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**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 2020**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>Change</b>
Revenue	<b>1,752,317</b>	1,519,482	15.3%
Gross profit	<b>441,641</b>	403,441	9.5%
Profit for the year	<b>150,780</b>	133,920	12.6%
Profit attributable to owners of the parent	<b>131,509</b>	108,568	21.1%
Gross profit margin (%)	<b>25.2%</b>	26.6%	-1.4 pp
Net profit margin (%)	<b>8.6%</b>	8.8%	-0.2 pp
Basic earnings per share (RMB)	<b>0.157</b>	0.133	18.0%
Final dividend per share (HKD)	<b>0.0300</b>	0.0275	9.1%

The board (the “**Board**”) of directors (the “**Directors**”) of Zhong Ao Home Group Limited (“the **Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	NOTES	2020 RMB'000	2019 RMB'000
<b>REVENUE</b>	4	<b>1,752,317</b>	1,519,482
Cost of sales and services		<u>(1,310,676)</u>	<u>(1,116,041)</u>
<b>GROSS PROFIT</b>		<b>441,641</b>	403,441
Other income and gains	4	<b>54,909</b>	33,844
Selling and distribution expenses		<b>(12,580)</b>	(13,455)
Administrative expenses		<b>(238,401)</b>	(192,296)
Net impairment losses recognised on financial assets		<b>(22,837)</b>	(26,763)
Other expenses		<b>(4,855)</b>	(10,195)
Finance costs	6	<b>(18,064)</b>	(21,501)
Share of profits and losses of:			
Joint ventures		<b>2,595</b>	1,438
Associates		<b>211</b>	466
<b>PROFIT BEFORE TAX</b>	5	<b>202,619</b>	174,979
Income tax expenses	7	<b>(51,839)</b>	(41,059)
<b>PROFIT FOR THE YEAR</b>		<b>150,780</b>	133,920
Attributable to:			
Owners of the parent		<b>131,509</b>	108,568
Non-controlling interests		<b>19,271</b>	25,352
		<b>150,780</b>	133,920
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted			
— For profit for the year (RMB)	9	<b>0.157</b>	0.133

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
<b>PROFIT FOR THE YEAR</b>	<b>150,780</b>	133,920
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Revaluation gains on transfer from property and equipment to investment properties	<b>1,373</b>	–
Income tax effect	<b>(343)</b>	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<b>1,030</b>	–
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>1,030</b>	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>151,810</b>	133,920
Attributable to:		
Owners of the parent	<b>132,539</b>	108,568
Non-controlling interests	<b>19,271</b>	25,352
	<b>151,810</b>	133,920

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	<b>2019</b> <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		<b>112,232</b>	55,228
Investment properties	<i>10</i>	<b>188,951</b>	183,309
Right-of-use assets		<b>32,687</b>	46,769
Goodwill		<b>379,984</b>	248,315
Prepayments for acquisition of properties	<i>11</i>	<b>15,634</b>	55,839
Investments in joint ventures		<b>4,230</b>	3,166
Investments in associates		<b>4,789</b>	4,578
Other intangible assets		<b>75,600</b>	89,176
Long-term deposits		<b>4,657</b>	4,984
Deferred tax assets		<b>50,395</b>	60,360
<b>Total non-current assets</b>		<b>869,159</b>	751,724
<b>CURRENT ASSETS</b>			
Inventories		<b>11,820</b>	2,224
Trade receivables	<i>12</i>	<b>374,202</b>	332,260
Prepayments and other receivables	<i>13</i>	<b>303,570</b>	288,232
Contract assets		<b>–</b>	59,650
Financial assets at fair value through profit or loss		<b>15,008</b>	2,536
Cash and cash equivalents		<b>495,773</b>	458,000
<b>Total current assets</b>		<b>1,200,373</b>	1,142,902
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>14</i>	<b>72,357</b>	136,890
Other payables and accruals	<i>15</i>	<b>836,234</b>	645,147
Interest-bearing bank and other borrowings		<b>53,952</b>	82,965
Lease liabilities		<b>30,033</b>	24,518
Deferred liabilities		<b>–</b>	3,820
Tax payables		<b>108,587</b>	125,871
<b>Total current liabilities</b>		<b>1,101,163</b>	1,019,211
<b>NET CURRENT ASSETS</b>		<b>99,210</b>	123,691
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>968,369</b>	875,415

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS AT 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <b><i>RMB'000</i></b>	2019 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>24,842</b>	26,848
Interest-bearing bank and other borrowings		<b>25,319</b>	47,570
Lease liabilities		<b>8,193</b>	22,773
Other long-term payables		<b>18,589</b>	40,299
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>76,943</b>	137,490
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>891,426</b>	737,925
		<hr/>	<hr/>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Share capital	16	<b>7,082</b>	6,745
Reserves		<b>807,244</b>	671,686
		<hr/>	<hr/>
		<b>814,326</b>	678,431
Non-controlling interests		<b>77,100</b>	59,494
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>891,426</b>	737,925
		<hr/>	<hr/>

# 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 issued shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 25 November 2015. The 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, provision of 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**”). 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, financial assets at fair value through profit or loss and other long-term payables 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 2020. 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.

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.

## 2.1 BASIS OF PREPARATION (Continued)

### Basis of consolidation (Continued)

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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

- (a) Conceptual Framework for Financial Reporting 2018 (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and 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 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 bank interest income, other interest income from financial assets at fair value through profit or loss, changes in fair value of investment properties, fair value adjustment of contingent consideration, net foreign exchange loss, share of profits of joint ventures, share of profits of an associate, non-lease-related finance income/costs as well as head corporate expenses are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other borrowings (other than lease liabilities), 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.

