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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 2023**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2023, the revenue amounted to approximately RMB856.5 million, representing an increase of approximately 4.3% as compared with the corresponding period in 2022.
- For the six months ended 30 June 2023, the gross profit amounted to approximately RMB185.7 million, representing a decrease of approximately 5.0% as compared with the corresponding period in 2022.
- For the six months ended 30 June 2023, the net profit amounted to approximately RMB53.6 million, representing a decrease of approximately 19.2% as compared with the corresponding period in 2022.
- For the six months ended 30 June 2023, the basic earnings per share amounted to RMB5.7 cents, representing a decrease of approximately 19.7% as compared with the corresponding period in 2022.
- The Board has resolved not to declare an interim dividend for the period (six months ended 30 June 2022: 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 consolidated financial information of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

		For the six months ended 30 June	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	5	856,517	821,183
Cost of sales and services		<u>(670,856)</u>	<u>(625,848)</u>
Gross profit		185,661	195,335
Other income and gains		15,413	25,269
Selling and distribution expenses		(125)	(1,814)
Administrative expenses		(94,134)	(93,869)
Net impairment losses recognised on financial assets		(26,177)	(21,704)
Other expenses		(2,553)	(9,159)
Finance costs		(951)	(1,452)
Share of profits and losses of:			
Joint ventures		2,899	2,661
Associates		<u>(1,307)</u>	<u>353</u>
PROFIT BEFORE TAX	6	78,726	95,620
Income tax expenses	7	<u>(25,118)</u>	<u>(29,237)</u>
PROFIT FOR THE PERIOD		<u>53,608</u>	<u>66,383</u>
Attributable to:			
Owners of the parent	9	48,539	60,822
Non-controlling interests		<u>5,069</u>	<u>5,561</u>
		<u>53,608</u>	<u>66,383</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period (RMB)	9	<u>0.057</u>	<u>0.071</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE PERIOD	53,608	66,383
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	53,608	66,383
Attributable to:		
Owners of the parent	48,539	60,822
Non-controlling interests	5,069	5,561
	53,608	66,383

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property and equipment		114,425	118,001
Investment properties	<i>10</i>	177,657	180,713
Right-of-use assets		9,418	10,111
Goodwill		225,282	225,282
Prepayments for acquisition of properties	<i>11</i>	12,305	14,092
Investments in joint ventures		8,398	5,499
Investments in associates		6,285	7,592
Other intangible assets		45,669	50,919
Long-term deposits		14,746	14,746
Deferred tax assets		67,244	60,082
		<hr/>	<hr/>
Total non-current assets		681,429	687,037
CURRENT ASSETS			
Inventories		7,556	5,588
Trade receivables	<i>12</i>	584,197	496,160
Prepayments and other receivables	<i>13</i>	304,517	314,607
Financial assets at fair value through profit or loss		7,047	7,676
Cash and cash equivalents		390,967	446,052
		<hr/>	<hr/>
Total current assets		1,294,284	1,270,083
CURRENT LIABILITIES			
Trade payables	<i>14</i>	59,458	100,782
Other payables and accruals	<i>15</i>	692,341	671,489
Interest-bearing bank and other borrowings		48,990	48,990
Lease liabilities		10,755	10,528
Tax payables		119,135	108,051
		<hr/>	<hr/>
Total current liabilities		930,679	939,840
NET CURRENT ASSETS		<hr/> 363,605	<hr/> 330,243
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,045,034	<hr/> 1,017,280

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	30 June 2023	31 December 2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	27,329	28,526
Lease liabilities	904	1,825
	<hr/>	<hr/>
Total non-current liabilities	28,233	30,351
	<hr/>	<hr/>
NET ASSETS	1,016,801	986,929
	<hr/> <hr/>	<hr/> <hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
Share capital	7,082	7,082
Reserves	938,350	909,508
	<hr/>	<hr/>
	945,432	916,590
Non-controlling interests	71,369	70,339
	<hr/>	<hr/>
TOTAL EQUITY	1,016,801	986,929
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 company incorporated in the British Virgin Islands (the “**BVI**”) with limited liability.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

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 2022.

