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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 2022

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2022, the revenue amounted to approximately RMB1,702.4 million, representing a decrease of 9.1% as compared with 2021.
- For the year ended 31 December 2022, the gross profit amounted to approximately RMB357.4 million, representing a decrease of 17.4% as compared with 2021.
- For the year ended 31 December 2022, the profit for the year amounted to approximately RMB89.1 million, representing a decrease of 32.6% as compared with 2021.
- For the year ended 31 December 2022, the basic earnings per share amounted to RMB0.09 cents, representing a decrease of 27.4% as compared with 2021.
- The Board of Directors has recommended a final dividend of HKD2.5 cents per share for the year ended 31 December 2022 (2021: HKD2.5 cents per share).

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 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
REVENUE	4	1,702,395	1,873,533
Cost of sales and services		<u>(1,345,040)</u>	<u>(1,440,794)</u>
Gross profit		357,355	432,739
Other income and gains	4	55,794	51,088
Selling and distribution expenses		(5,014)	(12,361)
Administrative expenses		(210,135)	(227,316)
Net impairment losses recognised on financial assets		(54,102)	(32,307)
Other expenses		(12,877)	(18,600)
Finance costs	6	(2,883)	(6,378)
Share of profits and losses of:			
Joint ventures		3,167	2,824
Associates		1,309	1,194
PROFIT BEFORE TAX	5	132,614	190,883
Income tax expenses	7	<u>(43,564)</u>	<u>(58,844)</u>
PROFIT FOR THE YEAR		<u>89,050</u>	<u>132,039</u>
Attributable to:			
Owners of the parent	9	76,907	106,282
Non-controlling interests		12,143	25,757
		<u>89,050</u>	<u>132,039</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year (RMB)	9	<u>0.090</u>	<u>0.124</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PROFIT FOR THE YEAR	89,050	132,039
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	–	707
Income tax effect	–	(186)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	–	521
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	–	521
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	89,050	132,560
Attributable to:		
Owners of the parent	76,907	106,803
Non-controlling interests	12,143	25,757
	89,050	132,560

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment		118,001	139,624
Investment properties	<i>10</i>	180,713	178,012
Right-of-use assets		10,111	10,365
Goodwill		225,282	302,642
Prepayments for acquisition of properties	<i>11</i>	14,092	14,206
Investments in joint ventures		5,499	5,153
Investments in associates		7,592	6,283
Other intangible assets		50,919	59,961
Long-term deposits		14,746	2,435
Deferred tax assets		60,082	56,506
Total non-current assets		687,037	775,187
CURRENT ASSETS			
Inventories		5,588	50,261
Trade receivables	<i>12</i>	496,160	410,513
Prepayments and other receivables	<i>13</i>	314,607	500,982
Financial assets at fair value through profit or loss		7,676	14,076
Cash and cash equivalents		446,052	436,464
Total current assets		1,270,083	1,412,296
CURRENT LIABILITIES			
Trade payables	<i>14</i>	100,782	96,392
Other payables and accruals	<i>15</i>	671,489	832,098
Interest-bearing bank and other borrowings		48,990	41,097
Lease liabilities		10,528	9,944
Tax payables		108,051	126,792
Total current liabilities		939,840	1,106,323
NET CURRENT ASSETS		330,243	305,973
TOTAL ASSETS LESS CURRENT LIABILITIES		1,017,280	1,081,160

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*31 December 2022*

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		28,526	22,366
Interest-bearing bank and other borrowings		–	14,859
Lease liabilities		1,825	2,877
Other long-term payables		–	57,953
		<hr/>	<hr/>
Total non-current liabilities		30,351	98,055
		<hr/>	<hr/>
NET ASSETS		986,929	983,105
		<hr/> <hr/>	<hr/> <hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	<i>16</i>	7,082	7,082
Reserves		909,508	892,173
		<hr/>	<hr/>
		916,590	899,255
Non-controlling interests		70,339	83,850
		<hr/>	<hr/>
TOTAL EQUITY		986,929	983,105
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 provision of 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**”).

2.1 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 (“**FVTPL**”) 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 2022. 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.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
 - HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on different lines of services rendered in the 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 services to property developers for their sales centres. The services rendered by the Group include the 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 services. This business division also provides services to the property developers and property owners of the property management business division. Accordingly, segment results 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 ownerships; and
- (e) Other businesses comprise sales of elevators and installation services, provision of security 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 revenue and profit (which is a measure of adjusted profit before tax). The adjusted profit before tax is measured consistently with the Group's profit before tax 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 associates, net foreign exchange gains, 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 the types of business:

	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 year ended 31 December 2022						
Segment revenue (note 4)						
Sales to external customers	1,322,093	15,295	216,691	10,256	138,060	1,702,395
Intersegment sales	10,038	–	96,084	926	83,399	190,447
	<u>1,332,131</u>	<u>15,295</u>	<u>312,775</u>	<u>11,182</u>	<u>221,459</u>	<u>1,892,842</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(190,447)</u>
Revenue						<u>1,702,395</u>
Segment results	112,951	3,360	40,623	2,442	14,280	173,656
<i>Reconciliation:</i>						
Bank interest income						6,510
Other interest income from financial assets at fair value through profit or loss						931
Changes in fair value of investment properties						(49)
Fair value adjustment of contingent consideration						(4,452)
Net foreign exchange loss						(727)
Corporate expenses						(45,278)
Share of profits of joint ventures						3,167
Share of profits of associates						1,309
Finance costs (other than interest on lease liabilities)						<u>(2,453)</u>
Profit before tax						<u>132,614</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 consulting and agency business RMB'000	Other businesses RMB'000	Total RMB'000
31 December 2022						
Segment assets	1,991,702	95,351	218,300	9,721	88,011	2,403,085
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(978,833)
Corporate and other unallocated assets						<u>532,868</u>
Total assets						<u><u>1,957,120</u></u>
Segment liabilities	1,160,891	46,368	146,558	6,950	73,016	1,433,783
<i>Reconciliation:</i>						
Elimination of intersegment payables						(978,833)
Corporate and other unallocated liabilities						<u>515,241</u>
Total liabilities						<u><u>970,191</u></u>
Other segment information						
Share of profits and losses of:						
Joint ventures	3,167	-	-	-	-	3,167
Associates	1,309	-	-	-	-	1,309
Net impairment losses recognised in profit or loss	46,278	1,338	1,151	352	4,983	54,102
Depreciation and amortisation						
Unallocated						
Segment	33,732	1,610	3,693	165	1,493	40,693
Investments in associates	7,592	-	-	-	-	7,592
Investment in joint ventures	5,499	-	-	-	-	5,499
Capital expenditure*						
Unallocated						
Segment	19,004	907	2,080	93	2,004	24,088

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

3. OPERATING SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

	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 year ended 31 December 2021						
Segment revenue (note 4)						
Sales to external customers	1,332,054	24,992	155,036	165,417	196,034	1,873,533
Intersegment sales	13,927	–	96,085	894	150,698	261,604
	1,345,981	24,992	251,121	166,311	346,732	2,135,137
<i>Reconciliation:</i>						
Elimination of intersegment sales						(261,604)
Revenue						<u>1,873,533</u>
Segment results	177,318	7,416	19,523	17,681	11,668	233,606
<i>Reconciliation:</i>						
Bank interest income						3,939
Other interest income from financial assets at fair value through profit or loss						746
Changes in fair value of investment properties						1,825
Fair value adjustment of contingent consideration						(82)
Net foreign exchange gains						257
Corporate expenses						(48,363)
Share of profits of joint ventures						2,824
Share of profits of associates						1,194
Finance costs (other than interest on lease liabilities)						(5,063)
Profit before tax						<u>190,883</u>

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 consulting and agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2021						
Segment assets	1,846,018	105,240	149,495	9,341	393,328	2,503,422
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(1,064,522)
Corporate and other unallocated assets						<u>748,583</u>
Total assets						<u><u>2,187,483</u></u>
Segment liabilities	1,047,361	64,080	95,707	5,718	319,697	1,532,563
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,064,522)
Corporate and other unallocated liabilities						<u>736,337</u>
Total liabilities						<u><u>1,204,378</u></u>
Other segment information						
Share of profits and losses of:						
Joint ventures	2,824	–	–	–	–	2,824
Associates	1,194	–	–	–	–	1,194
Net impairment losses recognised/ (reversed) in profit or loss	19,408	1,634	601	12,233	(1,569)	32,307
Depreciation and amortisation						
Unallocated	–	–	–	–	–	1,669
Segment	31,080	285	645	7,651	7,429	47,090
Investments in associates	6,283	–	–	–	–	6,283
Investment in joint ventures	5,153	–	–	–	–	5,153
Capital expenditure*						
Unallocated						112
Segment	19,085	264	2,045	528	29,341	51,263

* 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers		
Rendering of services	1,692,927	1,810,626
Sales of goods	<u>9,468</u>	<u>62,907</u>
	<u><u>1,702,395</u></u>	<u><u>1,873,533</u></u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

<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 consulting and agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services						
Rendering of services	1,322,093	15,295	216,691	10,256	128,592	1,692,927
Sale of goods	-	-	-	-	9,468	9,468
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,468</u>	<u>9,468</u>
Total revenue from contracts with customers	<u><u>1,322,093</u></u>	<u><u>15,295</u></u>	<u><u>216,691</u></u>	<u><u>10,256</u></u>	<u><u>138,060</u></u>	<u><u>1,702,395</u></u>
Geographical markets						
Mainland China	<u><u>1,322,093</u></u>	<u><u>15,295</u></u>	<u><u>216,691</u></u>	<u><u>10,256</u></u>	<u><u>138,060</u></u>	<u><u>1,702,395</u></u>
Timing of revenue recognition						
Revenue recognised over time	1,322,093	15,295	216,691	-	128,592	1,682,671
Revenue recognised at a point of time	-	-	-	10,256	9,468	19,724
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,256</u>	<u>9,468</u>	<u>19,724</u>
Total revenue from contracts with customers	<u><u>1,322,093</u></u>	<u><u>15,295</u></u>	<u><u>216,691</u></u>	<u><u>10,256</u></u>	<u><u>138,060</u></u>	<u><u>1,702,395</u></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 2021