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### 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 2020						
<b>Segment revenue (note 4)</b>						
Sales to external customers	1,242,251	40,351	83,567	237,863	148,285	1,752,317
Intersegment sales	15,790	-	93,162	926	121,747	231,625
	<u>1,258,041</u>	<u>40,351</u>	<u>176,729</u>	<u>238,789</u>	<u>270,032</u>	<u>1,983,942</u>
<i>Reconciliation:</i>						
Eliminations of intersegment sales						<u>(231,625)</u>
Revenue from continuing operations						<u>1,752,317</u>
Segment results	185,916	11,973	22,303	27,597	12,609	260,398
<i>Reconciliation:</i>						
Bank interest income						4,559
Other interest income from financial assets at fair value through profit or loss						2,142
Changes in fair value of investment properties						696
Fair value adjustment of contingent consideration						(260)
Net foreign exchange gain						2,034
Corporate expenses						(55,199)
Share of profits of a joint venture						2,595
Share of profits of associates						211
Finance costs (other than interest on lease liabilities)						<u>(14,557)</u>
Profit before tax						<u>202,619</u>

### 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 2020						
Segment assets	1,726,074	46,903	131,188	218,488	248,486	2,371,139
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(1,073,218)
Corporate and other unallocated assets						771,611
Total assets						2,069,532
Segment liabilities	911,638	24,281	60,767	95,199	118,751	1,210,636
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,073,218)
Corporate and other unallocated liabilities						1,040,688
Total liabilities						1,178,106
Other segment information						
Share of profits and losses of:						
Joint ventures	2,595	-	-	-	-	2,595
Associates	211	-	-	-	-	211
Net impairment losses recognised/ (reversal) in profit or loss	19,310	4,299	(605)	(1,104)	941	22,841
Depreciation and amortisation						
Unallocated						1,401
Segment	20,529	13,611	310	20,438	3,626	58,514
Investments in associates	4,230	-	-	-	-	4,230
Investment in a joint venture	4,789	-	-	-	-	4,789
Capital expenditure*						
Unallocated						2,369
Segment	13,568	830	98	6,085	85	20,666

\* 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 <i>RMB'000</i>	Sales assistance business <i>RMB'000</i>	Cleaning and greening business <i>RMB'000</i>	Real estate agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2019						
<b>Segment revenue (note 4)</b>						
Sales to external customers	1,138,745	40,361	31,595	185,913	122,868	1,519,482
Intersegment sales	<u>4,133</u>	<u>–</u>	<u>95,927</u>	<u>–</u>	<u>6,275</u>	<u>106,335</u>
	1,142,878	40,361	127,522	185,913	129,143	1,625,817
<i>Reconciliation:</i>						
Eliminations of intersegment sales						<u>(106,335)</u>
Revenue from continuing operations						<u><u>1,519,482</u></u>
Segment results	186,204	8,511	14,312	25,745	13,441	248,213
<i>Reconciliation:</i>						
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 costs (other than interest on lease liabilities)						<u>(17,451)</u>
Profit before tax						<u><u>174,979</u></u>

### 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	<u>2,037,366</u>
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(838,616)
Corporate and other unallocated assets						<u>695,876</u>
Total assets						<u><u>1,894,626</u></u>
Segment liabilities	694,890	21,010	22,293	134,144	87,255	<u>959,592</u>
<i>Reconciliation:</i>						
Elimination of intersegment payables						(838,616)
Corporate and other unallocated liabilities						<u>1,035,725</u>
Total liabilities						<u><u>1,156,701</u></u>
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	18,527	4,124	(194)	2,412	1,894	26,763
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.

#### Geographical information

Since 100% of the Group's revenue and operating profit were generated in Mainland China and over 90% of the Group's non-current assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Revenue from contracts with customers		
Rendering of services	<b>1,729,266</b>	1,496,455
Sales of goods	<b>23,051</b>	23,027
	<b><u>1,752,317</u></b>	<u>1,519,482</u>

##### Revenue from contracts with customers

##### (i) Disaggregated revenue information

##### For the year ended 31 December 2020

<u>Segments</u>	Property management business <i>RMB'000</i>	Sales assistance business <i>RMB'000</i>	Cleaning and greening business <i>RMB'000</i>	Real estate agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Type of goods or services</b>						
Rendering of services	1,242,251	40,351	83,567	237,863	125,234	1,729,266
Sales of goods	–	–	–	–	23,051	23,051
	<u>1,242,251</u>	<u>40,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>
Total revenue from contracts with customers	<u>1,242,251</u>	<u>40,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>
<b>Geographical markets</b>						
Mainland China	<u>1,242,251</u>	<u>40,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>
<b>Timing of revenue recognition</b>						
Revenue recognised over time	1,242,251	40,351	83,567	–	125,234	1,491,403
Revenue recognised at a point of time	–	–	–	237,863	23,051	260,914
	<u>–</u>	<u>–</u>	<u>–</u>	<u>237,863</u>	<u>23,051</u>	<u>260,914</u>
Total revenue from contracts with customers	<u>1,242,251</u>	<u>40,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>

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

##### Revenue from contracts with customers (Continued)

##### (i) Disaggregated revenue information (Continued)

##### For the year ended 31 December 2019

<u>Segments</u>	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
<b>Type of goods or services</b>						
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	<u>1,138,745</u>	<u>40,361</u>	<u>31,595</u>	<u>185,913</u>	<u>122,868</u>	<u>1,519,482</u>
<b>Geographical markets</b>						
Mainland China	<u>1,138,745</u>	<u>40,361</u>	<u>31,595</u>	<u>185,913</u>	<u>122,868</u>	<u>1,519,482</u>
<b>Timing of revenue recognition</b>						
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	<u>1,138,745</u>	<u>40,361</u>	<u>31,595</u>	<u>185,913</u>	<u>122,868</u>	<u>1,519,482</u>

