

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2021, the revenue amounted to approximately RMB1,873.5 million, representing an increase of 6.9% as compared with 2020.
- For the year ended 31 December 2021, the gross profit amounted to approximately RMB432.7 million, representing a decrease of 2% as compared with 2020.
- For the year ended 31 December 2021, the profit for the year amounted to approximately RMB132.0 million, representing a decrease of 12.4% as compared with 2020.
- For the year ended 31 December 2021, the basic earnings per share amounted to RMB12.4 cents, representing a decrease of 21% as compared with 2020.
- The Board of Directors has recommended a final dividend of HK\$2.5 cents per share for the year ended 31 December 2021 (2020: HK\$3.0 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 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	1,873,533	1,752,317
Cost of sales and services		<u>(1,440,794)</u>	<u>(1,310,676)</u>
GROSS PROFIT		432,739	441,641
Other income and gains	4	51,088	54,909
Selling and distribution expenses		(12,361)	(12,580)
Administrative expenses		(227,316)	(238,401)
Net impairment losses recognised on financial assets		(32,307)	(22,837)
Other expenses		(18,600)	(4,855)
Finance costs	6	(6,378)	(18,064)
Share of profits and losses of:			
Joint ventures		2,824	2,595
Associates		1,194	211
PROFIT BEFORE TAX	5	190,883	202,619
Income tax expenses	7	(58,844)	(51,839)
PROFIT FOR THE YEAR		<u>132,039</u>	<u>150,780</u>
Attributable to:			
Owners of the parent		106,282	131,509
Non-controlling interests		25,757	19,271
		<u>132,039</u>	<u>150,780</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the year (RMB)	9	<u>0.124</u>	<u>0.157</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	RMB'000
PROFIT FOR THE YEAR	132,039	150,780
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	1,373
Income tax effect	(186)	(343)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	521	1,030
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	521	1,030
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	132,560	151,810
Attributable to:		
Owners of the parent	106,803	132,539
Non-controlling interests	25,757	19,271
	132,560	151,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property and equipment		139,624	112,232
Investment properties	<i>10</i>	178,012	188,951
Right-of-use assets		10,365	32,687
Goodwill		302,642	379,984
Prepayments for acquisition of properties	<i>11</i>	14,206	15,634
Investments in joint ventures		5,153	4,230
Investments in associates		6,283	4,789
Other intangible assets		59,961	75,600
Long-term deposits		2,435	4,657
Deferred tax assets		56,506	50,395
Total non-current assets		775,187	869,159
CURRENT ASSETS			
Inventories		50,261	11,820
Trade receivables	<i>12</i>	410,513	374,202
Prepayments and other receivables	<i>13</i>	500,982	303,570
Financial assets at fair value through profit or loss		14,076	15,008
Cash and cash equivalents		436,464	495,773
Total current assets		1,412,296	1,200,373
CURRENT LIABILITIES			
Trade payables	<i>14</i>	96,392	72,357
Other payables and accruals	<i>15</i>	832,098	836,234
Interest-bearing bank and other borrowings		41,097	53,952
Lease liabilities		9,944	30,033
Tax payables		126,792	108,587
Total current liabilities		1,106,323	1,101,163
NET CURRENT ASSETS		305,973	99,210
TOTAL ASSETS LESS CURRENT LIABILITIES		1,081,160	968,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		22,366	24,842
Interest-bearing bank and other borrowings		14,859	25,319
Lease liabilities		2,877	8,193
Other long-term payables		57,953	18,589
		<hr/>	<hr/>
Total non-current liabilities		98,055	76,943
		<hr/>	<hr/>
NET ASSETS		983,105	891,426
		<hr/> <hr/>	<hr/> <hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	<i>16</i>	7,082	7,082
Reserves		892,173	807,244
		<hr/>	<hr/>
		899,255	814,326
Non-controlling interests		83,850	77,100
		<hr/>	<hr/>
TOTAL EQUITY		983,105	891,426
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Zhong Ao Home Group Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 5 January 2015. The registered office address of the Company is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands.