<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 consulting and agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services						
Rendering of services	1,332,054	24,992	155,036	165,417	133,127	1,810,626
Sale of goods	—	—	—	—	62,907	62,907
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>62,907</u>	<u>62,907</u>
Total revenue from contracts with customers	<u>1,332,054</u>	<u>24,992</u>	<u>155,036</u>	<u>165,417</u>	<u>196,034</u>	<u>1,873,533</u>
Geographical markets						
Mainland China	<u>1,332,054</u>	<u>24,992</u>	<u>155,036</u>	<u>165,417</u>	<u>196,034</u>	<u>1,873,533</u>
Timing of revenue recognition						
Revenue recognised over time	1,332,054	24,992	155,036	—	133,127	1,645,209
Revenue recognised at a point of time	—	—	—	165,417	62,907	228,324
	<u>—</u>	<u>—</u>	<u>—</u>	<u>165,417</u>	<u>62,907</u>	<u>228,324</u>
Total revenue from contracts with customers	<u>1,332,054</u>	<u>24,992</u>	<u>155,036</u>	<u>165,417</u>	<u>196,034</u>	<u>1,873,533</u>

For the year ended 31 December 2022

<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 consulting and agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers						
External customers	1,322,093	15,295	216,691	10,256	138,060	1,702,395
Intersegment sales	10,038	—	96,084	926	83,399	190,447
	<u>10,038</u>	<u>—</u>	<u>96,084</u>	<u>926</u>	<u>83,399</u>	<u>190,447</u>
Intersegment adjustments and eliminations	(10,038)	—	(96,084)	(926)	(83,399)	(190,447)
	<u>(10,038)</u>	<u>—</u>	<u>(96,084)</u>	<u>(926)</u>	<u>(83,399)</u>	<u>(190,447)</u>
Total revenue from contracts with customers	<u>1,322,093</u>	<u>15,295</u>	<u>216,691</u>	<u>10,256</u>	<u>138,060</u>	<u>1,702,395</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 2021

<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 consulting and agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers						
External customers	1,332,054	24,992	155,036	165,417	196,034	1,873,533
Intersegment sales	<u>13,927</u>	<u>–</u>	<u>96,085</u>	<u>894</u>	<u>150,698</u>	<u>261,604</u>
Intersegment adjustments and eliminations	<u>(13,927)</u>	<u>–</u>	<u>(96,085)</u>	<u>(894)</u>	<u>(150,698)</u>	<u>(261,604)</u>
Total revenue from contracts with customers	<u><u>1,332,054</u></u>	<u><u>24,992</u></u>	<u><u>155,036</u></u>	<u><u>165,417</u></u>	<u><u>196,034</u></u>	<u><u>1,873,533</u></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:

	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property management services (<i>note 15</i>)	<u><u>261,505</u></u>
	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property management services	<u><u>123,359</u></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 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 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.

Real estate consulting and 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.

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 amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 31 December 2021 are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	128,284	203,552
Over one year	<u>7,405</u>	<u>57,953</u>
	<u><u>135,689</u></u>	<u><u>261,505</u></u>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Sales of goods (Continued)

All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Bank interest income	6,510	3,939
Other interest income from financial assets at fair value through profit or loss	931	746
Rental income	9,942	4,353
Government grants	17,903	24,214
Others	12,139	15,003
	<u>47,425</u>	<u>48,255</u>
Gains		
Gain on disposal of subsidiaries	8,369	–
Fair value gains on investment properties	–	1,825
Gain on disposal of items of property and equipment	–	751
Net foreign exchange gain	–	257
	<u>8,369</u>	<u>2,833</u>
	<u><u>55,794</u></u>	<u><u>51,088</u></u>

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Cost of services provided		1,337,145	1,384,453
Cost of goods sold		7,895	56,341
Employee benefit expense (excluding directors' and chief executive's remuneration)			
Salaries and other benefits		682,627	656,855
Retirement benefit scheme contributions		37,502	36,727
		720,129	693,582
Depreciation of items of property and equipment		27,507	25,495
Depreciation of right-of-use assets		2,682	10,287
Amortisation of other intangible assets		11,917	12,977
Impairment of financial assets, net			
Net impairment losses recognised on trade receivables		19,320	19,044
Net impairment losses recognised on other receivables	<i>13</i>	20,670	12,388
Impairment of goodwill		14,987	–
Fair value loss/(gains) on investment properties	<i>10</i>	49	(1,825)
Gross rental income		(9,942)	(4,353)
Foreign exchange loss/(gain)		727	(257)
Lease payments not included in the measurement of lease liabilities		6,267	7,035
Fair value adjustment of contingent consideration		4,452	82
Bank interest income		(6,510)	(3,939)
Loss/(gain) on disposal of items of property and equipment		164	(751)
Auditor's remuneration		4,162	4,362
Other interest income from financial assets at fair value through profit or loss		(931)	(746)
(Gain)/loss on disposal of subsidiaries		(8,369)	9,821
(Reversal)/write-down of inventories to net realisable value		(875)	875
Government grants*		(17,903)	(24,214)