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 2020

<u>Segments</u>	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
<b>Revenue from contracts with customers</b>						
External customers	1,242,251	40,351	83,567	237,863	148,285	1,752,317
Intersegment sales	<u>15,790</u>	<u>—</u>	<u>93,162</u>	<u>926</u>	<u>121,747</u>	<u>231,625</u>
Intersegment adjustments and eliminations	<u>(15,790)</u>	<u>—</u>	<u>(93,162)</u>	<u>(926)</u>	<u>(121,747)</u>	<u>(231,625)</u>
Total revenue from contracts with customers	<u>1,242,251</u>	<u>40,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>

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

##### Revenue from contracts with customers (Continued)

##### (i) Disaggregated revenue information (Continued)

##### For the year ended 31 December 2019

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

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:

	<b>2020</b> <b><i>RMB'000</i></b>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property management services ( <i>note 15</i> )	<b><u>123,057</u></b>
	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property management services	<u>92,010</u>

#### 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.

###### *Provision of 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.

###### *Provision of cleaning and greening 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.

###### *Provision of Real estate agency services*

The performance obligation is satisfied upon delivery of the services. The property buyer has executed the sale and purchase agreement and made the required payments according to the terms and conditions stated in different agency contracts and payment is generally due within 60 days from the date of billing.

###### *Provision of Landscaping design and construction 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. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

###### *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 2020 and 31 December 2019 are as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Within one year	<u><b>123,359</b></u>	<u>123,057</u>

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

##### Revenue from contracts with customers (Continued)

##### (ii) Performance obligations (Continued)

##### *Sales of goods (Continued)*

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.

	2020 RMB'000	2019 RMB'000
<b>Other income</b>		
Bank interest income	4,559	2,358
Other interest income from financial assets at fair value through profit or loss	2,412	2,148
Government grants	39,969	16,290
Rental income	5,240	7,169
Others	–	62
	<u>52,180</u>	<u>28,027</u>
<b>Gains</b>		
Fair value gains on investment properties	695	4,052
Gain on disposal of items of property and equipment	–	1,765
Net foreign exchange gain	2,034	–
	<u>2,729</u>	<u>5,817</u>
	<u><u>54,909</u></u>	<u><u>33,844</u></u>

## 5. PROFIT BEFORE TAX

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

		2020	2019
	Notes	RMB'000	RMB'000
Cost of services provided		1,294,826	1,099,991
Cost of goods sold		15,850	16,050
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Salaries and other benefits		660,843	503,652
Retirement benefit scheme contributions		10,099	15,908
Share-based payment expenses of the Company		–	4,713
		<b>670,942</b>	<b>524,273</b>
Depreciation of items of property and equipment		22,932	16,553
Depreciation of right-of-use assets		23,050	12,026
Amortisation of other intangible assets		13,933	16,157
Impairment of financial assets, net			
Net impairment losses recognised of trade receivables		16,989	13,369
Net impairment losses recognised of other receivables	13	5,848	11,093
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	(696)	(4,052)
Gross rental income		(5,240)	(7,169)
Foreign exchange (gains)/losses		(2,034)	3,334
Lease payments not included in the measurement of lease liabilities		1,518	577
Fair value adjustment of contingent consideration		260	174
Bank interest income		(4,559)	(2,358)
Loss/(gain) on disposal of items of property and equipment		69	(1,765)
Auditor's remuneration		4,500	4,914
Other interest income from financial assets at fair value through profit or loss		(2,412)	(2,148)
Gain on disposal of a subsidiary		(1,520)	–
Government grants*		<b>(39,969)</b>	<b>(16,290)</b>

\* 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:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Interest on bank borrowings	<b>9,905</b>	7,248
Interest expenses imputed on consideration payable	<b>4,652</b>	10,203
Interest on lease liabilities	<b>3,507</b>	4,050
	<u><b>18,064</b></u>	<u>21,501</u>

## 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 2020 (2019: 25%) on the assessable profits of the Group’s subsidiaries in Mainland China, except for those subsidiaries which 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.

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Current – Mainland China:		
Charge for the year	<b>45,944</b>	61,654
Deferred tax	<b>5,895</b>	(20,595)
	<u><b>51,839</b></u>	<u>41,059</u>
Total tax charge for the year	<u><b>51,839</b></u>	<u>41,059</u>

## 8. DIVIDENDS

During 2020, a dividend of HKD2.75 cents per share in respect of the year ended 31 December 2019 was declared by the directors of the Company and approved in the Company’s annual general meeting on 29 May 2020. Dividends amounting to RMB20,534,000 were paid on 15 June 2020 (2019: RMB18,209,000).

## 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 837,350,658 shares (2019: 817,354,219 shares) in issue during the year.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>131,509</u>	<u>108,568</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>837,350,658</u>	<u>817,354,219</u>

For the years ended 31 December 2020 and 2019, 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 2020 and 2019.

## 10. INVESTMENT PROPERTIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amount at 1 January	183,309	184,384
Additions	832	570
Transfer from owner-occupied property	5,045	–
Transfer to owner-occupied property	(931)	(1,842)
Disposal	–	(3,855)
Net gain from fair value adjustments	<u>696</u>	<u>4,052</u>
Carrying amount at 31 December	<u>188,951</u>	<u>183,309</u>

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

The Group's investment properties are all those properties situated 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. The Group's investment properties were revalued on 31 December 2020 based on 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 2020. Each year, the Group's property manager and the chief 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 chief 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.

The Group's investment properties with a carrying value of RMB54,187,000 (2019: RMB146,431,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2020.

## 10. INVESTMENT PROPERTIES (Continued)

### 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 2020 using				
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurement for:				
Commercial properties	–	–	188,951	188,951
Fair value measurement as at 31 December 2019 using				
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurement for:				
Commercial properties	–	–	183,309	183,309

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 (2019: Nil).

