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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2022, the revenue amounted to approximately RMB821.2 million, representing a decrease of 11.9% as compared with the corresponding period in 2021.
- For the six months ended 30 June 2022, the gross profit amounted to approximately RMB195.3 million, representing a decrease of 19.6% as compared with the corresponding period in 2021.
- For the six months ended 30 June 2022, the net profit amounted to approximately RMB66.4 million, representing a decrease of 19.9% as compared with the corresponding period in 2021.
- For the six months ended 30 June 2022, the basic earnings per share amounted to RMB7.1 cents, representing a decrease of 12.3% as compared with the corresponding period in 2021.
- The Board has resolved not to declare an interim dividend for the period (2021: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Zhong Ao Home Group Limited (the “**Company**” or “**Zhong Ao**”) is pleased to announce the unaudited financial information of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2022

		For the six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB’000	RMB’000
		(Unaudited)	(Unaudited)
REVENUE	5	821,183	931,704
Cost of sales and services		<u>(625,848)</u>	<u>(688,762)</u>
GROSS PROFIT		195,335	242,942
Other income and gains		25,269	19,964
Selling and distribution expenses		(1,814)	(7,613)
Administrative expenses		(93,869)	(114,766)
Impairment losses on financial assets, net		(21,704)	(19,259)
Share of profits and losses of:			
Joint ventures		2,661	2,432
Associates		353	519
Other expenses		(9,159)	(4,484)
Finance costs		<u>(1,452)</u>	<u>(5,060)</u>
PROFIT BEFORE TAX	6	95,620	114,675
Income tax expenses	7	<u>(29,237)</u>	<u>(31,844)</u>
PROFIT FOR THE PERIOD		<u>66,383</u>	<u>82,831</u>
Attributable to:			
Owners of the parent		60,822	68,978
Non-controlling interests		<u>5,561</u>	<u>13,853</u>
		<u>66,383</u>	<u>82,831</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
— For profit for the period (RMB)		<u>0.071</u>	<u>0.081</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	66,383	82,831
OTHER COMPREHENSIVE INCOME		
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	–	695
Income tax effect	–	(174)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	–	521
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	–	521
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	66,383	83,352
Attributable to:		
Owners of the parent	60,822	69,499
Non-controlling interests	5,561	13,853
	66,383	83,352

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property and equipment		127,098	139,624
Investment properties	10	178,556	178,012
Right-of-use assets		11,079	10,365
Prepayments for acquisition of properties	11	14,058	14,206
Goodwill		240,269	302,642
Other intangible assets		54,534	59,961
Investments in joint ventures		4,993	5,153
Investments in associates		6,635	6,283
Long-term deposits		2,110	2,435
Deferred tax assets		58,297	56,506
		<hr/>	<hr/>
Total non-current assets		697,629	775,187
CURRENT ASSETS			
Inventories		4,691	50,261
Trade and bills receivables	12	539,445	410,513
Prepayments, deposits and other receivables	13	332,616	500,982
Financial assets at fair value through profit or loss		5,676	14,076
Cash and cash equivalents		411,301	436,464
		<hr/>	<hr/>
Total current assets		1,293,729	1,412,296
CURRENT LIABILITIES			
Trade payables	14	86,841	96,392
Other payables and accruals	15	699,614	832,098
Interest-bearing bank and other borrowings		68,290	41,097
Lease liabilities		10,528	9,944
Tax payable		128,258	126,792
		<hr/>	<hr/>
Total current liabilities		993,531	1,106,323
NET CURRENT ASSETS		<hr/> 300,198	<hr/> 305,973
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 997,827	<hr/> 1,081,160

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

	30 June 2022	31 December 2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	–	14,859
Lease liabilities	3,412	2,877
Deferred tax liabilities	25,868	22,366
Other long-term payables	–	57,953
	<hr/>	<hr/>
Total non-current liabilities	29,280	98,055
	<hr/>	<hr/>
NET ASSETS	968,547	983,105
	<hr/> <hr/>	<hr/> <hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	7,082	7,082
Reserves	893,423	892,173
	<hr/>	<hr/>
	900,505	899,255
Non-controlling interests	68,042	83,850
	<hr/>	<hr/>
TOTAL EQUITY	968,547	983,105
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 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 real estate consulting and 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. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3 Amendment to HKAS 16	<i>Reference to the Conceptual Framework Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment to HKAS 37 <i>Annual Improvements to HKFRSs 2018–2020</i>	<i>Onerous Contracts – Cost of Fulfilling a Contract Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The application of the amendments to the HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior period and/or on the disclosures set out in these condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

Operating segments

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

	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate consulting and agency business RMB'000	Other businesses RMB'000	Total RMB'000
For the six months ended 30 June 2022 (unaudited)						
Segment revenue						
External sales	642,978	9,360	104,366	3,476	61,003	821,183
Intersegment sales	4,235	-	42,357	-	62,452	109,044
	<u>647,213</u>	<u>9,360</u>	<u>146,723</u>	<u>3,476</u>	<u>123,455</u>	<u>930,227</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales	(4,235)	-	(42,357)	-	(62,452)	(109,044)
Total revenue	<u>642,978</u>	<u>9,360</u>	<u>104,366</u>	<u>3,476</u>	<u>61,003</u>	<u>821,183</u>
Segment results	70,715	2,469	23,463	896	12,830	110,373
<i>Reconciliation:</i>						
Bank interest income						3,772
Other interest income of financial assets at fair value through profit or loss						48
Change in fair value of investment properties						453
Change in fair value of financial assets/ liabilities at fair value through profit or loss						(6,452)
Net foreign exchange losses						(126)
Corporate expenses						(22,622)
Share of profits of joint ventures						2,661
Share of profits of associates						353
Finance costs (other than interest on lease liabilities)						(1,209)
Gain on disposal of subsidiaries						8,369
Profit before tax						<u>95,620</u>

