18001 and level one property management qualification certificate.

As of 31 December 2019, the Group had expanded its presence to 45 cities in China where it was contracted to manage a total of 584 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted GFA of approximately 72.0 million sq.m.. This represented an increase of 2.1% compared to the aggregate contracted GFA of approximately 70.5 million sq.m. as at 31 December 2018. In relation to the delivered GFA of approximately 65.4 million sq.m. in 2019, the increase represented a growth of 14.9% compared to the delivered GFA of approximately 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 maximizing its economies of scale.

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

	2019	2018
	RMB'000	*RMB'000*
Eastern and Central China	**913,317**	706,286
Southern China	**568,382**	252,648
Northern China	**37,783**	64,077
Total	**1,519,482**	1,023,011

The map below illustrates the cities in which properties the Group was contracted to manage were located and the number of projects in each city as of 31 December 2019.

■ Eastern and Central China

1. Changde (1)
2. Chongqing (1)
3. Chuzhou (4)
4. Fuyang (1)
5. Hangzhou (57)
6. Heze(4)
7. Huaian (2)
8. Huanggang (1)
9. Huzhou (19)
10. Jiaxing (1)
11. Kaifeng (1)
12. Nanchang (1)
13. Nantong (13)
14. Nanyang (1)
15. Ningbo (285)
16. Quzhou (6)
17. Shanghai (14)
18. Shaoxing (9)
19. Suzhou (41)
20. Tāizhou (2)
21. Tàizhou (1)
22. Wenzhou (8)
23. Wuxi (9)
24. Xuancheng (4)
25. Yueyang (1)
26. Zhenjiang (3)
27. Zhoukou (1)

■ Southern China

28. Cenxi (7)
29. Chongzuo (2)
30. Foshan (18)
31. Guangzhou (10)
32. Guilin (1)
33. Huizhou (1)
34. Jiangmen (1)
35. Nanning (18)
36. Qingyuan (4)
37. Sanya (7)
38. Wenchang (1)
39. Wuzhou (7)
40. Zhaoqing (3)
41. Zhongshan (1)

■ Northern China

42. Baotou (5)
43. Beijing (3)
44. Zhangjiakou (3)

■ Westem China

45. Lhasa(1)

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 of the dates indicated.

	As of 31 December 2019		As of 31 December 2018	
	Sq.m. in thousands	***No.***	*Sq.m. in thousands*	*No.*
Residential properties				
Eastern and Central China[1]	**41,890**	**317**	34,664	252
Southern China[2]	**13,339**	**61**	12,818	55
Northern China[3]	**2,415**	**7**	2,054	6
Subtotal	**57,644**	**385**	49,536	313
Non-residential properties	**7,709**	**143**	7,371	150
Total	**65,353**	**528**	56,907	463

As of 31 December 2019, the Group's contracted GFA of undelivered properties amounted to approximately 6.6 million sq.m. (2018: 13.6 million sq.m.)

Notes:

(1) Including Changde, Chongqing, Chuzhou, Fuyang, Hangzhou, Heze, Huaian, Huanggang, Huzhou, Jiaxing, Nanchang, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Tàizhou, Tāizhou, Wenzhou, Wuxi, Xuancheng, Yueyang and Zhenjiang.

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

(3) Including Baotou, Beijing and Zhangjiakou.

The Group will continue to expand its business through obtaining new service engagements and acquisition 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 2019		As of 31 December 2018	
	Sq.m. in thousands	***No.***	*Sq.m. in thousands*	*No.*
As at beginning of period	**70,450**	**570**	66,747	500
New engagements[1]	**6,157**	**65**	8,830	83
Acquisitions	**3,991**	**30**	2,140	27
Terminations[2]	**(8,627)**	**(81)**	(7,267)	(40)
As at end of period	**71,971**	**584**	70,450	570

Notes:

(1) In relation to properties the Group manages, new engagements primarily include service engagements for new constructions developed by property developers and service engagements for residential properties replacing their existing 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 contracts and mutual termination prior to expiration for commercial reasons.