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amount at 1 January	183,309	184,384
Additions	832	570
Transfer from owner-occupied property	5,045	–
Transfer to owner-occupied property	(931)	(1,842)
Disposal	–	(3,855)
Net gain from fair value adjustments	696	4,052
Carrying amount at 31 December	188,951	183,309

## 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	Range	
			2020	2019
Commercial properties	Direct comparison method	Market unit price (RMB/sq.m.)	7–24	7–24

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

## 11. PREPAYMENTS FOR ACQUISITION OF PROPERTIES

As at 31 December 2020, the Group had deposits of RMB15,634,000 (2019: RMB55,839,000) in relation to the acquisition of properties situated in Mainland China paid to property developers. The Group has paid RMB6,469,000 (2019: RMB46,576,000) for acquisition of new properties in 2020.

## 12. TRADE RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	490,156	431,479
Less: Impairment allowance	(115,954)	(99,219)
	<u>374,202</u>	<u>332,260</u>

Trade 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 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 RECEIVABLES (Continued)

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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Within 30 days	<b>37,180</b>	30,111
Over 30 days and within 90 days	<b>48,797</b>	63,052
Over 90 days and within 180 days	<b>51,373</b>	68,032
Over 180 days and within 365 days	<b>106,079</b>	74,029
Over one year	<b>130,773</b>	97,036
	<b>374,202</b>	332,260

## 13. PREPAYMENTS AND OTHER RECEIVABLES

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Payment on behalf of customers to utility suppliers	<b>76,439</b>	109,847
Deposits paid to utility suppliers	<b>53,366</b>	27,573
Other receivables	<b>138,307</b>	121,411
Prepayments	<b>65,315</b>	64,675
Other taxes recoverable	<b>879</b>	2,470
	<b>334,306</b>	325,976
Less: Impairment allowance	<b>(30,736)</b>	(37,744)
Total	<b>303,570</b>	288,232

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

	<b>2020 RMB'000</b>	2019 RMB'000
At beginning of year	<b>(37,744)</b>	(26,651)
Impairment loss, net ( <i>note 5</i> )	<b>(5,848)</b>	(11,093)
Write-off	<b>6,082</b>	–
Disposal of a subsidiary	<b>6,774</b>	–
	<b>(30,736)</b>	(37,744)

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 as at 31 December 2020 ranged from 3% to 30% (2019: 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:

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Within 60 days	<b>60,596</b>	122,441
Over 60 days and within 180 days	<b>3,650</b>	5,020
Over 180 days and within 365 days	<b>3,967</b>	1,706
Over one year	<b>4,144</b>	7,723
	<b><u>72,357</u></b>	<u>136,890</u>

The trade payables are non-interest-bearing 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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Contract liabilities (a)	<b>123,359</b>	123,057
Receipts on behalf of community residents for utilities	<b>208,079</b>	238,681
Received in advance	<b>6,167</b>	–
Accruals	<b>177,017</b>	131,120
Other payables	<b>40,983</b>	24,527
Deposits received	<b>65,429</b>	56,210
Other payable for option	<b>–</b>	22,500
Amounts due to non-controlling equity holders of subsidiaries	<b>164,677</b>	25,602
Other tax payables	<b>50,523</b>	23,450
	<b><u>836,234</u></b>	<u>645,147</u>

As at 31 December 2020, the Group's amounts due to non-controlling equity holders of subsidiaries included outstanding consideration payable in respect of the Group's acquisition of the equity interests in the subsidiaries from those non-controlling equity holders which are unsecured, interest-free and have no fixed term of repayment.

Except for other payables for option and amounts due to non-controlling equity holder of Huihuang Property and Huihuang Real Estate, other payables are non-interest-bearing and have an average term of three months.

(a) Details of contract liabilities as at 31 December 2020 and 1 January 2020 are as follows:

	<b>31 December 2020 RMB'000</b>	1 January 2020 RMB'000
<i>Short-term advances received from customers</i>		
Property management services (note 4)	<b><u>123,359</u></b>	<u>123,057</u>

Contract liabilities include short-term advances received to deliver property management services.

## 16. SHARE CAPITAL

### Shares

	Number of ordinary shares	Nominal value of HKD0.01 each <i>HKD'000</i>
<b>Authorised:</b>		
At 1 January 2020 and 31 December 2020	<u>8,000,000,000</u>	<u>80,000</u>
<b>Issued and fully paid:</b>		
At 31 December 2019 and 1 January 2020	817,622,000	8,176
Shares issued ( <i>note a</i> )	<u>36,928,000</u>	<u>369</u>
<b>At 31 December 2020</b>	<u><u>854,550,000</u></u>	<u><u>8,545</u></u>

- (a) On 19 June 2020, 36,928,000 shares were allotted and issued at consideration of HKD0.98 each for a total consideration of HKD36,189,000 (equivalent to approximately RMB33,021,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is a leading independent property management company in China. In 2020, the Group has the following recognition and awards.

On January 2020, the Group has received 2020廣州國際智慧物業博覽會優秀組織獎榮譽稱號 (the honorary title of Year 2020 Guangzhou International Intelligent Property Exhibition Excellent Organization Prize\*), 廣州市物業管理行業協會成立二十五周年卓越企業 (Guangzhou City Property Management Industry Association Establishment of 25 years anniversary Excellent Enterprise) and 優秀副會長單位 (Excellent Assistant President Unit\*) by 廣州市物業管理行業協會 (Guangzhou City Property Management Industry Association\*).

On March 2020, the Group has received “抗疫先鋒物業項目 (Anti-epidemic pioneer property projects\*)” for the two buildings located in Hangzhou under the Group’s management by 杭州市蕭山區住宅和城鄉建設局 (Hangzhou City Xiaoshan District Residential Houses and City Municipal Construction Bureau\*).

On April 2020, the Group has received 2020年物業管理優秀小區 (Year 2020 Property Management Excellent Small District\*) by 湖州市仁皇山委員會 (Huzhou City Renhuang Shan Committee\*).