4. 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 consulting and agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2021 (unaudited)						
Segment revenue						
External sales	659,116	16,645	83,094	105,994	66,855	931,704
Intersegment sales	4,590	–	47,539	926	74,069	127,124
	663,706	16,645	130,633	106,920	140,924	1,058,828
<i>Reconciliation:</i>						
Elimination of intersegment sales	(4,590)	–	(47,539)	(926)	(74,069)	(127,124)
Total revenue	<u>659,116</u>	<u>16,645</u>	<u>83,094</u>	<u>105,994</u>	<u>66,855</u>	<u>931,704</u>
Segment results						
	63,365	4,832	21,465	39,385	11,530	140,577
<i>Reconciliation:</i>						
Bank interest income						2,199
Other interest income of financial assets at fair value through profit or loss						354
Change in fair value of investment properties						4,753
Change in fair value of financial assets/ liabilities at fair value through profit or loss						(4,537)
Net foreign exchange gains						1,156
Corporate expenses						(27,718)
Share of profits of joint ventures						2,432
Share of profits of associates						519
Finance costs (other than interest on lease liabilities)						(5,060)
Profit before tax						<u>114,675</u>

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021, respectively.

	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate consulting and agency business RMB'000	Other businesses RMB'000	Total RMB'000
Segment assets						
30 June 2022 (unaudited)	1,903,172	111,979	188,696	9,937	86,985	2,300,769
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(996,662)
Corporate and other unallocated assets						687,251
Total assets						<u>1,991,358</u>
Segment liabilities						
30 June 2022 (unaudited)	1,043,977	68,236	125,422	5,556	22,665	1,265,856
<i>Reconciliation:</i>						
Elimination of intersegment payables						(996,662)
Corporate and other unallocated liabilities						753,617
Total liabilities						<u>1,022,811</u>
Segment assets						
31 December 2021 (audited)	2,033,058	105,240	149,495	–	215,629	2,503,422
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(1,064,522)
Corporate and other unallocated assets						748,583
Total assets						<u>2,187,483</u>
Segment liabilities						
31 December 2021 (audited)	1,235,740	64,080	95,707	–	137,036	1,532,563
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,064,522)
Corporate and other unallocated liabilities						736,337
Total liabilities						<u>1,204,378</u>

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	821,183	931,704

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2022 (unaudited)

Segments	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate consulting and agency business RMB'000	Other businesses RMB'000	Total RMB'000
Types of goods or services						
Rendering of services	642,978	9,360	104,366	3,476	52,265	812,445
Sales of products	-	-	-	-	8,738	8,738
Total revenue from contracts with customers	<u>642,978</u>	<u>9,360</u>	<u>104,366</u>	<u>3,476</u>	<u>61,003</u>	<u>821,183</u>
Geographical market						
Mainland China	<u>642,978</u>	<u>9,360</u>	<u>104,366</u>	<u>3,476</u>	<u>61,003</u>	<u>821,183</u>
Timing of revenue recognition						
Revenue recognised over time	635,112	9,360	104,366	-	52,265	801,103
Revenue recognised at a point of time	<u>7,866</u>	-	-	<u>3,476</u>	<u>8,738</u>	<u>20,080</u>
Total revenue from contracts with customers	<u>642,978</u>	<u>9,360</u>	<u>104,366</u>	<u>3,476</u>	<u>61,003</u>	<u>821,183</u>

5. REVENUE (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the six months ended 30 June 2021 (unaudited)

Segments	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate consulting and agency business RMB'000	Other businesses RMB'000	Total RMB'000
Types of goods or services						
Rendering of services	659,116	16,645	83,094	105,994	53,073	917,922
Sales of products	–	–	–	–	13,782	13,782
Total revenue from contracts with customers	<u>659,116</u>	<u>16,645</u>	<u>83,094</u>	<u>105,994</u>	<u>66,855</u>	<u>931,704</u>
Geographical market						
Mainland China	<u>659,116</u>	<u>16,645</u>	<u>83,094</u>	<u>105,994</u>	<u>66,855</u>	<u>931,704</u>
Timing of revenue recognition						
Revenue recognised over time	651,599	16,645	83,094	–	53,073	804,411
Revenue recognised at a point of time	<u>7,517</u>	<u>–</u>	<u>–</u>	<u>105,994</u>	<u>13,782</u>	<u>127,293</u>
Total revenue from contracts with customers	<u>659,116</u>	<u>16,645</u>	<u>83,094</u>	<u>105,994</u>	<u>66,855</u>	<u>931,704</u>

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

For the six months ended 30 June 2022 (unaudited)

Segments	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate consulting and agency business RMB'000	Other businesses RMB'000	Total RMB'000
Revenue from contracts with customers						
External sales	642,978	9,360	104,366	3,476	61,003	821,183
Intersegment sales	<u>4,235</u>	<u>–</u>	<u>42,357</u>	<u>–</u>	<u>62,452</u>	<u>109,044</u>
Intersegment adjustments and eliminations	<u>(4,235)</u>	<u>–</u>	<u>(42,357)</u>	<u>–</u>	<u>(62,452)</u>	<u>(109,044)</u>
Total revenue from contracts with customers	<u>642,978</u>	<u>9,360</u>	<u>104,366</u>	<u>3,476</u>	<u>61,003</u>	<u>821,183</u>