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 serve 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 business

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

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 into between the Group and the vendors on 26 July 2016, the Group would 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 would 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 Group 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 Group has 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 Group entered into two separate agreements. The Group 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 Group 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.

The Group 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 Group 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.

The Group successfully completed the acquisition of Huihuang Real Estate and Huihuang Property in 30 April 2019.

As disclosed in the Company's announcement dated 20 December 2019, the Group entered into an agreement with Mr. Zhao Tao ("Mr. Zhao") as the Vendor to acquire 60% equity interests in 廣東金盾正安保安服務有限公司 (Guangdong Jindun Zhengan Security Services Company Limited)("Jindun Zhengan Security"), a company established in the PRC with limited liability, subject to terms and conditions of the Agreement for an aggregate consideration of approximately RMB68.0 million (the Group has paid approximately RMB5.0 million for the change of equity interests of Jindun Zhengan Security in February 2020). Jindu Zhengan Security is principally engaged in provision of security services and variety of outsourcing security services in the PRC.

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; (iii) the investment of Huihuang Real Estate and Huihuang Property; and (iv) the investment of Jindun Zhengan Security will break into a new business of real estate and property agency services as well as security services which will explore further opportunity for the Group to develop other new business segments.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the year ended 31 December 2019, the Group recorded revenue of approximately RMB1,519.5 million, representing an increase of 48.5% over the year 2018.

Increase in the Group's revenue was primarily attributable to the growth in property management business revenue from approximately RMB948.3 million for the year ended 31 December 2018 to approximately RMB1,138.7 million for the year ended 31 December 2019 and represented 20.1% increase over the corresponding year. In addition, through acquisition of certain companies during the year, the Group's revenue segments brought forth revenue generated from real estate agency business of approximately RMB185.9 million, other business of approximately RMB89.7 million and cleaning and greening business of approximately RMB31.6 million.

Breakdown of Revenue by business line and services

	For the year ended 31 December			
	2019	2018	**Change**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Property management business				
— Property management services	**1,138,745**	948,296	190,449	20.1
— Sale assistance services	**40,361**	41,503	(1,142)	(2.8)
Cleaning and greening business	**31,595**	47	31,548	N/A
Real estate agency business	**185,913**	–	185,913	N/A
Other business	**122,868**	33,165	89,703	270.5
	1,519,482	1,023,011	496,471	48.5

Property Management Business

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

Property management services

Revenue from property management services increased by approximately RMB190.4 million or approximately 20.1% over 2018 primarily due to organic growth in the Group's existing property management services business as a result of increase in the delivered contracted GFA by approximately 8.4 million sq.m.

Sales assistance services

Revenue from the sale assistance services for the year ended 31 December 2019 was approximately RMB40.4 million, comparing to RMB41.5 million in 2018, representing a decrease of approximately 1.1 million, or 2.8%. The decrease in revenue from the sales assistance services was primarily due to the slight increase in the number of projects from 65 in 2018 to 66 in 2019 and the decrease in average revenue of each project from approximately RMB638,500 for the year ended 31 December 2018 to approximately RMB611,527 for the year ended 31 December 2019.

Cleaning and greening business

Revenue from cleaning and greening business of approximately RMB31.6 million mainly represented revenue generated from provision of indoor and outdoor environmental cleaning and landscaping services in China during the year.

Real estate agency business

Revenue from real estate agency business of approximately RMB185.9 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.

Other businesses

Revenue from other businesses increased from approximately RMB33.2 million for the year ended 31 December 2018 to approximately RMB122.9 million for the year ended 31 December 2019. The increase of approximately RMB89.7 million or 270.5% over the year was mainly due to the revenue generated from landscaping design and construction services during the year.