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 2022, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

The Company has adopted all the new and revised HKFRSs issued by HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2023. The application of these new and revised HKFRSs 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 2023 (unaudited)						
Segment revenue						
Sales to external customers	658,128	6,168	119,190	596	72,435	856,517
Intersegment sales	5,261	-	80,458	-	37,126	122,845
	<u>663,389</u>	<u>6,168</u>	<u>199,648</u>	<u>596</u>	<u>109,561</u>	<u>979,362</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(122,845)</u>
Revenue						<u><u>856,517</u></u>
Segment results	58,657	591	19,980	119	11,404	90,751
<i>Reconciliation:</i>						
Bank interest income						1,250
Other interest income of financial assets at fair value through profit or loss						9
Changes in fair value of investment properties						(578)
Change in fair value of financial assets/ liabilities at fair value through profit or loss						(629)
Net foreign exchange gains						527
Corporate expenses						(13,245)
Share of profits of joint ventures						2,899
Share of profits of associates						(1,307)
Finance costs (other than interest on lease liabilities)						<u>(951)</u>
Profit before tax						<u><u>78,726</u></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>
30 June 2023 (unaudited)						
Segment assets	2,043,987	83,286	285,345	10,032	100,808	2,523,458
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(1,103,907)
Corporate and other unallocated assets						<u>556,162</u>
Total assets						<u><u>1,975,713</u></u>
Segment liabilities	1,123,926	34,796	182,917	3,529	83,856	1,429,024
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,103,907)
Corporate and other unallocated liabilities						<u>633,795</u>
Total liabilities						<u><u>958,912</u></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 2022 (unaudited)						
Segment revenue						
Sales to external customers	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						<u>(109,044)</u>
Revenue						<u><u>821,183</u></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
Changes 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 loss						(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						<u>8,369</u>
Profit before tax						<u><u>95,620</u></u>
31 December 2022 (unaudited)						
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>

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers		
Rendering of services	852,381	812,445
Sales of products	4,136	8,738
	<u>856,517</u>	<u>821,183</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2023 (unaudited)

<u>Segments</u>	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	658,128	6,168	119,190	596	68,299	852,381
Sales of products	-	-	-	-	4,136	4,136
	<u>658,128</u>	<u>6,168</u>	<u>119,190</u>	<u>596</u>	<u>72,435</u>	<u>856,517</u>
Total revenue from contracts with customers	<u>658,128</u>	<u>6,168</u>	<u>119,190</u>	<u>596</u>	<u>72,435</u>	<u>856,517</u>
Geographical markets						
Mainland China	<u>658,128</u>	<u>6,168</u>	<u>119,190</u>	<u>596</u>	<u>72,435</u>	<u>856,517</u>
Timing of revenue recognition						
Revenue recognised over time	658,128	6,168	119,190	-	68,299	851,785
Revenue recognised at a point of time	-	-	-	596	4,136	4,732
	<u>658,128</u>	<u>6,168</u>	<u>119,190</u>	<u>596</u>	<u>72,435</u>	<u>856,517</u>
Total revenue from contracts with customers	<u>658,128</u>	<u>6,168</u>	<u>119,190</u>	<u>596</u>	<u>72,435</u>	<u>856,517</u>

5. REVENUE (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the six months ended 30 June 2022 (unaudited)

<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	642,978	9,360	104,366	3,476	52,265	812,445
Sales of products	—	—	—	—	8,738	8,738
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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 markets						
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	7,866	—	—	3,476	8,738	20,080
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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 2023 (unaudited)

<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	658,128	6,168	119,190	596	72,435	856,517
Intersegment sales	<u>5,261</u>	<u>-</u>	<u>80,458</u>	<u>-</u>	<u>37,126</u>	<u>122,845</u>
Intersegment adjustments and eliminations	<u>(5,261)</u>	<u>-</u>	<u>(80,458)</u>	<u>-</u>	<u>(37,126)</u>	<u>(122,845)</u>
Total revenue from contracts with customers	<u><u>658,128</u></u>	<u><u>6,168</u></u>	<u><u>119,190</u></u>	<u><u>596</u></u>	<u><u>72,435</u></u>	<u><u>856,517</u></u>

For the six months ended 30 June 2022 (unaudited)