5. REVENUE (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the six months ended 30 June 2021 (unaudited)

Segments	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate consulting and agency business RMB'000	Other businesses RMB'000	Total RMB'000
Revenue from contracts with customers						
External sales	659,116	16,645	83,094	105,994	66,855	931,704
Intersegment sales	4,590	–	47,539	926	74,069	127,124
Intersegment adjustments and eliminations	(4,590)	–	(47,539)	(926)	(74,069)	(127,124)
Total revenue from contracts with customers	<u>659,116</u>	<u>16,645</u>	<u>83,094</u>	<u>105,994</u>	<u>66,855</u>	<u>931,704</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Notes	(Unaudited)	(Unaudited)
Cost of services provided	619,035	678,043
Cost of goods sold	6,813	10,719
Employee benefit expense (excluding compensation to key management personnel)		
Salaries and other benefits	338,194	348,280
Retirement benefit scheme contributions	20,381	18,644
	<u>358,575</u>	<u>366,924</u>
Depreciation of property and equipment	11,605	13,871
Depreciation of right-of-use assets	1,714	9,910
Amortisation of other intangible assets	5,666	7,087
Impairment of trade and bills receivables	16,277	7,300
Impairment of prepayments, deposits and other receivables	13	11,960
Fair value gains on investment properties	10	(4,753)
Gross rental income	(46)	(2,173)
Net foreign exchange losses/(gains)	126	(1,156)
Changes in fair value of financial assets/liabilities at fair value through profit or loss	6,452	4,537
Interest income	(3,772)	(2,199)
Other interest income of financial assets at fair value through profit or loss	(48)	(354)
Gain on disposal of subsidiaries	(8,369)	–
Reversal of impairment provision of inventories	(876)	–
(Gain)/loss on disposal of items of property and equipment	(111)	30

7. INCOME TAX

Provision for PRC corporate income tax ("CIT") has been made at the applicable income tax rate of 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

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

No provision for Hong Kong profits tax has been made in the financial statements as no assessable profit was derived from Hong Kong for the six months ended 30 June 2022 and 2021.

7. INCOME TAX (CONTINUED)

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China:		
Charge for the period	36,263	40,513
Deferred tax	(7,026)	(8,669)
	<u>36,263</u>	<u>40,513</u>
Total tax charge for the period	<u>29,237</u>	<u>31,844</u>

8. DIVIDENDS

During the six months ended 30 June 2022, a dividend of HKD2.50 cents per share in respect of the year ended 31 December 2021 was declared by the directors of the Company and approved in the Company's annual general meeting on 31 May 2022. No interim dividend was paid, declared or proposed during the six months ended 30 June 2022 (2021: Nil).

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2022 and 2021, and the weighted average number of ordinary shares in issue during the period.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>60,822</u>	<u>68,978</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>854,550,000</u>	<u>854,550,000</u>

There were no outstanding potential diluted shares for the six months ended 30 June 2022 and 2021.

10. INVESTMENT PROPERTIES

	<i>RMB'000</i>
At 1 January 2022 (audited)	178,012
Addition	91
Net gains from fair value adjustments (<i>note 6</i>)	453
	<hr/>
At 30 June 2022 (unaudited)	<u>178,556</u>

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

Investment properties are stated at fair value, which has been determined with reference to the valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professionally qualified valuers, using the market approach, as at 30 June 2022. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The Group's management had discussions with the valuer on the valuation assumptions and valuation results on a regular basis when the valuation is performed.

The Group's investment properties with a carrying value of RMB99,158,000 (31 December 2021: RMB98,964,000) were pledged to secure general banking facilities granted to the Group as at 30 June 2022.

Fair value hierarchy

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

	Fair value measurement as at 30 June 2022 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:				
Investment properties	<u>–</u>	<u>–</u>	<u>178,556</u>	<u>178,556</u>
	<hr/>			
	Fair value measurement as at 31 December 2021 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:				
Investment properties	<u>–</u>	<u>–</u>	<u>178,012</u>	<u>178,012</u>

10. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

During the six months ended 30 June 2022 and the year ended 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

	Valuation techniques	Significant unobservable inputs	2022	Range 2021
Investment properties	Direct comparison method	Market unit price (RMB/sq.m.)	7–29	7–27

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

11. PREPAYMENTS FOR ACQUISITION OF PROPERTIES

As at 30 June 2022, the Group had prepayments of RMB14,058,000 (31 December 2021: RMB14,206,000) in relation to the acquisition of properties situated in Mainland China from property developers.