* 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	2,453	3,569
Interest expense imputed on consideration payable	–	1,494
Interest on lease liabilities	430	1,315
	<u>2,883</u>	<u>6,378</u>

7. INCOME TAX

A 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 2022 (2021: 25%) on the assessable profits of the Group’s subsidiaries in Mainland China, except for those subsidiaries which enjoyed a lower tax rate as a 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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current — Mainland China:		
Charge for the year	46,500	71,553
Deferred tax	(2,936)	(12,709)
	<u>43,564</u>	<u>58,844</u>

8. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed final dividend — HKD2.5 cents (2021: HKD3.0 cents) per ordinary share	<u>17,869</u>	<u>21,332</u>

During 2022, a dividend of HKD2.5 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. Dividends amounting to RMB17,869,000 were paid on 7 July 2022 (2021: RMB21,332,000).

The directors of the Company has resolved to recommend the payment of a final dividend of HKD2.5 cents per share for the year ended 31 December 2022 (2021: HKD2.5 cents) to the shareholders whose names appear on the register of members of the Company on 9 June 2023. The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

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 854,550,000 shares (2021: 854,550,000 shares) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	<u>76,907</u>	<u>106,282</u>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year	<u>854,550,000</u>	<u>854,550,000</u>

For the years ended 31 December 2022 and 2021, 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 2022 and 2021.

10. INVESTMENT PROPERTIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount at 1 January	178,012	188,951
Additions	1,227	56
Transfer from owner-occupied property	1,523	5,643
Transfer to owner-occupied property	–	(1,906)
Disposal	–	(5,830)
Disposal of a subsidiary	–	(10,727)
Net (loss)/gain from fair value adjustments	<u>(49)</u>	<u>1,825</u>
Carrying amount at 31 December	<u>180,713</u>	<u>178,012</u>

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

10. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are all 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 2022 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 2022. Each year, the Group's property manager and the directors 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 directors 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 RMB99,567,000 (2021: RMB98,964,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2022.

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 2022 using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commercial properties	–	–	180,713	180,713
Fair value measurement as at 31 December 2021 using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commercial properties	–	–	178,012	178,012

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 (2021: Nil).

10. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

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

	2022	2021
	RMB'000	RMB'000
Carrying amount at 1 January	178,012	188,951
Additions	1,227	56
Transfer from owner-occupied property	1,523	5,643
Transfer to owner-occupied property	–	(1,906)
Disposal	–	(5,830)
Disposal of a subsidiary	–	(10,727)
Net (loss)/gain from fair value adjustments	(49)	1,825
	<hr/> 180,713 <hr/>	<hr/> 178,012 <hr/>
Carrying amount at 31 December	180,713	178,012

Below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation technique	Significant unobservable input	Range	
			2022	2021
Commercial properties	Direct comparison method	Market unit price (RMB/sq.m.)	7–27	7–27

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. 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 2022, the Group had deposits of RMB14,092,000 (2021: RMB14,206,000) in relation to the acquisition of properties situated in Mainland China paid to property developers. The Group paid nil (2021: RMB200,000) for acquisition of properties in 2022.

12. TRADE RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	603,590	530,069
Impairment	(107,430)	(119,556)
	<u>496,160</u>	<u>410,513</u>

Trade receivables mainly arise from property management service and other businesses income. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a year. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 year	399,039	308,857
1 to 2 years	52,712	74,198
Over 2 years	44,409	27,458
	<u>496,160</u>	<u>410,513</u>

13. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Payment on behalf of customers to utility suppliers	78,045	80,335
Deposits paid to utility suppliers	38,942	56,041
Other receivables	202,603	309,511
Prepayments	70,897	98,334
Other tax recoverable	340	–
	<u>390,827</u>	<u>544,221</u>
Less: Impairment allowance	(61,474)	(40,804)
Total	329,353	503,417
Less: non-current portion	(14,746)	(2,435)
Current portion	<u>314,607</u>	<u>500,982</u>

13. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

	2022	2021
	RMB'000	RMB'000
At beginning of year	(40,804)	(30,736)
Impairment loss, net (<i>note 5</i>)	(20,670)	(12,388)
Disposal of a subsidiary	–	2,320
	<u>(61,474)</u>	<u>(40,804)</u>

Prepayments and other receivables mainly represents performance bonds, bidding deposit for contracts, business-related prepayments and other independent third parties. 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 2022 ranged from 3% to 30%. (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:

	31 December	31 December
	2022	2021
	RMB'000	RMB'000
Within 60 days	80,712	84,462
Over 60 days and within 180 days	7,738	4,137
Over 180 days and within 365 days	2,899	2,236
Over one year	9,433	5,557
	<u>100,782</u>	<u>96,392</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

		31 December 2022	31 December 2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	<i>(a)</i>	135,689	261,505
Receipts on behalf of community residents for utilities		245,133	266,526
Received in advance		17,218	6,434
Accruals		151,506	151,944
Other payables		10,443	37,006
Deposits received		63,059	68,296
Amounts due to non-controlling equity holders of subsidiaries		7,576	61,848
Due to the ultimate holding company		6,000	–
Other tax payables		34,865	36,492
		671,489	890,051
Non-current portion		–	(57,953)
		671,489	832,098

As at 31 December 2022, the Group's amounts due to non-controlling equity holders of subsidiaries included outstanding consideration payables 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.