<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	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><u>642,978</u></u>	<u><u>9,360</u></u>	<u><u>104,366</u></u>	<u><u>3,476</u></u>	<u><u>61,003</u></u>	<u><u>821,183</u></u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
Note	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided	667,824	619,035
Cost of goods sold	3,032	6,813
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Salaries and other benefits	515,048	338,194
Retirement benefit scheme contributions	42,858	20,381
	<u>557,906</u>	<u>358,575</u>
Depreciation of items of property and equipment	18,144	11,605
Depreciation of right-of-use assets	1,136	1,714
Amortisation of other intangible assets	5,298	5,666
Net impairment losses recognised on trade receivables	16,993	16,277
Net impairment losses recognised on other receivables	9,184	6,303
Fair value loss/(gains) on investment properties	10	578
Gross rental income	(872)	(46)
Net foreign exchange (gain)/loss	(527)	126
Changes in fair value of financial assets/liabilities at fair value through profit or loss	629	6,452
Bank interest income	(1,250)	(3,772)
Loss/(gain) on disposal of items of property and equipment	423	(111)
Other interest income from financial assets at fair value through profit or loss	(9)	(48)
Gain on disposal of subsidiaries	(145)	(8,369)
Reversal of inventories to net realisable value	–	(876)
Loss on disposal of an investment property	453	–

7. INCOME TAX

A provision for PRC corporate income tax ("CIT") has been provided at the applicable income tax rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%) on the assessable profits of the Group's subsidiaries in Mainland China, except for those subsidiaries which enjoy 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 for the six months ended 30 June 2023 and 2022.

7. INCOME TAX (CONTINUED)

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China:		
Charge for the period	33,549	36,263
Deferred tax	(8,431)	(7,026)
	<u> </u>	<u> </u>
Total tax charge for the period	<u>25,118</u>	<u>29,237</u>

8. DIVIDENDS

During the six months ended 30 June 2023, a dividend of HKD2.50 cents per share in respect of the year ended 31 December 2022 was declared by the directors of the Company and approved in the Company's annual general meeting on 31 May 2023. No interim dividend was paid, declared or proposed during the six months ended 30 June 2023 (2022: 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 2023 and 2022, and the weighted average number of ordinary shares of 854,550,000 shares (six months ended 30 June 2022: 854,550,000 shares) in issue during the period.

Diluted earnings per share for the six months ended 30 June 2023 and 2022 are the same as the basic earnings per share, as the Company has no potential dilutive ordinary shares.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	<u>48,539</u>	<u>60,822</u>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	<u>854,550,000</u>	<u>854,550,000</u>

10. INVESTMENT PROPERTIES

	<i>RMB'000</i>
Carrying amount at 1 January 2023 (audited)	180,713
Additions	1,875
Disposal	(4,353)
Net loss from fair value adjustments (<i>note 6</i>)	<u>(578)</u>
Carrying amount at 30 June 2023 (unaudited)	<u><u>177,657</u></u>

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

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 30 June 2023 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 30 June 2023. The Group's property manager and the directors have discussions with the valuer on the valuation assumptions and valuation results regularly when the valuation is performed.

The Group's investment properties with a carrying value of RMB99,563,000 (31 December 2022: RMB99,567,000) were pledged to secure general banking facilities granted to the Group as at 30 June 2023.

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 2023 using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Recurring fair value measurement for:	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Commercial properties	<u>–</u>	<u>–</u>	<u>177,657</u>	<u>177,657</u>

10. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

	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

During the six months ended 30 June 2023 and the year ended 31 December 2022, 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 technique used and the key input to the valuation of investment properties:

Valuation technique	Significant unobservable input	Range	
		2023	2022
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 30 June 2023, the Group had deposits of RMB12,305,000 (31 December 2022: RMB14,092,000) in relation to the acquisition of properties situated in Mainland China paid to property developers.

12. TRADE RECEIVABLES

An ageing analysis of the trade 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	440,386	399,039
1 to 2 years	86,711	52,712
Over 2 years	57,100	44,409
	<u>584,197</u>	<u>496,160</u>

13. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Payment on behalf of customers to utility suppliers	59,353	78,045
Deposits paid to utility suppliers	48,113	38,942
Other receivables	198,500	202,603
Prepayments	81,366	70,897
Other tax recoverable	2,589	340
	<u>389,921</u>	<u>390,827</u>
Less: Impairment allowance	(70,658)	(61,474)
	<u>319,263</u>	<u>329,353</u>
Less: non-current portion	(14,746)	(14,746)
	<u>304,517</u>	<u>314,607</u>

Prepayments and other receivables mainly represent performance bonds, bidding deposit for contracts, business related prepayments, balances with other independent third parties and receivables resulting from transfer of equity interests by the Group. 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 30 June 2023 ranged from 3% to 30% (31 December 2022: 3% to 30%).