The Company’s subsidiaries are principally engaged in the provision of property management services, provision of sales assistance services, provision of cleaning and greening services and provision of real estate agency services in the People’s Republic of China (the “**PRC**”). The Company’s immediate and ultimate holding company is Qichang International Limited (“**Qichang**”), a limited liability company incorporated in the British Virgin Islands (the “**BVI**”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss (“**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 2021. 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 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate (“**LPR**”) as at 31 December 2021. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 guard 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 ownership; and
- (e) Other businesses comprise sales of elevators and installation services, provision of security guard, 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 from continuing operations). The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that bank interest income, other interest income from financial assets at fair value through profit or loss, changes in fair value of investment properties, fair value adjustment of contingent consideration, net foreign exchange loss, share of profits of joint ventures, share of profits of 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 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
	<u>1,345,981</u>	<u>24,992</u>	<u>251,121</u>	<u>166,311</u>	<u>346,732</u>	<u>2,135,137</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(261,604)</u>
Revenue from continuing operations						<u><u>1,873,533</u></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 gain						257
Corporate expenses						(48,362)
Share of profits of joint ventures						2,824
Share of profits of associates						1,194
Finance costs (other than interest on lease liabilities)						<u>(5,063)</u>
Profit before tax						<u><u>190,884</u></u>

3. OPERATING SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate agency business RMB'000	Other businesses RMB'000	Total RMB'000
31 December 2021						
Segment assets	2,033,058	105,240	149,495	-	215,629	<u>2,503,422</u>
<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	1,235,740	64,080	95,707	-	137,036	<u>1,532,563</u>
<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/ (reversal) 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.

3. OPERATING SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Property management business <i>RMB'000</i>	Sales assistance business <i>RMB'000</i>	Cleaning and greening business <i>RMB'000</i>	Real estate agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2020						
Segment revenue (note 4)						
Sales to external customers	1,252,251	30,351	83,567	237,863	148,285	1,752,317
Intersegment sales	15,790	-	93,162	926	121,747	231,625
	<u>1,268,041</u>	<u>30,351</u>	<u>176,729</u>	<u>238,789</u>	<u>270,032</u>	<u>1,983,942</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(231,625)</u>
Revenue from continuing operations						<u><u>1,752,317</u></u>
Segment results	188,883	9,006	22,303	27,597	12,609	260,398
<i>Reconciliation:</i>						
Bank interest income						4,559
Other interest income from financial assets at fair value through profit or loss						2,412
Changes in fair value of investment properties						696
Fair value adjustment of contingent consideration						(260)
Net foreign exchange gain						2,034
Corporate expenses						(55,469)
Share of profits of joint ventures						2,595
Share of profits of associates						211
Finance costs (other than interest on lease liabilities)						<u>(14,557)</u>
Profit before tax						<u><u>202,619</u></u>

3. OPERATING SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Property management business RMB'000	Sales assistance business RMB'000	Cleaning and greening business RMB'000	Real estate agency business RMB'000	Other businesses RMB'000	Total RMB'000
31 December 2020						
Segment assets	1,726,074	46,903	131,188	218,488	248,486	<u>2,371,139</u>
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(1,073,218)
Corporate and other unallocated assets						<u>771,611</u>
Total assets						<u><u>2,069,532</u></u>
Segment liabilities	911,638	24,281	60,767	95,199	118,751	<u>1,210,636</u>
<i>Reconciliation:</i>						
Elimination of intersegment payables						(1,073,218)
Corporate and other unallocated liabilities						<u>1,040,688</u>
Total liabilities						<u><u>1,178,106</u></u>
Other segment information						
Share of profits and losses of:						
Joint ventures	2,595	-	-	-	-	2,595
Associates	211	-	-	-	-	211
Net impairment losses recognised/ (reversal) in profit or loss	19,310	4,299	(605)	(1,104)	937	22,837
Depreciation and amortisation						
Unallocated						
Segment	20,529	13,611	310	20,438	3,626	58,514
Investments in associates	4,789	-	-	-	-	4,789
Investment in a joint ventures	4,230	-	-	-	-	4,230
Capital expenditure*						
Unallocated						
Segment	14,400	830	98	6,085	84	21,497

* 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Rendering of services	1,810,626	1,729,266
Sales of goods	<u>62,907</u>	<u>23,051</u>
	<u><u>1,873,533</u></u>	<u><u>1,752,317</u></u>

Revenue from contracts with customers

(i) Disaggregated revenue information

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 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
Sales 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><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>
Geographical markets						
Mainland China	<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>
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><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>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2020