Other payables are unsecured, non-interest-bearing and repayable on demand.

(a) Details of contract liabilities as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Advances received from customers		
Sale of goods and installation services	9,468	105,333
Property management services (<i>note 4</i>)	126,221	156,172
	135,689	261,505
Total contract liabilities	135,689	261,505

Contract liabilities include advances received to deliver property management services and sales of goods.

16. SHARE CAPITAL

Shares

	Number of ordinary shares	Nominal value of HKD0.01 each <i>HKD'000</i>
Authorised:		
At 1 January 2022 and 31 December 2022	8,000,000,000	80,000
Issued and fully paid:		
At 1 January 2022 and 31 December 2022	<u>854,550,000</u>	<u>8,545</u>
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:		
Ordinary shares		
At 1 January and 31 December	<u>7,082</u>	<u>7,082</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading independent property management company in China. In 2022, the Group received the following recognition and awards.

In April 2022, the Group received the following recognitions, namely, 2022 中國住宅物業服務力優秀企業 (2022 Residential Property Service Capability Exceptional Companies in China*)、2022中國物業服務百強企業 (2022 Top 100 Property Management Companies in China*)、2022中國物業管理行業市場化運營領先企業 (2022 Leading Enterprise in Market-Oriented Operation in China's Property Management Industry in China*) from 中國指數研究院 (China Index Academy*) and 北京中指信息技術研究院 (Beijing Zhongzhi Information Technology Research Institute*).

In September 2022, the Group received the following recognitions, namely, 2022 藍籌物業百強企業 (2022 Blue Chop Property Top 100 Company*)、美好服務力企業 (Excellent Service Provided Company*) from 經濟觀察報 (The Economic Observer*).

In December 2022, the Group received the following recognitions, namely, 2022 粵港澳大灣區物業服務品牌企業 (2022 Property Service Brand Enterprise in Guangdong-Hong Kong-Macao Greater Bay Area*)、2022年廣東省物業服務企業“承擔社會責任助力社會就業”突出貢獻獎 (2022 Property Service Enterprises “Social Responsibility and Social Employment” Outstanding Contribution Award in Guangdong Province*)、2022 廣東省物業服務綜合發展實力企業 (2022 Property Service Comprehensive Development Strength Enterprise in Guangdong Province*)、2022廣東省物業行業新媒體建設運營50強 (2022 Top 50 New Media Construction and Operation in the Property Industry in Guangdong Province*)、2022年度廣東物業管理行業抗疫先鋒企業 (2022 Guangdong Property Management Industry Anti-epidemic Pioneer Enterprise*) from 廣東省物業管理行業協會 (Guangdong Property Management Industry Institute*).

In December 2022, the Group received the award, 2022 廣州國際智慧物業博覽會優秀參展單位〔最具競爭力品牌價值獎〕(Excellent Exhibitor of Guangzhou International Smart Property Expo (Most Competitive Brand Value Award)*) from 廣州國際智慧物業博覽會組委會 (Guangzhou International Smart Property Expo Committee*).

As at 31 December 2022, the Group had a total contracted gross floor area (“**GFA**”) of approximately 70.0 million square meters (“**sq.m.**”) where it was contracted to manage 631 properties across 44 cities in China.

* For identification purpose only

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 consulting and 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 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 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.

As of 31 December 2022, the Group had maintained its presence in 44 cities in China where it was contracted to manage a total of 631 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted GFA of approximately 70.0 million sq.m. This represents a decrease of 3.2% compared to the aggregate contracted GFA of approximately 72.3 million sq.m. as at 31 December 2021. In relation to the delivered contracted GFA of approximately 64.4 million sq.m. as at 31 December 2022, it represented a decrease of approximately 2.6% compared to the delivered contracted GFA of approximately 66.1 million sq.m. as at 31 December 2021.

The Group strives to develop new business relationships from its existing customer base and network in order to provide strong organic growth to the Group. In addition to organic growth, the Group continues to identify appropriate 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 will seek 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 2022.