On May 2020, the Group has received 2020中國上市物業服務投資價值優秀企業 (2020 China Excellent Listed Property Management Company by Investment Value\*), 2020中國物業服務百強企業 (2020 China Top 100 Property Management Companies in China\*) and 2020中國物業服務行業市場化營運領先企業 (2020 China Property Management Industry Marketing Operation Leading Company\*) by 中國指數研究院 (China Index Academy\*). The Group has received 勞務協作愛心企業 (Labour Services Coordination Loving Company\*) by 寧波市人力資源和社會保障局 (Ningbo City Human Resources and Social Security Bureau\*).

On August 2020, the Group has received 2020藍籌物業百強企業 (2020 Blue Chip Property Top 100 Company\*) and 卓越投資價值企業 (Excellent Company by Investment Value\*) by 經濟觀察報 (The Economic Observer\*). The Group has also received 2020年度承諾誠信經營企業稱號 (Year 2020 Commitment to Integrity Management Enterprise Title\*) by 佛山市消費者委員會 (Foshan City Consumers Council\*).

On October 2020, the Group has received 2020年度上海市物業管理優秀示範項目 (居住物業) 稱號 (Year 2020 Shanghai City Property Management Excellent Demonstrated Project (Residential Property) Title\*) on a residential unit in Shanghai under the Group’s management by 上海市物業管理行業協會 (Shanghai City Property Management Industry Association\*).

On November 2020, the Group has received 2020 Asia Pacific Enterprise Award Master Entrepreneur Category in Property Development Industry trophy by Enterprise Asia.

\* For identification purpose only

On December 2020, the Group has received 2020廣東省物業服務綜合發展實力企業 (2020 Guangdong Province Property Service Comprehensive Development Strength Enterprise\*) and 2020 大灣區物業服務品牌企業 (Well-known Property Management Enterprise in Great Bay Area in 2020\*) by 廣東省物業管理行業協會 (Guangdong Province Property Management Industry Association\*). The Group has also received 2020年度統計先進單位 (Year 2020 Statistical Leading Unit\*) by 上海市浦東新區統計局 (Shanghai City Pudong New District Statistics Bureau\*). In addition, the Group has received 2020廣西地產金牌服務公司 (2020 Guangxi Real Estate Gold Shield Services Company\*) by 南寧晚報 (Nanning Evening Post\*). The Group has received 2020廣西地產影響力品牌服務機構大獎 (2020 Guangxi Real Estate Influencing Brand Services Institution Grand Prize\*) by 廣西日報傳媒集團 (Guangxi Daily Media Group\*).

As at 31 December 2020, 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 613 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, provision of sales assistance services, provision of cleaning and greening services, provision of real estate agency services 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 personalised 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 2020, the Group had maintained its presence to 45 cities in China where it was contracted to manage a total of 613 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 remained the same compared to the aggregate contracted GFA of approximately 72.0 million sq.m. as at 31 December 2019. In relation to the delivered contracted GFA of approximately 65.6 million sq.m. as at 31 December 2020, it represented a growth of approximately 0.3% compared to the delivered contracted GFA of approximately 65.4 million sq.m. as at 31 December 2019.

\* For identification purpose only

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 maximising its economies of scale.

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 2020.



■ Eastern and Central China

■ Southern China

■ Northern China

■ Western China

1. Changde (1)
2. Chongqing (3)
3. Chuzhou (3)
4. Fuyang (1)
5. Hangzhou (60)
6. Heze (4)
7. Huaian (2)
8. Huanggang (1)
9. Huzhou (19)
10. Jiaxing (1)
11. Kaifeng (2)
12. Nanchang (1)
13. Nantong (14)
14. Nanyang (1)
15. Ningbo (298)
16. Quzhou (8)
17. Shanghai (18)
18. Shaoxing (9)
19. Suzhou (42)
20. Tāizhou (1)
21. Wenzhou (8)
22. Wuxi (8)
23. Xuancheng (3)
24. Yanán (2)
25. Yueyang (1)
26. Zhenjiang (3)
27. Zhoukou (1)

28. Cenxi (7)
29. Chongzuo (2)
30. Foshan (18)
31. Guangzhou (11)
32. Guigang (1)
33. Guilin (3)
34. Jiangmen (1)
35. Nanning (19)
36. Qingyuan (4)
37. Sanya (7)
38. Wenchang (1)
39. Wuzhou (8)
40. Zhaoqing (4)

41. Baotou (6)
42. Beijing (1)
43. Tianjin (1)
44. Zhangjiakou (3)

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 2020		As of 31 December 2019	
	<i>Sq.m. in thousands</i>	<i>No.</i>	<i>Sq.m. in thousands</i>	<i>No.</i>
<i>Residential properties</i>				
Eastern and Central China <sup>(1)</sup>	<b>43,020</b>	<b>326</b>	41,890	317
Southern China <sup>(2)</sup>	<b>13,649</b>	<b>63</b>	13,339	61
Northern China <sup>(3)</sup>	<b>1,979</b>	<b>7</b>	2,415	7
Subtotal	<b>58,648</b>	<b>396</b>	57,644	385
<i>Non-residential properties</i>	<b>6,913</b>	<b>153</b>	7,709	143
<b>Total</b>	<b>65,561</b>	<b>549</b>	65,353	528

As of 31 December 2020, the Group's contracted GFA of undelivered properties amounted to approximately 6.4 million sq.m. (2019: 6.6 million sq.m.)

Notes:

- (1) Including Changde, Chongqing, Chuzhou, Fuyang, Hangzhou, Heze, Huaian, Huanggang, Huzhou, Jiaxing, Kaifeng, Nanchang, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Taizhou, Wuxi, Xuancheng, Yueyang and Zhenjiang.
- (2) Including Cenxi, Foshan, Guangzhou, Guilin, Jiangmen, Nanning, Qingyuan, Sanya, Wenchang, Wuzhou and Zhaoqing.
- (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 2020		As of 31 December 2019	
	<i>Sq.m. in thousands</i>	<i>No.</i>	<i>Sq.m. in thousands</i>	<i>No.</i>
As at beginning of year	<b>71,971</b>	<b>584</b>	70,450	570
New engagements <sup>(1)</sup>	<b>5,275</b>	<b>78</b>	6,157	65
Acquisitions	–	–	3,991	30
Terminations <sup>(2)</sup>	<b>(5,232)</b>	<b>(49)</b>	(8,627)	(81)
As at end of year	<b>72,014</b>	<b>613</b>	71,971	584

*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 shuttle bus, security guard and maintenance services in the PRC, 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 and/or property management service providers 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 with established owners' association. Furthermore, when right opportunities arise, the Group will accelerate its expansion by expanding its business scope and coverage in China by means of acquisitions and cooperation.