12. TRADE AND BILLS RECEIVABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	438,308	308,857
One to two years	69,763	74,198
Over two years	31,374	27,458
	<u>539,445</u>	<u>410,513</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Payment on behalf of customers to utility suppliers	72,320	80,335
Prepayments	71,435	98,334
Deposits paid to utility suppliers	42,657	53,606
Taxes recoverable	340	–
Other receivables	<u>192,971</u>	<u>309,511</u>
	379,723	541,786
Less: Impairment allowance	<u>(47,107)</u>	<u>(40,804)</u>
Total	<u>332,616</u>	<u>500,982</u>

Deposits and other receivables mainly represent performance bonds, bidding deposits for contracts and loans to employees. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there are no comparable companies as at 30 June 2022 ranged from 4% to 26% (31 December 2021: 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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Less than one year	79,946	90,835
Over one year	<u>6,895</u>	<u>5,557</u>
	<u>86,841</u>	<u>96,392</u>

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract liabilities	169,165	261,505
Receipts on behalf of community residents for utilities	261,040	266,526
Accruals and other payables	126,347	188,950
Deposits received	64,621	68,296
Receipts in advance	12,210	6,434
Amounts due to non-controlling equity holders of subsidiaries	41,571	61,848
Other tax payables	24,660	36,492
	<hr/>	<hr/>
	699,614	890,051
Non-current portion	–	(57,953)
	<hr/>	<hr/>
	699,614	832,098
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, the Group's other payables and accruals included amounts due to non-controlling equity holders of subsidiaries which are unsecured, interest-free and repayable on demand.

Other payables are non-interest-bearing and have an average term of three months.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is a leading and fast-growing independent property management service provider in the PRC. In 2022, the Group was rated a 2022 中國物業服務百強企業 (2022 China Top 100 Property Management Companies in China*); 2022 中國物業服務行業市場化運營領先企業 (2022 China Property Management Industry Marketing Operation Leading Company*); and 2022 中國物業住宅服務力優秀企業 (2022 China Property Residential Services Provider Excellent Company*) by 中國指數研究院 (China Index Academy*). As at 30 June 2022, the Group had a total contracted gross floor area (“GFA”) of approximately 73.2 million square meters (“sq.m.”), and it was contracted to manage 629 properties across 46 cities in China.

The Group is engaged in the provision of property management services, sales assistance services, provision of cleaning and greening services, provision of real estate consulting and agency services, and other services. The Group strives to provide more services and create more value for property owners and customers through diversified property management with its value-added services package. The Group adheres to the philosophy of “More wonderful, more well-being, more satisfactory 更美，更好，更滿意” to provide the best quality services to customers.

Since the outbreak of COVID-19 in the communities in early 2020, the Group as a property service operator has taken all-round measures to prevent and control the epidemic, from resource supply, disinfection and protection, publicity, to closed management, implemented joint prevention and control measures, established a tight line of defense for group prevention and strictly controlled community entry and exit, and executed access control and epidemic prevention. All employees resumed work in a safe and orderly manner while the Group was fighting against the epidemic, thus ensuring both operations and fighting against the epidemic simultaneously.

Property management business

The Group primarily provides property developers and property owners with a broad range of property management services to mainly residential properties, commercial and government buildings. Services provided by the Group include standard property management services and ancillary services such as cleaning, gardening, security guard, property facilities 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 educational institutions and commercial complex.

The Group believes that service quality is fundamental to establishing 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 CMS 31950, IEC 27001, ISO 50001, ISO 9001, ISO 14001 and OHSAS 18001.

Sales assistance business

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 business

The Group provides property developers and property owners with a series of indoor and outdoor environmental cleaning, greening and maintenance services. This business division also provides services to the property developers and property owners of the property management business division. Accordingly, segment results of the cleaning and greening division is evaluated by the Group's management on services as subcontracted from the property management business division. The Group holds various qualifications and licenses in respect of cleaning services, namely 國家一級環衛清潔服務企業資質 (national level one environmental hygiene cleaning service qualification*), E315甲級高空外牆清洗服務企業 (E315 A Grade high-altitude exterior wall cleaning services enterprise*), ISO 14001, ISO 9001 and ISO 45001.

Real estate consulting and agency business

The Group provides property developers and property owners with consulting and agency services on the leasing of properties.

Other businesses

Other businesses comprise shuttle bus, security guard and maintenance services in the PRC, engineering services related to elevators, engineering services, the sale of engineering spare parts, canteen operations as well as catering services.

Business Review

Property management business

As at 30 June 2022, the Group maintained its presence to 46 cities in China where it was contracted to manage a total of 629 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted GFA of approximately 73.2 million sq.m. Revenue from property management business decreased by approximately RMB23.4 million, or 3.5% over the same period in 2021 primarily due to a decrease in the delivered contracted GFA from approximately 68.7 million sq.m. for the six months ended 30 June 2021 to approximately 67.0 million sq.m. for the six months ended 30 June 2022.

The Group strives to develop new business relationships from its 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 and establish strategic cooperation with the right property services provider 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 maximise its economies of scale.

The list below illustrates the cities in which properties the Group was contracted to manage were located and number of projects in each city as at 30 June 2022.

Eastern and Central China	Southern China	Northern China	Western China
1. Changde (1)	28. Cenxi (9)	42. Baotou (7)	46. Lhasa (1)
2. Chongqing (3)	29. Chongzuo (2)	43. Beijing (1)	
3. Chuzhou (4)	30. Foshan (20)	44. Zhangjiakou (3)	
4. Fuyang (1)	31. Guangzhou (12)	45. Tianjin (1)	
5. Hangzhou (60)	32. Guigang (1)		
6. Heze (4)	33. Guilin (3)		
7. Huai'an (2)	34. Jiangmen (1)		
8. Huanggang (1)	35. Laibin (2)		
9. Huzhou (19)	36. Nanning (19)		
10. Jiaxing (1)	37. Qingyuan (4)		
11. Kaifeng (2)	38. Sanya (7)		
12. Nanchang (1)	39. Wenchang (1)		
13. Nantong (15)	40. Wuzhou (8)		
14. Nanyang (1)	41. Zhaoqing (4)		
15. Ningbo (321)			
16. Quzhou (7)			
17. Shanghai (21)			
18. Shaoxing (8)			
19. Suzhou (43)			
20. Táizhou (2)			
21. Wenzhou (8)			
22. Wuxi (8)			
23. Xuancheng (3)			
24. Yan'an (2)			
25. Yueyang (1)			
26. Zhenjiang (3)			
27. Zhokou (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 at the dates indicated.