- | | | | |
|-----------------------------|------------------|------------------|-----------------|
| ■ Eastern and Central China | ■ Southern China | ■ Northern China | ■ Western China |
|-----------------------------|------------------|------------------|-----------------|
-
- | | | | |
|-------------------|--------------------|---------------------|---------------|
| 1. Changde (2) | 26. Cenxi (9) | 40. Baotou (7) | 44. Lhasa (1) |
| 2. Chongqing (3) | 27. Chongzuo (2) | 41. Beijing (1) | |
| 3. Chuzhou (3) | 28. Foshan (20) | 42. Tianjin (1) | |
| 4. Fuyang (1) | 29. Guangzhou (12) | 43. Zhangjiakou (3) | |
| 5. Hangzhou (57) | 30. Guigang (1) | | |
| 6. Heze (4) | 31. Guilin (3) | | |
| 7. Huaian (1) | 32. Jiangmen (2) | | |
| 8. Huanggang (1) | 33. Laibin (3) | | |
| 9. Huzhou (17) | 34. Nanning (19) | | |
| 10. Kaifeng (2) | 35. Qingyuan (4) | | |
| 11. Nantong (15) | 36. Sanya (7) | | |
| 12. Nanyang (1) | 37. Wenchang (1) | | |
| 13. Ningbo (316) | 38. Wuzhou (9) | | |
| 14. Quzhou (6) | 39. Zhaoqing (3) | | |
| 15. Shanghai (19) | | | |
| 16. Shaoxing (6) | | | |
| 17. Suzhou (43) | | | |
| 18. Tāizhou (2) | | | |
| 19. Wenzhou (8) | | | |
| 20. Wuxi (7) | | | |
| 21. Xuancheng (2) | | | |
| 22. Yanán (2) | | | |
| 23. Yueyang (1) | | | |
| 24. Zhenjiang (3) | | | |
| 25. Zhoukou (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 2022		As of 31 December 2021	
	<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 ⁽¹⁾	42,198	333	44,560	344
Southern China ⁽²⁾	13,967	72	13,872	66
Northern China ⁽³⁾	2,168	9	2,095	8
Western China ⁽⁴⁾	108	1	–	–
Subtotal	58,441	415	60,527	418
<i>Non-residential properties</i>	5,967	150	5,611	147
Total	64,408	565	66,138	565

As of 31 December 2022, the Group's contracted GFA of undelivered properties amounted to approximately 6.0 million sq.m. (2021: 6.1 million sq.m.)

Notes:

- (1) Including Changde, Chongqing, Chuzhou, Fuyang, Hangzhou, Heze, Huaian, Huanggang, Huzhou, Kaifeng, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Tāizhou, Wenzhou, Wuxi, Xuancheng, Yueyang and Zhenjiang.
- (2) Including Cenxi, Chongzuo, Foshan, Guangzhou, Guilin, Jiangmen, Nanning, Qingyuan, Sanya, Wenchang, Wuzhou and Zhaoqing.
- (3) Including Baotou, Beijing and Zhangjiakou.
- (4) Including Lhasa.

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 2022		As of 31 December 2021	
	<i>Sq.m. in thousands</i>	<i>No.</i>	<i>Sq.m. in thousands</i>	<i>No.</i>
As at beginning of year	72,283	637	72,014	613
New engagements ⁽¹⁾	1,924	38	3,522	58
Terminations ⁽²⁾	(4,207)	(44)	(3,253)	(34)
As at end of year	<u>70,000</u>	<u>631</u>	<u>72,283</u>	<u>637</u>

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 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.

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 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 customers 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 million. 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 year ended 31 December 2022, the Group recorded revenue of approximately RMB1,702.4 million, representing a decrease of 9.1% over the year 2021.

Decrease in the Group's revenue was primarily attributable to the decrement in property management business revenue from approximately RMB1,332.10 million for the year ended 31 December 2021 to approximately RMB1,322.1 million for the year ended 31 December 2022 and represented a 0.7% decrease over the corresponding year. In addition, the Group's revenue generated from sales assistance services has decreased by approximately RMB9.7 million, from cleaning and greening business has increased by approximately RMB61.7 million, from real estate consulting and agency business has decreased by approximately RMB155.2 million and from other businesses has decreased by approximately RMB58.0 million.

Breakdown of Revenue by business line and services

	For the year ended 31 December		Change	
	2022	2021		
	RMB'000	RMB'000	RMB'000	%
Property management business				
— Property management services	1,322,093	1,332,054	(9,961)	(0.7)
— Sale assistance services	15,295	24,992	(9,697)	(38.8)
Cleaning and greening business	216,691	155,036	61,655	39.8
Real estate consulting and agency business	10,256	165,417	(155,161)	(93.8)
Other businesses	138,060	196,034	(57,974)	(29.6)
	<u>1,702,395</u>	<u>1,873,533</u>	<u>(171,138)</u>	<u>(9.1)</u>

Property Management Business

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

Property management services

Revenue from property management services decreased by approximately RMB10 million or approximately 0.7% over 2021 primarily due to frequent recurrence of Covid-19 pandemic as well as slowdowns in overall economy of the property management industry in the PRC during 2022.

Sale assistance services

Revenue from sale assistance services for the year ended 31 December 2022 was approximately RMB15.3 million, comparing to approximately RMB25 million for the year ended 31 December 2021, representing a decrease of approximately RMB9.7 million or 38.8%. The decrease was mainly due to the prolonged Covid-19 epidemic.

Cleaning and greening business

Revenue from cleaning and greening business for the year ended 31 December 2022 was approximately RMB216.7 million, comparing to RMB155.0 million for the year ended 31 December 2021, representing an increase of approximately RMB61.7 million or 39.8%. The increase was primarily due to development in new markets in Shanghai, Changsha and Chongqing.

Real estate consulting and agency business

Revenue from real estate consulting and agency business for the year ended 31 December 2022 was approximately RMB10.3 million, comparing to approximately RMB165.4 million for the year ended 31 December 2021, representing a decrease of approximately RMB155.1 million or 93.8%. The decrease was mainly due no revenue arisen from 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**”) since the put option was completed in October 2021.