Pursuant to the terms of the Joint Venture Agreement entered between the Group and the vendors in July 2016, the Group will acquire the remaining interests in Zhejiang Yongcheng Property Management Company Limited (“**Yongcheng**”) in four tranches of 7.5% each at a price of RMB22.5 million for each of the subsequent acquisition if the adjusted net profit of Yongcheng for each of the four financial years ending 31 December 2016, 2017, 2018 and 2019 will not be less than RMB32.0 million. Since the net profit of Yongcheng for the financial year of 2019 has met the profit guarantee provision provided to the Group, the Group entered into acquisition agreements with the vendors on 22 June 2020, to purchase the last tranche of 7.5% of the registered capital of Yongcheng at a consideration of RMB22.5 million.

Upon completion of the above acquisition, the Group holds 100.0% of the registered capital of Yongcheng in which Yongcheng becomes a wholly-owned subsidiary of the Company and its financial results have been fully 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 2020, the Group acquired 60% equity interest in 廣東金盾正安保安服務有限公司 (Guangdong Jindun Zhengan Security Services Company Limited\*) (“**Jindun Zhengan**”), a company established in the PRC with limited liability, for an aggregate consideration of RMB68.0 million. Jindun Zhengan is principally engaged in provision of security services and variety of outsourcing security services in the PRC.

In 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\*), to acquire 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 approximately 3,672.72 square metres at a total consideration of RMB46.1 million.

In June 2020, the Group acquired 51% equity interests in 廣東華瑞環境工程有限公司 (Guangdong Huarui Environmental Engineering Company Limited\*) (“**Guangdong Huarui**”), a company established in the PRC with limited liability, for an aggregate consideration of RMB40.0 million. Guangdong Huarui is principally engaged in provision of cleaning services, greening services and maintenance, and outdoor wall cleaning in the PRC.

In June 2020, the Group entered into a cooperation agreement (the “**Cooperation Agreement**”) with Greentown Service Group Co. Ltd. (“**Greentown Service**”), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2869), pursuant to which the Group and Greentown Service agreed to cooperate comprehensively in areas such as life services and property services business. Greentown Service is a leading high-end residential property management service provider in the PRC with a diversified portfolio comprising property service, consulting service and community living service.

Pursuant to the Cooperation Agreement, the Company and Greentown Service agreed to jointly establish a life service company (the “**JV Company**”) with registered capital of RMB5.0 million, which shall be owned as to 30% by the Company and 70% by Greentown Service. The Company will inject RMB1.5 million and Greentown Service will inject RMB3.5 million into the JV Company and Greentown Service undertook to provide life services products, technology, service systems and professional resources to the JV Company.

Pursuant to the Cooperation Agreement, it was further agreed between the parties that (i) for any property services businesses that Greentown Service decides not to undertake by reasons of, among others, its service position and cost structure, Greentown Service agreed to give priority to recommend such businesses to the Company; (ii) within 6 years from the date of the Cooperation Agreement, Greentown Service agreed to give priority to consider the Company and its affiliates for undertaking Greentown Service’s outsourcing businesses, such as the provision of cleaning, security, maintenance and elevator maintenance services, on the basis that the terms offered by the Company and its affiliates shall not be less favorable than those offered by independent third parties to Greentown Service and provided that the Company and its affiliates possess the requisite professional qualifications, the quality of services to be provided shall reach the quality standard required by Greentown Service and the service fees to be charged shall be in line with the prevailing market prices; and (iii) commencing from 1 July 2021 and subject to fulfilment of the foregoing requirements and the relevant requirements under all applicable laws and regulations and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), Greentown Service and the Company and/or its affiliates shall enter into the relevant property services agreements for engaging the Company and/or its affiliates to provide the above property services with turnover of the relevant business services of not less than RMB300.0 million per year and with an increment of RMB200.0 million every year since the third year of cooperation.

In July 2020, the Group acquired 70% equity interests in 廣東迅華電氣技術有限公司 (Guangdong Xunhua Electrical Engineering Technology Company Limited\*) (“**Guangdong Xunhua**”), a company established in the PRC with limited liability, for an aggregate consideration of RMB40.0 million. Guangdong Xunhua is principally engaged in provision of advanced wisdom engineering services in the PRC.

In August 2020, the Group purchased 100% equity interests in 濟南快勤服務有限公司 (Jinan Express Service Company Limited\*) (“**Jinan Express Service**”) at a total consideration of RMB39.7 million. Upon completion, Jinan Express Service has become a wholly owned subsidiary of the Company. Jinan Express Service is principally engaged in indoor cleaning, outdoor cleaning and greening services, shuttle bus, catering, security guard and maintenance services in the PRC.

In December 2020, the Group purchased 100% equity interests in 廣州諾登電梯服務有限公司 (Guangzhou Nuodeng Elevator Services Company Limited\*) (“**Guangzhou Nuodeng**”) at a total consideration of RMB5.1 million in full settlement by 49% equity interest in 寧波永都電梯工程有限公司 (Ningbo Yongdu Elevator Engineering Company Limited\*) (“**Ningbo Yongdu**”). Upon completion, Guangzhou Nuodeng has become a wholly owned subsidiary of the Company. Guangzhou Nuodeng is principally engaged in installation, repair and maintenance of elevator in the PRC.