Other receivables included RMB13.8 million (31 December 2022: RMB16.9 million) advanced to three independent third parties for business purpose. The loans were unsecured, and interest-free (except for one loan bearing interest at 7% per annum). Impairment provision of RMB0.4 million is required for these loans as at 30 June 2023.

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	50,953	91,349
Over one year	8,505	9,433
	59,458	100,782

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contract liabilities	158,524	135,689
Receipts on behalf of community residents for utilities	233,256	245,133
Received in advance	12,210	17,218
Accruals and other payables	179,407	161,949
Deposits received	60,277	63,059
Amounts due to non-controlling equity holders of subsidiaries	2,865	7,576
Due to the ultimate holding company	8,759	6,000
Other tax payables	37,043	34,865
	692,341	671,489

As at 30 June 2023, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is a leading and fast-growing independent property management service provider in the PRC. In 2023, the Group received the award, Excellence Award from the United Nations Development Programme (UNDP) 聯合國開發計劃署. The award was set up to identify, recognise and motivate corporates to drive the highest sustainability standards in implementing the United Nations Sustainable Development Goals (UNSDGs) for the global environment, societies and corporate governance (ESG) for our upcoming generations. As at 30 June 2023, the Group had a total contracted gross floor area (“GFA”) of approximately 69.7 million square meters (“sq.m.”) where it was contracted to manage 633 properties across 45 cities in China.

The Group is engaged in the provision of property management services, provision of sales assistance services, cleaning and greening services, real estate consulting and agency service, 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 services with best qualities to customers.

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 also ancillary services such as cleaning, gardening, 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 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 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 2023, the Group had maintained its presence in 45 cities in China where it was contracted to manage a total of 633 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted GFA of approximately 69.7 million sq.m. Revenue from property management business increased by approximately RMB12.0 million or 1.8% over the same period in 2022 primarily due to an increase in the delivered contracted GFA from approximately 67.0 million sq.m. for the six months ended 30 June 2022 to approximately 69.7 million sq.m. for the six months ended 30 June 2023.

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 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 2023.

Eastern and Central China	Southern China	Northern China	Western China
1. Changde (2)	27. Cenxi (9)	41. Baotou (7)	45. Lhasa (1)
2. Chongqing (3)	28. Chongzuo (2)	42. Beijing (1)	
3. Chuzhou (3)	29. Foshan (20)	43. Zhangjiakou (3)	
4. Fuyang (1)	30. Guangzhou (12)	44. Tianjin (1)	
5. Hangzhou (54)	31. Guigang (1)		
6. Heze (4)	32. Guilin (3)		
7. Huai'an (1)	33. Jiangmen (2)		
8. Huanggang (1)	34. Laibin (3)		
9. Huzhou (18)	35. Nanning (19)		
10. Kaifeng (2)	36. Qingyuan (4)		
11. Nantong (15)	37. Sanya (7)		
12. Nanyang (1)	38. Wenchang (1)		
13. Ningbo (318)	39. Wuzhou (9)		
14. Quzhou (8)	40. Zhaoqing (3)		
15. Shanghai (19)			
16. Shaoxing (6)			
17. Suzhou (42)			
18. Táizhou (2)			
19. Wenzhou (8)			
20. Wuxi (7)			
21. Xuancheng (2)			
22. Yan'an (2)			
23. Yueyang (1)			
24. Zhengzhou (1)			
25. Zhenjiang (1)			
26. Zhoukou (3)			

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

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

	As at 30 June 2023	
	Sq.m. in thousands	No.
<i>Residential properties</i>		
Eastern and Central China ⁽¹⁾	41,634	331
Southern China ⁽²⁾	14,018	73
Northern China ⁽³⁾	2,168	9
Western China ⁽⁴⁾	108	1
Subtotal	57,928	414
<i>Non-residential properties</i>	5,962	147
Total	63,890	561

As at 30 June 2023, the Group's contracted GFA of undelivered properties amounted to approximately 5.8 million sq.m.

Notes:

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

Sales assistance business

The Group provides property developers with cleaning 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; and
- (5) The Group provides shuttle bus services throughout certain property regions for the convenience of property users.

Prospects and Future Plans

Even though the second half of 2023 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 its 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 its 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 with means of acquisitions and cooperation.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the six months ended 30 June 2023, the Group recorded revenue of approximately RMB856.5 million, representing an increase of approximately 4.3% over the six months ended 30 June 2022.