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 50.6% from approximately RMB740.9 million for the year ended 31 December 2018 to approximately RMB1,116.0 million for the year ended 31 December 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 tables below sets forth the Group's gross profit and gross profit margins by services for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Property management business				
— Property management services	**295,572**	**28.4**	259,748	27.4
— Sale assistance services	**8,511**	**21.1**	14,646	35.3
Cleaning and greening business	**19,553**	**15.0**	–	–
Real estate agency business	**59,568**	**32.0**	–	–
Other business	**20,237**	**16.5**	7,711	23.3
Overall	**403,441**	**26.6**	282,105	27.6

The Group's gross profit for the year ended 31 December 2019 was RMB403.4 million, comparing to RMB282.1 million in 2018, representing an increase of RMB121.3 million, or 43.0%. The Group's gross profit margin slightly decreased from 27.6% for the year ended 31 December 2018 to 26.6% in 2019.

Other Income and Gains

The Group's other income and gains for the year ended 31 December 2019 was RMB33.8 million, comparing to RMB30.8 million in 2018, representing an increase of RMB3.0 million, or 9.7%. The increase was primarily due to the increase in rental income of approximately RMB2.5 million.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the year ended 31 December 2019 were approximately RMB13.5 million, comparing to approximately RMB5.5 million in 2018, representing an increase of approximately RMB8.0 million, or 145.5%. The increase was primarily due to salaries and allowance of salemen as well as other selling expenses incurred by real estate agency business.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2019 was RMB192.3 million, comparing to RMB151.1 million in 2018, representing an increase of RMB41.2 million, or 27.3%. The increase was primarily due to the net effect of (i) the employee remuneration increased by approximately RMB19.8 million for the newly acquired businesses; (ii) higher amortisation charge of intangible assets of approximately RMB2.0 million; (iii) the professional consultancy fee increased by approximately RMB1.4 million; (iv) office expenses increased by approximately RMB5.8 million for expansion of the Group's scale; (v) higher rental expenses of approximately RMB5.6 million; (vi) higher depreciation charge of approximately RMB1.7 million; (vii) higher travelling expenses of approximately RMB1.3 million and (viii) higher communication expenses of approximately RMB1.2 million.

Net Impairment Losses Recognised on Financial Assets

The Group's net impairment losses on financial assets were approximately RMB26.8 million for the year ended 31 December 2019, comparing to reversal of impairment losses on financial assets of approximately RMB1.7 million for the year ended 31 December 2018, representing an increase of approximately RMB26.1 million in the provision for impairment losses on financial assets which was primarily due to increase of trade and bills receivables mainly from the newly acquired businesses.

Finance Costs

The Group's net finance expenses amounted to approximately RMB21.5 million for the year ended 31 December 2019 (for year ended 31 December 2018: net finance expenses of approximately RMB1.8 million). This primarily due to (i) higher interest on bank borrowings and other borrowings of approximately RMB2.3 million for higher average interest-bearing bank and other borrowings balance for the Group's business expansion; (ii) higher interest expense of approximately RMB13.3 million imputed on consideration payable; and (iii) higher interest on lease liabilities of approximately RMB4.1 million.

Income Tax Expenses

The Group's income tax expense for the year ended 31 December 2019 was RMB41.1 million. The Group's effective tax rate decrease from 32.1% for the year ended 31 December 2018 to 23.5% in 2019, which was primarily due to the decrease of non-deductible expenses and increase in income not subject to tax.

Goodwill

As at 31 December 2019, the Group recorded goodwill of approximately RMB248.3 million, representing an increase of 59.7% 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 year. 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.

Trade and Bills Receivables

Trade and bills receivables mainly arose from property management services income and real estate agency business.

As at 31 December 2019, total trade and bills receivables of the Group amounted to approximately RMB332.3 million, representing an increase of approximately RMB124.5 million compared to approximately RMB207.8 million as at 31 December 2018. The increase was primarily due to (i) the increase of approximately RMB96.0 million after the acquisition of Huihuang Real Estate and Huihuang Property in 2019; and (ii) the expansion of the Group's business scale.