	As at 30 June 2022	
	Sq. m. in thousands	No.
<i>Residential properties</i>		
Eastern and Central China ⁽¹⁾	45,426	356
Southern China ⁽²⁾	13,871	66
Northern China ⁽³⁾	2,095	8
	<hr/>	<hr/>
Subtotal	61,392	430
	<hr/>	<hr/>
<i>Non-residential properties</i>	5,612	147
	<hr/>	<hr/>
Total	67,004	577
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, the Group's contracted GFA of undelivered properties amounted to approximately 6.1 million sq.m.

Notes:

- (1) Including Changde, Chongqing, Chuzhou, Fuyang, Hangzhou, Heze, Huai'an, Huanggang, Huzhou, Jiaxing, Kaifeng, Nanchang, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Táizhou, Wenzhou, 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.

Sales assistance business

The Group provides property developers with cleaning, security guard and maintenance services of their model homes and sales centers and assists in facilitating the sales process of the properties. The sales assistance services contracts generally have a duration of 6 to 18 months and could be terminated prior to the expiration date if all display units have been sold out.

Cleaning and greening business

The Group provides property developers and property owners with environmental cleaning and landscaping services in China.

Real estate consulting and agency business

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 and real estate investment consulting services.

Other businesses

Other businesses include a wide range of all-round value-added property management services to property developers and property owners as follows:

- (1) The Group provides installation, repairing and maintenance services primarily to the elevators of the properties under management;
- (2) The Group provides engineering services to properties under management;
- (3) The Group sells engineering spare parts separately to other elevator servicing companies;
- (4) The Group operates canteens in the commercial buildings and provides catering services as well;
- (5) The Group provides shuttle bus services throughout certain property regions for the convenience of property users; and
- (6) The Group provides security guard services to the owners and customers of the properties under management.

Prospects and Future Plans

Even though the second half of 2022 will still be full of challenges and uncertainties, the Group will continue to maintain its own advantage as an independent property management company and compete with counterparts in the market by maintaining its high quality service and operational efficiency. The Group will actively establish stable partnerships 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 its 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.

As detailed in the announcement of the Company dated 25 November 2021, the Group entered into an agreement to acquire the remaining 49% equity interests in 廣東華瑞環境工程有限公司 (Guangdong Huarui Environmental Engineering Company Limited*) (“**Guangdong Huarui**”). Upon completion in March 2022, Guangdong Huarui became a wholly-owned subsidiary of the Group and the Group continues to provide value adding cleaning services to the property projects and bring synergy effects to the existing property management service of the Group.

On 16 March 2022, 廣東中奧物業管理有限公司 (Guangdong Zhong Ao Property Management Company Limited*) (“**Guangdong Zhong Ao**”), an indirect wholly-owned subsidiary of the Company, and the vendor entered into an equity transfer agreement, pursuant to which Guangdong Zhong Ao conditionally agreed to purchase, and the vendor conditionally agreed to sell, the remaining 30% of the equity interest in 廣東迅華電氣技術有限公司 (Guangdong Xunhua Electrical Engineering Technology Company Limited*) (“**Guangdong Xunhua**”) for a total cash consideration of RMB25,000,000. Upon completion in May 2022, Guangdong Xunhua became a wholly-owned subsidiary of the Company. Guangdong Xunhua is principally engaged in engineering, ventilation system and maintenance service in the PRC.

It is expected that the above two investments will be able to enhance the Group's profitability.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the six months ended 30 June 2022, the Group recorded revenue of approximately RMB821.2 million, representing a year-on-year decrease of 11.9% over the previous period ended 30 June 2021.

Decrease in the Group's revenue was primarily attributable to the decrement in property management business revenue from approximately RMB675.8 million for the six months ended 30 June 2021 to approximately RMB652.3 million for the six months ended 30 June 2022, which represented a decrease of approximately RMB23.5 million or 3.5%. The Group's revenue segments also brought forth revenue generated from cleaning and greening business of approximately RMB104.4 million for the six months ended 30 June 2022 as compared with approximately RMB83.1 million for the six months ended 30 June 2021; the revenue generated from real estate consulting and agency business of approximately RMB3.5 million for the six months ended 30 June 2022 as compared with approximately RMB106.0 million for the six months ended 30 June 2021 and the revenue generated from other businesses of approximately RMB61.0 million for the six months ended 30 June 2022 as compared with approximately RMB66.9 million for the six months ended 30 June 2021.

Breakdown of revenue by business line and services

	For the six months ended 30 June			
	2022	2021	Change	
	RMB'000	RMB'000	RMB'000	%
Property management business				
— Property management business	642,978	659,116	(16,138)	(2.4)
— Sales assistance business	9,360	16,645	(7,285)	(43.8)
Cleaning and greening business	104,366	83,094	21,272	25.6
Real estate consulting and agency business	3,476	105,994	(102,518)	(96.7)
Other businesses	61,003	66,855	(5,852)	(8.8)
	<u>821,183</u>	<u>931,704</u>	<u>(110,521)</u>	<u>(11.9)</u>

Property management business

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

Property management business

Revenue from the property management business decreased by approximately RMB16.1 million, or 2.4% over the corresponding period in 2021 primarily due to changes in the macroeconomic conditions and cyclical downturn in the real estate market.