It is expected that (i) acquisition of Jindun Zhengan can extend security guard and maintenance services; (ii) acquisition of a new property can have a better working environment to capture the majority of the business lines staff together; (iii) investment in Guangdong Huarui will capture more extensive size cleaning services projects in the PRC; (iv) strategic cooperation with Greentown Service can break through a new era for the Group to step into a higher position in the industry; (v) investment in Guangdong Xunhua can extend wisdom engineering services; and (vi) investment in Jinan Express Service and Guangzhou Nuodeng will further extend more value adding services on indoor cleaning, outdoor cleaning and greening services, shuttle bus, catering, security guard and maintenance services and installation, repair and maintenance of elevator in the PRC for the Group.

## FINANCIAL PERFORMANCE REVIEW

### Revenue

During the year ended 31 December 2020, the Group recorded revenue of approximately RMB1,752.3 million, representing an increase of 15.3% over the year 2019.

Increase in the Group's revenue was primarily attributable to the growth in property management business revenue from approximately RMB1,138.7 million for the year ended 31 December 2019 to approximately RMB1,242.3 million for the year ended 31 December 2020 and represented 9.1% increase over the corresponding year. In addition, the Group's revenue generated from real estate agency business has increased by approximately RMB52.0 million, from cleaning and greening business has increased by approximately RMB52.0 million and from other businesses has increased by approximately RMB25.4 million.

Breakdown of Revenue by business line and services

	<b>For the year ended</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Property management business				
— Property management services	<b>1,242,251</b>	1,138,745	103,506	9.1
— Sale assistance services	<b>40,351</b>	40,361	-10	-0.1
Cleaning and greening business	<b>83,567</b>	31,595	51,972	164.5
Real estate agency business	<b>237,863</b>	185,913	51,950	27.9
Other business	<b>148,285</b>	122,868	25,417	20.7
	<b><u>1,752,317</u></b>	<b><u>1,519,482</u></b>	<b><u>232,835</u></b>	<b><u>15.3</u></b>

## 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 RMB103.5 million or approximately 9.1% over 2019 primarily due to increase of property management services revenue of approximately RMB68.0 million from 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**") and of approximately RMB10.0 million from 桂林中奧恒信物業服務有限公司 (Guilin Hengxin Property Services Company Limited\*) ("**Guilin Hengxin**"), those were newly acquired during 2019.

### *Sales assistance services*

Revenue from the sale assistance services for the year ended 31 December 2020 was approximately RMB40.4 million, which was similar to that of approximately RMB40.4 million in 2019.

### *Cleaning and greening business*

Revenue from cleaning and greening business for the year ended 31 December 2020 was approximately RMB83.6 million, comparing to RMB31.6 million, representing an increase of approximately RMB52.0 million or 164.5%. The increase was primarily due to acquisition of Guangdong Huarui during the year.

### *Real estate agency business*

Revenue from real estate agency business for the year ended 31 December 2020 was approximately RMB237.9 million, comparing to approximately RMB185.9 million, representing an increase of approximately RMB52.0 million or 27.9%. The increase was mainly due to the full year count of revenue in 2020 instead of cut off count of eight months revenue since its acquisition in April 2019.

### *Other businesses*

Revenue from other businesses increased from approximately RMB122.9 million for the year ended 31 December 2019 to approximately RMB148.3 million for the year ended 31 December 2020. The increase of approximately RMB25.4 million or 20.7% over the year was mainly due to the revenue generated from newly acquired subsidiaries 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 17.4% from approximately RMB1,116.0 million for the year ended 31 December 2019 to approximately RMB1,310.7 million for the year ended 31 December 2020. 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			
	2020		2019	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Property management business				
— Property management services	330,189	26.6	295,572	26.0
— Sale assistance services	11,973	29.7	8,511	21.1
Cleaning and greening business	11,715	14.0	19,553	61.9
Real estate agency business	61,847	26.0	59,568	32.0
Other business	25,917	17.5	20,237	16.5
Overall	441,641	25.2	403,441	26.6

The Group's gross profit for the year ended 31 December 2020 was RMB441.6 million, comparing to RMB403.4 million in 2019, representing an increase of RMB38.2 million, or 9.5%. The Group's gross profit margin decreased from 26.6% for the year ended 31 December 2019 to 25.2% in 2020.

## Other Income and Gains

The Group's other income and gains for the year ended 31 December 2020 was approximately RMB54.9 million, comparing to approximately RMB33.8 million in 2019, representing an increase of RMB21.1 million, or 62.4%. The increase was primarily due to the increase in government grants of approximately RMB23.7 million for subsidy to subsidiaries to face the challenge under the Covid-19 epidemic.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses for the year ended 31 December 2020 were approximately RMB12.6 million, comparing to approximately RMB13.5 million in 2019, representing a decrease of approximately RMB0.9 million, or 6.7%. The decrease was primarily due to decrease in remuneration to sales personnels of approximately RMB2.0 million.

## **Administrative Expenses**

The Group's administrative expenses for the year ended 31 December 2020 was approximately RMB238.4 million, comparing to approximately RMB192.3 million in 2019, representing an increase of approximately RMB46.1 million, or 24.0%. The increase was primarily due to the net effect of (i) the employee remuneration increased by approximately RMB38.1 million for the newly acquired businesses; (ii) higher depreciation charge of fixed asset items of approximately RMB3.9 million; (iii) office expenses increased by approximately RMB2.3 million for expansion of the Group's scale; and (iv) higher advisory fee of approximately RMB2.9 million.

## **Net Impairment Losses Recognised on Financial Assets**

The Group's net impairment losses on financial assets were approximately RMB22.8 million for the year ended 31 December 2020, comparing to net impairment losses on financial assets of approximately RMB26.8 million for the year ended 31 December 2019, representing a decrease of approximately RMB4.0 million in the provision for impairment losses on financial assets which was primarily due to improvement of trade receivables ageing.