Increase in the Group's revenue was primarily attributable to the growth in property management business revenue from approximately RMB652.3 million for the six months ended 30 June 2022 to approximately RMB664.3 million for the six months ended 30 June 2023, which represented an increase of approximately RMB12.0 million or 1.8%. The Group's revenue segments also brought forth revenue generated from cleaning and greening business of approximately RMB119.2 million for the six months ended 30 June 2023 as compared with approximately RMB104.4 million for the six months ended 30 June 2022; the revenue generated from real estate consulting and agency business of approximately RMB0.6 million for the six months ended 30 June 2023 as compared with approximately RMB3.5 million for the six months ended 30 June 2022 and the revenue generated from other businesses of approximately RMB72.4 million for the six months ended 30 June 2023 as compared with approximately RMB61.0 million for the six months ended 30 June 2022.

Breakdown of revenue by business line and services

	For the six months ended 30 June			
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Change <i>RMB'000</i>	%
Property management business				
— Property management services	658,128	642,978	15,150	2.4
— Sales assistance services	6,168	9,360	(3,192)	(34.1)
Cleaning and greening business	119,190	104,366	14,824	14.2
Real estate consulting and agency business	596	3,476	(2,880)	(82.9)
Other businesses	72,435	61,003	11,432	18.7
	<u>856,517</u>	<u>821,183</u>	<u>35,334</u>	<u>4.3</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 increased by approximately RMB15.2 million or 2.4% over the corresponding period in 2022 primarily due to the increase in projects with higher property management service fee.

Sales assistance business

Revenue from the sales assistance business for the six months ended 30 June 2023 was approximately RMB6.2 million, comparing to approximately RMB9.4 million for the six months ended 30 June 2022, represented a decrease of approximately RMB3.2 million or 34.1%. 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 RMB119.2 million for the six months ended 30 June 2023, comparing to approximately RMB104.4 million for the six months ended 30 June 2022, represented an increase of approximately RMB14.8 million or 14.2%, mainly due to strong demand for cleaning and greening services.

Real estate consulting and agency business

The decrease of approximately RMB2.9 million for the real estate consulting and agency business from approximately RMB3.5 million for the six months ended 30 June 2022 to approximately RMB0.6 million for the six months ended 30 June 2023 was mainly due to the macroeconomic conditions and downturn in the real estate industry.

Other businesses

Revenue from other businesses increased from approximately RMB61.0 million for the six months ended 30 June 2022 to approximately RMB72.4 million for the six months ended 30 June 2023. The increase of approximately RMB11.4 million or 18.7% over the period was mainly due to increase 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 cost of the technicians in the provision of elevator engineering services and weak-current engineering services; costs of the spare parts sold and operating costs in running the catering services; and (v) costs of cleaning and greening products and utensils as well as commission paid for the real estate and property agency services.

Cost of sales and services increased by approximately 7.2% from approximately RMB625.8 million for the six months ended 30 June 2022 to approximately RMB670.9 million for the six months ended 30 June 2023. The increase was due primarily to the increase in the labour costs, sub-contracting costs and costs of other services, which was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

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

	For the six months ended 30 June			
	2023		2022	
	(Unaudited)		(Unaudited)	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Property management business				
— Property management services	153,567	23.3	155,669	24.2
— Sales assistance services	591	9.6	2,469	26.4
Cleaning and greening business	19,980	16.8	23,463	22.5
Real estate consulting and agency services business	119	20.0	904	26.0
Other businesses	11,404	15.7	12,830	21.0
	<u>185,661</u>	<u>21.7</u>	<u>195,335</u>	<u>23.8</u>
Total	<u>185,661</u>	<u>21.7</u>	<u>195,335</u>	<u>23.8</u>

The Group's gross profit for the six months ended 30 June 2023 was approximately RMB185.7 million, comparing to approximately RMB195.3 million for the six months ended 30 June 2022, represented a decrease of approximately RMB9.6 million or 5.0%. The Group's overall gross profit margin decreased from 23.8% for the six months ended 30 June 2022 to 21.7% for the six months ended 30 June 2023. Decrease in gross profit margin was mainly due to changes in the macroeconomic conditions and cyclical downturn in the real estate and property management industry, which confine the gross profit margin of the Group.