Prepayments and Other Receivables

Prepayments and other receivables primarily comprise payment on behalf of customers to utility suppliers, prepayments, deposits paid to utility suppliers and other receivables.

As at 31 December 2019, the Group's prepayments and other receivables amounted to approximately RMB288.2 million, representing an increase of approximately of RMB91.7 million compared to approximately RMB196.5 million as at 31 December 2018. The increase was primarily due to (i) increase in payment on behalf of customers to utility suppliers of approximately RMB30.9 million, (ii) increase in deposits paid to utility suppliers of approximately RMB8.2 million and (iii) increase in other receivables by approximately RMB52.3 million mainly due to increase of prepayments and other receivables of newly acquired businesses.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss of approximately RMB2.5 million mainly represented investment in those financial assets which were interest-bearing structured deposits at the domestic banks in China as at 31 December 2019.

Contract Assets

Contract assets of approximately RMB59.7 million mainly represented the value of revenue recognised but not yet billed contractual landscaping design and construction works but not yet confirmed by the property owners at 31 December 2019.

Trade Payables

Trade payables primarily comprise payables to sub-contractors of the Group's property management services. Trade payables increased from approximately RMB47.7 million as at 31 December 2018 to approximately RMB136.9 million as at 31 December 2019. This was primarily due to the expansion of the Group's business scale.

Other Payables and Accruals

Other payables and accruals primarily comprise receipts on behalf of community residents for utilities, contract liabilities, received in advances, accruals, deposits received and other payables. Other payables and accruals increased from approximately RMB433.3 million as at 31 December 2018 to approximately RMB645.1 million as at 31 December 2019. The increase was primarily due to the net effect of (i) the increase of RMB77.4 million in receipts on behalf of community residents for utilities; (ii) the increase of RMB31.0 million in contract liabilities and receipts in advance; (iii) the increase of RMB72.9 million in other payable and accruals; (iv) the increase in amounts due to non-controlling equity holders of a subsidiary of RMB15.4 million; and (v) the increase of RMB15.4 million in other tax 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 31 December 2019, net working capital (calculated as current assets less current liabilities) was approximately RMB123.7 million, representing a decrease of RMB47.9 million from RMB171.6 million as at 31 December 2018. The current ratios (calculated as current assets/current liabilities) are 1.1 times as at 31 December 2019 (2018: 1.3 times).

As at 31 December 2019, the Group had bank borrowings denominated in RMB of approximately RMB62.5 million (2018: RMB20.0 million) which was secured by certain investment properties of the Group. In addition, Huihuang's non-controlling equity holder 梁錫偉 ("Liang Xiwei") guaranteed certain of the Group's bank loans up to RMB5,000,000 (2018: Hangzhou Anjia's non-controlling equity holder 杭州市居住區發展中心有限公司 (Hangzhou Residential Area Development Centre Company Limited*) has guaranteed certain of the Group's bank loans up to RMB30.0 million) that bore interest of fixed rates as at the end of the reporting period, and the Group had an unsecured bank borrowing amounting to RMB42.2 million (2018: RMB61.8 million) which was variable-rate and denominated in HK$ as at 31 December 2019.

The Group principally focused on the operation in the PRC. Except for the cash, bank deposits and bank borrowings 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 2019, 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 add amounts due to non-controlling equity holders of a subsidiary and net of bank balances and cash divided by total equity. As at 31 December 2019, the Group was in a strong financial position with a net cash position amounting to RMB301.9 million (2018: RMB293.7 million). Accordingly, no gearing ratio is presented.

Pledge of Assets

At 31 December 2019, investment properties of RMB146.4 million (2018: RMB93.1 million) were pledged to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2019.

Employees and Remuneration Policies

As at 31 December 2019, the Group had approximately 9,065 (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 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.