Sales assistance business

Revenue from the sales assistance business for the six months ended 30 June 2022 was approximately RMB9.4 million, comparing to approximately RMB16.6 million for the six months ended 30 June 2021, represented a decrease of approximately RMB7.3 million, or 43.8%. The decrease in revenue from the sales assistance business was due to changes in the macroeconomic conditions and cyclical downturn in the real estate market.

Cleaning and greening business

Revenue from the cleaning and greening business of approximately RMB104.4 million for the six months ended 30 June 2022, comparing to approximately RMB83.1 million for the six months ended 30 June 2021, represented an increase of approximately RMB21.3 million or 25.6%, mainly due to development in new markets in Shanghai, Changsha and Chongqing.

Real estate consulting and agency business

The decrease of approximately RMB102.5 million for the real estate agency business from approximately RMB106.0 million for the six months ended 30 June 2021 to approximately RMB3.5 million for the six months ended 30 June 2022 was mainly due to disposal of 廣西輝煌置業諮詢服務有限公司 (Guangxi Huihuang Property Advisory Services Company Limited*) ("**Huihuang Property**") and 廣西輝煌房地產諮詢服務集團有限公司 (Guangxi Huihuang Real Estate Advisory Services Group Company Limited*) ("**Huihuang Real Estate**") in October 2021.

Other businesses

Revenue from other businesses decreased from approximately RMB66.9 million for the six months ended 30 June 2021 to approximately RMB61.0 million for the six months ended 30 June 2022. The decrease of approximately RMB5.9 million or 8.8% over the period was mainly due to decrease in the demand from a variety of services.

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 property and equipment used in providing services; (iv) costs of other services and sale of goods such as salaries of the technicians in the provision of elevator engineering services, engineering services, security guard services; costs of the spare parts sold and operating costs in running the catering services; (v) costs of cleaning and greening products and utensils as well as (vi) commission paid for the real estate and property agency services.

Cost of sales and services decreased by 9.1% from approximately RMB688.8 million for the six months ended 30 June 2021 to approximately RMB625.8 million for the six months ended 30 June 2022. The decrease was due primarily to the decrement of the Group's business, which was partially offset by the increase in the labor costs, sub-contracting costs and costs of other services and sale of goods.

Gross Profit and Gross Profit Margin

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

	For the six months ended 30 June			
	2022 (Unaudited)		2021 (Unaudited)	
	<i>Gross profit</i>	<i>Gross profit margin % of</i>	<i>Gross profit</i>	<i>Gross profit margin % of</i>
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
Property management business				
— Property management business	155,669	24.2	165,730	25.1
— Sales assistance business	2,469	26.4	4,832	29.0
Cleaning and greening business	23,463	22.5	21,465	25.8
Real estate consulting and agency services business	904	26.0	39,385	37.2
Other businesses	12,830	21.0	11,530	17.2
Total	195,335	23.8	242,942	26.1

The Group's gross profit for the six months ended 30 June 2022 was approximately RMB195.3 million, comparing to approximately RMB242.9 million for the six months ended 30 June 2021, represented a decrease of approximately RMB47.6 million, or 19.6%. The Group's overall gross profit margin decreased from 26.1% for the six months ended 30 June 2021 to 23.8% for the six months ended 30 June 2022. Decrease in gross profit margin was mainly due to changes in the macroeconomic conditions and cyclical downturn in the real estate market.

Other Income and Gains

The Group's other income and gains for the six months ended 30 June 2022 was approximately RMB25.3 million, which increased by approximately RMB5.3 million as compared to approximately RMB20.0 million for the six months ended 30 June 2021. The increase was mainly due to gain on the disposal of 廣州諾登電梯服務有限公司 (Guangzhou Nuodeng Elevator Services Company Limited*) ("**Guangzhou Nuodeng Elevator**") and 廣東金盾正安保安服務有限公司 Guangdong Jindun Zheng'an Security Services Company Limited ("**Guangdong Jindun**") during the period.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2022 were approximately RMB1.8 million, comparing to approximately RMB7.6 million for the six months ended 30 June 2021, represented a decrease of approximately RMB5.8 million, or 76.3%. The decrease was primarily due to disposal of Huihuang Property and Huihuang Real Estate in October 2021.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2022 was approximately RMB93.9 million, comparing to approximately RMB114.8 million for the six months ended 30 June 2021, represented a decrease of approximately RMB20.9 million, or 18.2%. The decrease was primarily due to (i) disposal of Huihuang Property and Huihuang Real Estate and (ii) effective cost control program.

Impairment Losses on Financial Assets, Net

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Based on the impairment analysis, impairment losses on financial and contract assets of approximately RMB21.7 million were recognised for the six months ended 30 June 2022 as compared with approximately RMB19.3 million for the six months ended 30 June 2021.

Other Expenses

The Group's other expenses for the six months ended 30 June 2022 was approximately RMB9.2 million, comparing to approximately RMB4.5 million for the six months ended 30 June 2021, representing an increase of approximately RMB4.7 million or 104.3%. The increase was due to changes in fair value of financial assets/liabilities at fair value through profit and loss.