Other Income and Gains

The Group's other income and gains for the six months ended 30 June 2023 was approximately RMB15.4 million, which decreased by approximately RMB9.9 million as compared to approximately RMB25.3 million for the six months ended 30 June 2022. The decrease was mainly due to (i) the non-recurrence of gain on disposal of subsidiaries of approximately RMB8.4 million; and (ii) decrease in interest income received.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2023 were approximately RMB0.1 million, comparing to approximately RMB1.8 million for the six months ended 30 June 2022, represented a decrease of approximately RMB1.7 million or 93.1%. The decrease was primarily due to the decrease in business development, marketing and promotion expenses.

Administrative Expenses

The Group's administrative expenses for the six month ended 30 June 2023 was approximately RMB94.1 million, comparing to approximately RMB93.9 for the six month ended 30 June 2022 recognised.

Net Impairment Losses Recognised on Financial Assets

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. Based on the impairment analysis, impairment losses on financial and contract assets of approximately RMB26.2 million were recognised for the six months ended 30 June 2023 as compared with approximately RMB21.7 million for the six months ended 30 June 2022.

Other Expenses

The Group's other expenses for the six months ended 30 June 2023 was approximately RMB2.6 million, comparing to approximately RMB9.2 million for the six months ended 30 June 2022, representing a decrease of approximately RMB6.6 million or 72.1%. The decrease was mainly 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 RMB1.0 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately RMB1.5 million). The decrease was primarily due to the decrease in interest-bearing bank and other borrowings.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2023 was approximately RMB25.1 million, comparing to approximately RMB29.2 million for the six months ended 30 June 2022, representing a decrease of approximately RMB4.1 million or 14.1%. The decrease was due to lower assessable profit incurred for the period.

Goodwill

As at 30 June 2023, the Group recorded goodwill of approximately RMB225.3 million, comparing to approximately RMB225.3 million at 30 June 2022.

Since the performance of the acquired companies in the first half of 2023 reached the management's expectation, the management of the Group determined that no impairment of goodwill should be recognised.

Inventories

Inventories increased from approximately RMB5.6 million as at 31 December 2022 to approximately RMB7.6 million as at 30 June 2023. The increase of approximately RMB2.0 million or 35.2% was mainly due to bulk purchase of certain inventory items during the period to enjoy getting larger discount.

Trade Receivables

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

As at 30 June 2023, total trade receivables of the Group amounted to approximately RMB584.2 million, representing an increase of approximately RMB88.0 million as compared with approximately RMB496.2 million as at 31 December 2022. 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 and Other Receivables

Prepayments and other receivables decreased from approximately RMB314.6 million as at 31 December 2022 to approximately RMB304.5 million as at 30 June 2023. The decrease of approximately RMB10.1 million or 3.2% was mainly due to the increase in provision of expected credit losses on other receivables.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss of approximately RMB7.0 million mainly represented the fair value of the options to dispose of the acquired equity interest in acquired subsidiaries to the non-controlling equity holders. Decrease in financial assets at fair value through profit and loss of approximately RMB0.7 million or 8.2% was mainly due to decrease in fair value of the options.

Other Payables and Accruals

Other payables and accruals primarily comprise receipts on behalf of community residents for utilities, receipts in advances, accruals, deposits received and other payables. Other payables and accruals increased from approximately RMB20.8 million to approximately RMB692.3 million as at 30 June 2023, which were primarily due to final dividend payable for year 2022 of approximately RMB17.9 million.

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 2023, net working capital (calculated as current assets less current liabilities) was approximately RMB363.6 million which represented an increase of approximately RMB33.4 million from approximately RMB330.2 million as at 31 December 2022. The current ratios (calculated as current assets/current liabilities) were both 1.4 times as at 30 June 2023 and 31 December 2022.

As at 30 June 2023, all the Group's borrowings were denominated in RMB. The bank borrowing balances at the Group bore interest at fixed rates at 31 December 2022 and 30 June 2023. 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 2023, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

Gearing Ratio

The gearing ratio is defined as total borrowings add, amounts due to non-controlling equity holders of a subsidiary and net of bank balances and cash divided by total equity. As at 30 June 2023, the Group was in a good financial position with a net cash position amounting to approximately RMB339.1 million (31 December 2022: RMB389.5 million). Accordingly, no gearing ratio is presented.

PLEDGE OF ASSETS

At 30 June 2023, investment properties of approximately RMB99.6 million (31 December 2022: RMB99.6 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 2023 (31 December 2022: Nil).