## **Finance Costs**

The Group's net finance expenses amounted to approximately RMB18.1 million for the year ended 31 December 2020 comparing to net finance expenses for year ended 31 December 2019 of approximately RMB21.5 million, representing a decrease of approximately RMB3.4 million or 15.8%. The decrease was primarily due to lower interest expense of approximately RMB5.6 million imputed on consideration payable.

## **Income Tax**

The Group's income tax expense for the year ended 31 December 2020 was approximately RMB51.8 million. The Group's effective tax rate increased from 23.5% for the year ended 31 December 2019 to 25.6% in 2020, which was primarily due to the decrease of non-deductible expenses and increase in income not subject to tax.

## **Goodwill**

As at 31 December 2020, the Group recorded goodwill of approximately RMB380.0 million, representing an increase of 53.0% as compared with that of approximately RMB248.3 million as at 31 December 2019. 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 Receivables**

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

As at 31 December 2020, total trade receivables of the Group amounted to approximately RMB374.2 million, representing an increase of approximately RMB41.9 million compared to approximately RMB332.3 million as at 31 December 2019. The increase was primarily due to (i) the expansion of the Group's business scale; and (ii) the increase of trade receivables after the acquisition of a number of subsidiaries in 2020.

### **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 2020, the Group's prepayments and other receivables amounted to approximately RMB303.6 million, representing an increase of approximately RMB15.4 million compared to approximately RMB288.2 million as at 31 December 2019. The increase was primarily due to increase in other receivables by approximately RMB16.9 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 RMB15.0 million mainly represented the fair value of the options to dispose the acquired equity interest in the newly acquired subsidiaries to the non-controlling equity holders. Increase in financial assets at fair value through profit or loss from approximately RMB2.5 million as at 31 December 2019 to approximately RMB15.0 million as at 31 December 2020 was mainly due to further acquisition of a number of subsidiaries during the year.

### **Trade Payables**

Trade payables primarily comprise payables to sub-contractors of the Group's property management services. Trade payables decreased from approximately RMB136.9 million as at 31 December 2019 to approximately RMB72.4 million as at 31 December 2020. This was primarily due to less utilisation of third party value adding services after acquisition of related subsidiaries during the year.

### **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 RMB645.1 million as at 31 December 2019 to approximately RMB836.2 million as at 31 December 2020. The increase

was primarily due to the net effect of (i) the increase of approximately RMB62.3 million in other payable and accruals; (ii) the increase in amounts due to non-controlling equity holders of a subsidiary of approximately RMB139.1 million; and (iii) the increase of approximately RMB27.1 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 2020, net working capital (calculated as current assets less current liabilities) was approximately RMB99.2 million, representing a decrease of RMB24.5 million from RMB123.7 million as at 31 December 2019. The current ratios (calculated as current assets/current liabilities) are 1.1 times as at 31 December 2020 (2019: 1.1 times).

As at 31 December 2020, the Group's borrowings were denominated in RMB except for unsecured borrowings amounting to RMB20,071,000 (31 December 2019: RMB42,235,000) which were denominated in HKD. A non-controlling equity holder of a subsidiary of the Company provided a personal guarantee in respect of certain bank loans granted to the Group up to RMB7,750,000 (31 December 2019: RMB35,000,000) at nil consideration as at 31 December 2020. The bank borrowing balances of the Group bore interest at floating rates, except for bank and other borrowings of RMB58,200,000 at 31 December 2020 (31 December 2019: RMB88,300,000) that bore interest at fixed rates. The carrying amounts of the interest-bearing bank borrowings approximate to their fair values.

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 2020, 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 minimise 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 2020, the Group was in a strong financial position with a net cash position amounting to RMB251.8 million (2019: RMB301.9 million). Accordingly, no gearing ratio is presented.

### **Pledge of Assets**

At 31 December 2020, investment properties of RMB54.2 million (2019: RMB146.4 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 2020.

## **Employees and Remuneration Policies**

As at 31 December 2020, the Group had approximately 9,735 (2019: 9,065) 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 2020, the Group acquired 100% equity interests in 廣州諾登電梯服務有限公司 (“**Guangzhou Nuodeng**”) at a total consideration of RMB5.1 million in full settlement by 49% equity interest of a subsidiary of the Group. Upon completion of the acquisition, Guangzhou Nuodeng becomes a subsidiary of the Group. This acquisition is subsequently completed in January 2021.

On 26 March 2021, the board of directors has resolved to recommend the payment of a final dividend of HKD3.00 cents per share for the year ended 31 December 2020 (2019: HKD2.75 cents) to the shareholders whose names appear on the register of members of the Company on 8 June 2021. 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 2 July 2021. 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 2020.

Save as disclosed above in this announcement, at 31 December 2020, 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 HKD3.00 cents per share for the year ended 31 December 2020 (2019: 2.75 cents) to the shareholders whose names appear on the register of members of the Company on 8 June 2021, making the total dividend payment of approximately HKD25.6 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 2 July 2021. 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 is scheduled to be held on Monday, 31 May 2021 and a notice convening the AGM will be published and despatched in the manner as required by the Listing Rules in due course.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The forthcoming AGM is scheduled to be held on Monday, 31 May 2021. To ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, 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 Tuesday, 25 May 2021.

To ascertain the entitlement to the proposed final dividend for the year ended 31 December 2020, the register of members of the Company will be closed from 4 June 2021 to 8 June 2021, 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 2020, 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 3 June 2021.

## **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 2020, 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 2020 have been reviewed by the Audit Committee.

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

During the year ended 31 December 2020, 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 2020.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2020. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

## **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](http://www.hkexnews.hk)) and the Company ([www.gdzawy.com](http://www.gdzawy.com)). The annual report for the year ended 31 December 2020 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, 26 March 2021

*As at the date of this announcement, the Board comprises Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin as executive Directors, Mr. Wu Zhihua and Ms. Jin Keli as non-executive Directors, and Mr. Zhang Weilun, Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Huang Anxin as independent non-executive Directors.*

\* *for identification purpose only*