EVENTS AFTER THE REPORTING PERIOD

In December 2019, the Group entered into an agreement to purchase 60% equity interests in 廣東金盾正安保安服務有限公司 (Guangdong Jindun Zhengan Security Services Company Limited*) ("Jindun Zhengan Security") from an independent third party at a total consideration of approximately RMB68,000,000. The Group has paid the first deposit of approximately RMB5.0 million for the change of equity interests of Jindun Zhengan Security in February 2020.

On 3 January 2020, the Group entered into the Property Transfer Agreement with 佛山市順德區陳村鎮康盈投資管理有限公司 (Foshan City Shunde District Chencun Town Kangying Investment Management Company Limited*), a company established in the PRC with limited liability as the Vendor pursuant to which the Group agreed to acquire from the Vendor a three-storey office building situated at 佛山市順德區陳村鎮太平洋鼎旺商業中心1501號、1601號及1701號 (Number 1501, 1601 and 1701, Pacific Dingwang Commercial Center, Chencun Town, Shunde District, Foshan City, the PRC) with a total gross floor area of 3,672.72 square metres for a purchase price of RMB46,114,688. The transaction has been completed in January 2020.

On 30 March 2020, the board of directors has resolved to recommend the payment of a final dividend of HK2.75 cents per share for the year ended 31 December 2019 (2018: 2.5 cents) to the shareholders whose names appear on the register of members of the Company on 5 June 2020. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM"), the final dividend is expected to be payable on or about 18 June 2020. The aggregate amount shall be paid out of the Company's share premium account if the payment of the dividend is approved by the shareholders at the AGM.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed above in this announcement, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2019.

Save as disclosed above in this announcement, at 31 December 2019, the Group has no specific plan for major investment or acquisition for major capital assets or other business. However, the Group will continue to identify new opportunities for business development.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK2.75 cents per share for the year ended 31 December 2019 (2018: 2.5 cents) to the shareholders whose names appear on the register of members of the Company on 5 June 2020, making the total dividend payment of approximately HK$22.5 million. Subject to the approval by the shareholders of the Company at the forthcoming AGM, the final dividend is expected to be payable on or about 18 June 2020. The aggregate amount shall be paid out of the Company's share premium account if the payment of the dividend is approved by the shareholders at the AGM.

ANNUAL GENERAL MEETING

The AGM will be held on 29 May 2020 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Friday, 29 May 2020. To ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 25 May 2020 to Friday, 29 May 2020, 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Friday, 22 May 2020.

To ascertain the entitlement to the proposed final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020, 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 dividend for the year ended 31 December 2019, 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Tuesday, 2 June 2020.

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. 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 2019, 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 the following code provisions:

Code Provision 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), two Non-executive Directors and four Independent Non-executive Directors and therefore has a fairly strong independence element in its composition.

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. 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.

AUDIT COMMITTEE

The 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 three Independent Non-executive Directors, namely Mr. Chan Wai Cheung, Admiral, Mr. Zhang Weilun and Mr. Chan Ka Leung, Kevin. Mr. Chan Wai Cheung, Admiral is the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee.

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

During the year ended 31 December 2019, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2019.

FURTHER ANNOUNCEMENT

Due to the outbreak of the novel coronavirus disease (COVID-19) epidemic, the audit process has been delayed, additional time is required for the auditors of the Company to finalise the annual results for the year ended 31 December 2019. The unaudited consolidated financial results hereby published have not been agreed with the Company's auditors.

Following the completion of the audit process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the annual results contained herein.

The Company is in constant liaison with the auditors to monitor the situation. It is expected that the audit process will be completed not later than 16 April 2020. If there are other material development in the completion of the audit process, further announcement will be made by the Company as and when necessary.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.gdzawy.com). The annual report for the year ended 31 December 2019 of the Company together with all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites 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, 30 March 2020

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 and Ms. Wu Qimin and our independent non-executive Directors are Mr. Zhang Weilun, Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin, and Mr. Huang Anxin.

* *for identification purpose only*