Employees and Remuneration Policies

As at 30 June 2023, excluding the employees under commission basis and employees under subcontracting contracts, the Group had approximately 8,721 (31 December 2022: 8,241) 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 staffs and functional heads are reviewed on a yearly basis. In addition to basic salaries, performance related salaries may also be awarded to employees based on internal performance evaluation. Moreover, the Company has adopted a share award scheme in June 2017 in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

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

OTHER INFORMATION

Reference is made to the announcement of the Company dated 1 August 2022 and 17 April 2023. 廣東中奧物業管理有限公司 (Guangdong Zhong Ao Property Management Company Limited*) (“**Guangdong Zhong Ao**”), had demanded 梁錫偉 (Liang Xiwei*) (“**Mr. Liang**”) from time to time to (i) pay the remaining balance of the Option Price; and (ii) complete the registration procedures for mortgaging the remaining 183 Tinayu Garden Car Parking Spaces. Mr. Liang has still not settled and completed the registration procedures for mortgaging, which constitutes a breach of the Second Supplemental Agreement.

Guangdong Zhong Ao has commenced civil lawsuit and submitted a claim (the “**Claim**”) against Mr. Liang and 黃俊華 (Huang Junhua*) to the People’s Court of Qingxiu District, Nanning City, the People’s Republic of China for, among others, (i) the remaining balance of the Option Price of RMB20 million and all accrued interest; (ii) penalties for breach of contract; and (iii) an order that Guangdong Zhong Ao shall have the right to be compensated in priority by the proceeds from the auction or sale of the mortgaged properties (including a house and 227 Tianyu Garden Car Parking Spaces). On 14 April 2023, Guangdong Zhong Ao has received from the Court an acceptance notice in relation to the Claim. For further details, please refer to the announcements of the Company dated 18 August 2021, 22 October 2021 and 31 January 2022, 1 August 2022 and 17 April 2023. The Company will keep the Shareholders and potential investors of the Company informed of any further material developments in connection with the Claim by way of further announcement(s) as and when appropriate.

CHANGE OF DIRECTORS’ AND SENIOR MANAGEMENT’S INFORMATION

Reference is made to the announcement of the Company dated 30 June 2023. With effective from 1 July 2023, Mr. Huang Anxin (黃安心先生) resigned as an independent non-executive Director, and a member of the audit committee (the “**Audit Committee**”) of the Company due to his desire to devote more time to his personal affairs; and Mr. Yin Weizhong (尹衛忠先生) (“**Mr. Yin**”) was appointed as an independent non-executive Director, and a member of the Audit Committee. The Company entered into an appointment letter with Mr. Yin in relation to his appointment as an independent non-executive Director for an initial term of three years commencing on 1 July 2023.

Reference is also made to the announcement of the Company dated 10 July 2023. Mr. Wu Zhihua (吳志華先生) resigned as a non-executive Director due to need to devote more energy to his personal affairs; and Ms. Xu Yaping (徐亞萍女士) (“**Ms. Xu**”) was appointed as a non-executive Director, with effect from 10 July 2023. The Company entered into an appointment letter with Ms. Xu in relation to her appointment as a non-executive Director for a term of three years commencing on 10 July 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil). The Board will consider to declare a final dividend if the annual results of the Group for the year ending 31 December 2023 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 Listing Rules 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 2023, except for certain deviations as specified and explained with considered reasons hereunder:

Code Provision C.2.1

Chairman and chief executive officer are two key aspects of the management of a company. Chairman is responsible for providing leadership for the board and management of the board while chief executive officer is responsible for day-to-day management of business. Clear division of these responsibilities should be in place to ensure a balance of power and authority. The code provision C.2.1 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 C.2.1 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 2023 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 2023.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rule and the CG Code. The Audit Committee consists of three members, namely Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Yin Weizhong, all being independent non-executive Directors. Mr. Chan Wai Cheung, Admiral is the chairman of the Audit Committee with the appropriate professional qualifications. The unaudited consolidated interim financial statements and the interim results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

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 2023. In addition, the Group had no significant investments held during the six months ended 30 June 2022.

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

During the six months ended 30 June 2023, 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 2023 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 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, Ms. Jin Keli and Ms. Xu Yaping as non-executive directors, and Mr. Chan Wai Cheung, Admiral, Mr. Chan Ka Leung, Kevin and Mr. Yin Weizhong as independent non-executive directors.