Other businesses

Revenue from other businesses decreased from approximately RMB196.0 million for the year ended 31 December 2021 to approximately RMB138.1 million for the year ended 31 December 2022. The decrease of approximately RMB57.9 million or 29.6% over the year was mainly due to 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 Zhenguan Security Services Company Limited (“**Guangdong Jindun**”) being completed in March 2022 and May 2022 respectively.

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 decreased by 6.6% from approximately RMB1,440.8 million for the year ended 31 December 2021 to approximately RMB1,345.0 million for the year ended 31 December 2022. The decrease was due primarily to the decrement of the Group's business, which was partially offset by the increase in the labour cost, sub-contracting cost and costs of other services and cost of goods.

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			
	2022		2021	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Property management business				
— Property management services	301,650	22.8	336,741	25.3
— Sale assistance services	3,360	22.0	7,173	28.7
Cleaning and greening business	22,623	10.4	12,781	8.2
Real estate consulting and agency business	2,442	23.8	38,358	23.2
Other businesses	27,280	19.8	37,686	19.2
Overall	357,355	21.0	432,739	23.1

The Group's gross profit for the year ended 31 December 2022 was RMB357.4 million, comparing to RMB432.7 million in 2021, representing a decrease of RMB75.3 million, or 17.4%. The Group's gross profit margin decreased from 23.1% for the year ended 31 December 2021 to 21.0% in 2022.

Other Income and Gains

The Group's other income and gains for the year ended 31 December 2022 was approximately RMB55.8 million, comparing to approximately RMB51.1 million for the year ended 31 December 2021, representing an increase of RMB4.7 million or 9.2%. The increase was primarily due to gain on the disposal of Guangzhou Nuodeng Elevator and Guangdong Jindun.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended 31 December 2022 were approximately RMB5.0 million, comparing to approximately RMB12.4 million for the year ended 31 December 2021, which represented a huge decline of RMB7.3 million or 59.4%. The decrease was primarily which due to disposal of Huihuang Property and Huihuang Real Estate in October 2021.

Administration Expenses

The Group's administrative expenses for the year ended 31 December 2022 was approximately RMB210.1 million, comparing to approximately RMB227.3 million for the year ended 31 December 2021, represented a decrease of approximately RMB17.2 or 7.6%. The decrease was primarily due to disposal of Huihuang Property and Huihuang Real Estate in October 2021.

Net Impairment Losses Recognised on Financial Assets

The Group's net impairment losses on financial assets were approximately RMB54.1 million for the year ended 31 December 2022, comparing to net impairment losses on financial assets of approximately RMB32.3 million for the year ended 31 December 2021, representing a increase of approximately RMB21.8 million in the provision for impairment losses on financial assets which was primarily due to the deteriorated liquidity crisis of the real estate sector in the People's Republic of China (the "PRC"), accompanied by frequent recurrence of Covid-19 pandemic as well as slowdowns in overall economy. As a result, the increase in impairment loss on other receivables and account receivables were made.

Other Expenses

The Group's other expenses for the year ended 31 December 2022 were approximately RMB12.9 million, comparing to approximately RMB18.6 million in 2021, representing a decrease of approximately RMB5.7 million or 30.8%. The decrease was due to loss on disposal in Huihuang Property and Huihuang Real Estate in 2021.

Finance Costs

The Group's net finance expenses amounted to approximately RMB2.9 million for the year ended 31 December 2022 comparing to net finance expenses for the year ended 31 December 2021 of approximately RMB6.4 million, representing a decrease of approximately RMB3.5 million or 54.8%. The decrease was primarily due to (i) disposal of Guangzhou Nuodeng Elevator and Guangdong Jindun in March 2022 and May 2022 respectively; and (ii) disposal of Huihuang Property and Huihuang Real Estate in 2021.

Income Tax

The Group's income tax expense for the year ended 31 December 2022 was approximately RMB43.6 million, comparing to income tax of approximately RMB58.8 million in 2021. The decrease in income tax was primarily due to lower assessable profit incurred for the year.

Goodwill

As at 31 December 2022, the Group recorded goodwill of approximately RMB225.3 million, representing an decrease of 25.6% as compared with that of approximately RMB302.6 million as at 31 December 2021. The decrease in goodwill of the Group was due to (i) disposal of Guangzhou Nuodeng Elevator and Guangdong Jindun; and (ii) the provision for impairment loss on goodwill for acquisitions of property management companies under the deteriorated liquidity crisis of real estate sector.

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.

Inventories

Inventories decreased from approximately RMB50.3 million as at 31 December 2021 to approximately RMB5.6 million as at 31 December 2022. The decrease of approximately RMB44.7 million or 88.9% was mainly due to disposal of Guangzhou Nuodeng Elevator.

Trade Receivables

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

As at 31 December 2022, total trade receivables of the Group amounted to approximately RMB496.2 million, representing an increase of approximately RMB85.6 million or 20.9% compared to approximately RMB410.6 million as at 31 December 2021. The increase was primarily due to collection rate became slower as the general atmosphere of the real estate industry environment and the Covid-19 epidemic.