Finance Costs

The Group's finance costs amounted to approximately RMB1.5 million for the months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB5.1 million). The decrease was primarily due to (i) disposal of Huihuang Property and Huihuang Real Estate and (ii) reduce in borrowings.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2022 was approximately RMB29.2 million, comparing to approximately RMB31.8 million for the six months ended 30 June 2021, representing a decrease of approximately RMB2.6 million or 8.2%. The decrease was due to lower assessable profit incurred for the period.

Goodwill

As at 30 June 2022, the Group recorded goodwill of approximately RMB240.3 million, representing a decrease of 20.6% as compared with that of approximately RMB302.6 million as at 31 December 2021. The decrease in goodwill of the Group was primarily due to disposal of Guangzhou Nuodeng Elevator and Guangdong Jindun.

Since the performance of the acquired companies in the first half of 2022 reached the management's expectation, the management of the Group determined that no impairment of goodwill should be recognised.

Inventories

Inventories decreased from approximately RMB50.3 million as at 31 December 2021 to approximately RMB4.7 million as at 30 June 2022. The decrease of approximately RMB45.6 million or 90.7% was mainly due to disposal of Guangzhou Nuodeng Elevator.

Trade and Bills Receivables

Trade and bills receivables mainly arose from property management services and cleaning and greening services.

As at 30 June 2022, total trade and bill receivables of the Group amounted to approximately RMB539.4 million, representing an increase of approximately RMB128.9 million as compared with approximately RMB410.5 million as at 31 December 2021. The increase was primarily due to the seasonality caused by property owners' tendency to settle management fee balances towards the end of the year.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables decreased from approximately RMB501.0 million as at 31 December 2021 to approximately RMB332.6 million as at 30 June 2022. The decrease of approximately RMB168.4 million or 33.6% was mainly due to disposal of Guangzhou Nuodeng Elevator and Guangdong Jindun.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss of approximately RMB5.7 million mainly represent investment in those financial assets which were fair value and contingent consideration resulting from business acquisitions in the PRC as at 30 June 2022 (as at 31 December 2021: approximately RMB14.1 million). Decrease in financial assets at fair value through profit and loss approximately RMB8.4 million or 59.7% was mainly due to disposal of Guangdong Jindun.

Other Payables and Accruals

Other payables and accruals primarily comprise receipts on behalf of community residents for utilities, receipts in advances, and accruals and deposits received. Other payables and accruals decreased from approximately RMB832.1 million to approximately RMB699.6 million as at 30 June 2022, which were primarily attributable to disposal of Guangzhou Nuodeng Elevator and Guangdong Jindun.

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 cash inflows generated from the operating activities and bank loans. As at 30 June 2022, net working capital (calculated as current assets less current liabilities) was approximately RMB300.2 million which represented a decrease of approximately RMB5.8 million from approximately RMB306.0 million as at 31 December 2021. The current ratios (calculated as current assets/current liabilities) were both 1.3 times as at 30 June 2022 and 31 December 2021.

As at 30 June 2022, all the Group's borrowings were denominated in RMB. As at 31 December 2021, 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 approximately RMB4.6 million at nil consideration. The bank borrowing balances of the Group bore interest at floating rates, except for bank and other borrowings of approximately RMB68.3 million at 30 June 2022 (31 December 2021: approximately RMB45.0 million) that bore interest at fixed rates. The carrying amounts of the interest-bearing bank borrowings approximate to their fair values.

The Group principally focused its operation in the PRC. Except for the bank deposits and bank borrowing denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2022, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

Gearing Ratio

The gearing ratio is defined as total borrowings net of pledged bank deposits, amounts due to non-controlling equity holders of a subsidiary and bank balances and cash divided by total equity. As at 30 June 2022, the Group was in a strong financial position with a net cash position amounting to approximately RMB301.4 million (31 December 2021: approximately RMB318.7 million). Accordingly, no gearing ratio is presented.

PLEDGE OF ASSETS

At 30 June 2022, investment properties of approximately RMB99.2 million (31 December 2021: approximately RMB99.0 million) were pledged to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2022.

Employees and Remuneration Policies

As at 30 June 2022, excluding the employees under commission basis and employees under subcontracting contracts, the Group had approximately 7,005 (31 December 2021: 11,634) 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 reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation.

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.

OTHER INFORMATION

Extension of completion and long stop date in relation to the disclosable transaction and connected transaction at subsidiary level

On 25 January 2022, 佛山派瑞爾清潔服務有限公司, (Foshan Pairuier Cleaning Services Company Limited*) (“**Foshan Pairuier**”) and 莫玉秀 (Mo Yu Xiu*) (“**Ms. Mo**”) entered into an extension letter pursuant to which Foshan Pairuier and Ms. Mo agreed that the completion of the equity transfer agreement entered into on 25 November 2021 shall be extended to take place by 31 March 2022 (or such later date agreed by Foshan Pairuier and Ms. Mo) and the long stop date shall be extended to on or before 31 March 2022 (or such later date as may be agreed in writing between Foshan Pairuier and Ms. Mo). The transaction was completed in March 2022. For further details, please refer to the Company’s announcement dated 25 January 2022.

Supplemental agreements in relation to the exercise of put option

On 28 January 2022, Guangdong Zhong Ao and 梁錫偉 (Liang Xiwei*) (“**Mr. Liang**”) entered into a supplemental agreement pursuant to which Guangdong Zhong Ao and Mr. Liang agreed with amended payment terms of the option price and the amended mortgage arrangements of the immovable properties in favour of Guangdong Zhong Ao. For further details, please refer to the Company’s announcement dated 31 January 2022.