Prepayments and other receivables

As at 31 December 2022, the Group's prepayments and other receivables amounted to approximately RMB314.6 million, representing a decrease of approximately RMB186.4 million or 37.2% compared to approximately RMB501.0 million as at 31 December 2021. The decrease was primarily due to (i) disposal of Guangzhou Nuodeng Elevator and Guangdong Jindu; and (ii) the collection rate became better.

Financial Assets at Fair Value through Profit or Loss

Financial Assets at fair value through profit or loss of approximately RMB7.7 million mainly represented the fair value of the options to dispose the acquired equity interest in acquired subsidiaries to the non-controlling equity holders. Decrease in financial assets at fair value through profit or loss from approximately RMB14.1 million as at 31 December 2021 to approximately RMB7.7 million as at 31 December 2022 was mainly due to (i) disposal of Guangdong Jindun; and (ii) loss of contingent consideration by fair value.

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 decreased from approximately RMB832.1 million as at 31 December 2021 to approximately RMB671.5 million as at 31 December 2022. The decrease in amounting approximately RMB160.6 million due 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 internally generated by cash flows and bank loans. As at 31 December 2022, net working capital (calculated as current assets less current liabilities) was approximately RMB330.2 million, representing an increase of RMB24.2 million from RMB306.0 million as at 31 December 2021. The current ratio (calculated as current assets/current liabilities) was 1.4 times as at 31 December 2022 (2021: 1.3 times).

As at 31 December 2022 and 31 December 2021, the Group's borrowings were denominated in RMB. 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 of up to Nil (31 December 2021: RMB4.6 million) at nil consideration as at 31 December 2022. The bank borrowing balances of the Group bore interest at fixed rates at 31 December 2022 and 31 December 2021. The carrying amounts of the interest-bearing bank and other borrowings at fixed rates 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 2022, despite the depreciation of RMB against USD and HKD, the Directors expected that fluctuations 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 2022, the Group was in a good financial position with a net cash position amounting to RMB389.5 million (2021: RMB318.7 million). Accordingly, no gearing ratio is presented.

Pledge of Assets

At 31 December 2022, investment properties and property and equipment of RMB99.6 million (2021: RMB104.6 million) were pledged to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2022 (2021: Nil).

Employees and Remuneration Policies

As at 31 December 2022, the Group had approximately 8,241 (2021: 7,528) 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.

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

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 Elevator 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. As Mr. Huang is interested in 49% equity interest in Ningbo Yongdu and is therefore a connected person at the subsidiary level (as defined under the Listing Rules) of the Company, the cancellation agreement constituted a connected transaction between the Company and a connected person at the subsidiary level (as defined under the Listing Rules). The transaction was completed in March 2022. For further details, please refer to the announcement of the Company dated 29 March 2022.

On 21 April 2022, Guangdong Zhong Ao as the purchaser, has served an option notice on Mr. Zhao Tao as the vendor to request the vendor to purchase 60% of the registered capital in Guangdong Jindun held by the purchaser (“**Sale Capital**”) in the total amount of RMB15 million, which is equivalent to the total consideration paid by the purchaser for the acquisition of the Sale Capital from the Vendor. On the date of the option notice, the vendor has paid the purchaser RMB15 million for the acquisition of all the Sale Capital by the vendor from the purchaser under the option notice. Therefore, Guangdong Zhong Ao agreed not to charge the vendor any interest as compensation under the option price. The said disposal of Guangdong Jindun was completed in May 2022. For further details, please refer to the announcement of the Company dated 21 April 2022.

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 2022.

Save as disclosed above in this announcement, as at 31 December 2022, 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.

EVENTS AFTER THE REPORTING PERIOD

On 31 March 2023, the Directors resolved to recommend the payment of a final dividend of HKD2.5 cents per share for the year ended 31 December 2022 (2021: HKD2.5 cents) to the shareholders whose names appear on the register of members of the Company on 9 June 2023. 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 7 July 2023. 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.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HKD2.5 cents per share for the year ended 31 December 2022 (2021:HKD2.5 cents) to the shareholders whose names appear on the register of members of the Company on 9 June 2023, making the total dividend payment of approximately HKD21.4 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 7 July 2023. 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 Wednesday, 31 May 2023 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 Wednesday, 31 May 2023. To ascertain shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, 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 Wednesday, 24 May 2023.

To ascertain the entitlement to the proposed final dividend for the year ended 31 December 2022, the register of members of the Company will be closed from 7 June 2023 to 9 June 2023, 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 2022, 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 6 June 2023.

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 2022, the Board is of the view that the Company has complied with all code provisions set out in the CG Code in force during the reporting period save and except for the following code provisions:

Code Provision C2.1 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 three independent non-executive directors and therefore has a fairly strong independence element in its composition.

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. Huang Anxin 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 2022 have been reviewed by the Audit Committee.

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

During the year ended 31 December 2022, 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 2022.

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 2022 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 2022. 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) and the Company (www.gdzawy.com). The annual report for the year ended 31 December 2022 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, 31 March 2023

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*