On 1 August 2022, Guangdong Zhong Ao and Mr. Liang entered into the second supplemental agreement, pursuant to which Guangdong Zhong Ao and Mr. Liang agreed with the further amended payment terms of the option price and the further amended mortgage arrangements of the immovable properties in favour of Guangdong Zhong Ao. For further details, please refer to the Company's announcement dated 1 August 2022.

Discloseable transaction and connected transaction at subsidiary level

On 16 March 2022, Guangdong Zhong Ao and 楊木林 (Yang Mulin*) (“**Mr. Yang**”) entered into an equity transfer agreement, pursuant to which Guangdong Zhong Ao conditionally agreed to purchase, and Mr. Yang conditionally agreed to sell 30% of the equity interest in Guangdong Xunhua for a total consideration of RMB25,000,000. The transaction was completed in May 2022. For further details, please refer to the Company's announcement dated 16 March 2022.

Discloseable transactions and connected transaction at subsidiary level

On 29 March 2022, 浙江永成物業管理有限公司 (Zhejiang Yongcheng Property Management Company Limited*) (“**Zhejiang Yongcheng**”), 寧波永都電梯工程有限公司 (Ningbo Yongdu Elevator Engineering Company Limited*) (“**Ningbo Yongdu**”), 黃柏潛 (Huang Boqian*) (“**Mr. Huang**”), 周帶輝 (Zhou Daihui*) (“**Mr. Zhou**”) and Guangzhou Nuodeng Elevator entered into a cancellation agreement pursuant to which the parties thereto agreed to cancel the first equity transfer agreement dated 29 December 2020 and the second equity transfer agreement dated 29 December 2020 and arrange for (i) the transfer of 100% equity interest in Guangzhou Nuodeng from Ningbo Yongdu back to Mr. Huang; and (ii) the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly owned subsidiary of the Company. The above agreed cancellation arrangement will be settled by the swap of equity interest in Guangzhou Nuodeng and Ningbo Yongdu and there will not be any cash payment involved. The transaction was completed in March 2022. For further details, please refer to the Company's announcement dated 29 March 2022.

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO EXERCISE OF PUT OPTION

On 21 April 2022, Guangdong Zhong Ao has served an option notice (the “**Option Notice**”) on 趙濤 (Mr. Zhao Tao*) (“**Mr. Zhao**”) to request Mr. Zhao to purchase 60% of the registered capital in Guangdong Jindun (the “**Sale Capital**”) held by Guangdong Zhong Ao in the total amount of RMB15 million, which is equivalent to the total consideration paid by Guangdong Zhong Ao for the acquisition of the sale capital from Mr. Zhao. On the date of the Option Notice, Mr. Zhao has paid Guangdong Zhong Ao RMB15 million for the acquisition of all the sale capital by Mr. Zhao from Guangdong Zhong Ao under the Option Notice. Therefore, Guangdong Zhong Ao agreed not to

charge Mr. Zhao any interest as compensation under the Option Price. Guangdong Zhong Ao will arrange for the business registration of the transfer of all sale capital to Mr. Zhao with the relevant authority in the PRC as soon as practicable to complete the exercise of the put option. On the date of the Option Notice, the parties agreed that the equity transfer agreement entered into between Guangdong Zhong Ao and Mr. Zhao on 20 December 2019 in relation to the acquisition of the sale capital by Guangdong Zhong Ao from Mr. Zhao would be terminated accordingly. The transaction was completed in May 2022. For further details, please refer to the Company's announcement dated 21 April 2022.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil). The Board will consider to declare a final dividend if the annual results of the Group for the year ending 31 December 2022 are satisfactory.

CORPORATE GOVERNANCE

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

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

In the opinion of the Directors, the Company applied and complied with all the code provisions of the CG Code throughout the six months ended 30 June 2022, except for certain deviations as specified and explained with considered reasons hereunder:

Code Provision C2.1

Chairman and chief executive officer are two key aspects of the management of a company. Chairman is responsible for providing leadership for the board and management of the board while chief executive officer is responsible for day-to-day management of business. Clear division of these responsibilities should be in place to ensure a balance of power and authority. The code provision C2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the period, Mr. Liu Jian (“**Mr. Liu**”) was both the chairman and chief executive officer of the Company. This constitutes a deviation from the code provision C2.1 of the CG Code.

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

EVENTS AFTER THE REPORTING PERIOD

There are no material events undertaken by the Group subsequent to 30 June 2022 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company’s securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rule and the CG Code. The audit committee of the Company consists of three members, namely Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Huang Anxin, all being independent non-executive Directors. Mr. Chan Wai Cheung, Admiral is the chairman of the audit committee and is the independent non-executive Director with the appropriate professional qualifications. The unaudited interim results of the Group for the six months ended 30 June 2022 have been reviewed by the audit committee of the Board.

The Company’s independent auditor, Ernst & Young, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2022 in accordance with Hong Kong standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2022. In addition, the Group had no significant investments held during the six months ended 30 June 2021.

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

During the six months ended 30 June 2022, neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.gdzawy.com). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be dispatched to the Company's Shareholders and published on the above websites in due course.

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

Hong Kong, 31 August 2022

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. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Huang Anxin as independent non-executive Directors.

* *for identification purpose only*