<u>Segments</u>	Property management business <i>RMB'000</i>	Sales assistance business <i>RMB'000</i>	Cleaning and greening business <i>RMB'000</i>	Real estate agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services						
Rendering of services	1,252,251	30,351	83,567	237,863	125,234	1,729,266
Sales of goods	–	–	–	–	23,051	23,051
Total revenue from contracts with customers	<u>1,252,251</u>	<u>30,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>
Geographical markets						
Mainland China	<u>1,252,251</u>	<u>30,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>
Timing of revenue recognition						
Revenue recognised over time	1,252,251	30,351	83,567	–	125,234	1,491,403
Revenue recognised at a point of time	–	–	–	237,863	23,051	260,914
Total revenue from contracts with customers	<u>1,252,251</u>	<u>30,351</u>	<u>83,567</u>	<u>237,863</u>	<u>148,285</u>	<u>1,752,317</u>

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

For the year ended 31 December 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 agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers						
Sales to external customers	1,332,054	24,992	155,036	165,417	196,034	1,873,533
Intersegment sales	<u>13,927</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>(96,085)</u>	<u>(894)</u>	<u>(150,698)</u>	<u>(261,604)</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>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2020

<u>Segments</u>	Property management business <i>RMB'000</i>	Sales assistance business <i>RMB'000</i>	Cleaning and greening business <i>RMB'000</i>	Real estate agency business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers						
External customers	1,252,251	30,351	83,567	237,863	148,285	1,752,317
Intersegment sales	<u>15,790</u>	<u>–</u>	<u>93,162</u>	<u>926</u>	<u>121,747</u>	<u>231,625</u>
Intersegment adjustments and eliminations	<u>(15,790)</u>	<u>–</u>	<u>(93,162)</u>	<u>(926)</u>	<u>(121,747)</u>	<u>(231,625)</u>
Total revenue from contracts with customers	<u><u>1,252,251</u></u>	<u><u>30,351</u></u>	<u><u>83,567</u></u>	<u><u>237,863</u></u>	<u><u>148,285</u></u>	<u><u>1,752,317</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:

	2021
	<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>123,359</u></u>
	2020
	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Property management services	<u><u>123,057</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 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 transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 31 December 2020 are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	203,552	123,359
Over one year	<u>57,953</u>	<u>–</u>
	<u>261,505</u>	<u>123,359</u>

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Sales of goods (Continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Bank interest income	3,939	4,559
Other interest income from financial assets at fair value through profit or loss	746	2,412
Government grants	24,214	30,875
Rental income	4,353	5,240
Others	15,003	9,093
	<u>48,255</u>	<u>52,179</u>
Gains		
Fair value gains on investment properties	1,825	696
Gain on disposal of items of property and equipment	751	–
Net foreign exchange gain	257	2,034
	<u>2,833</u>	<u>2,730</u>
	<u><u>51,088</u></u>	<u><u>54,909</u></u>

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Cost of services provided		1,384,453	1,294,826
Cost of goods sold		56,341	15,850
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Salaries and other benefits		656,855	660,843
Retirement benefit scheme contributions		36,727	10,099
		693,582	670,942
Depreciation of items of property and equipment		25,495	22,932
Depreciation of right-of-use assets		10,287	23,050
Amortisation of other intangible assets		12,977	13,933
Impairment of financial assets, net			
Net impairment losses recognised on trade receivables		19,044	16,989
Net impairment losses recognised on other receivables	<i>13</i>	12,388	5,848
Fair value gains on investment properties	<i>10</i>	(1,825)	(696)
Gross rental income		(4,353)	(5,240)
Foreign exchange gains		(257)	(2,034)
Lease payments not included in the measurement of lease liabilities		7,035	1,518
Fair value adjustment of contingent consideration		82	260
Bank interest income		(3,939)	(4,559)
(Gain)/loss on disposal of items of property and equipment		(751)	69
Auditor's remuneration		4,362	4,623
Other interest income from financial assets at fair value through profit or loss		(746)	(2,412)
Loss/(gain) on disposal of a subsidiary		9,821	(1,520)
Write down of inventories to net realisable value		875	–
Government grants*		(24,214)	(30,875)

* 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank borrowings	3,569	9,905
Interest expense imputed on consideration payable	1,494	4,652
Interest on lease liabilities	1,315	3,507
	<u>6,378</u>	<u>18,064</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 2021 (2020: 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current – Mainland China:		
Charge for the year	71,553	45,944
Deferred tax	(12,709)	5,895
	<u>58,844</u>	<u>51,839</u>
Total tax charge for the year		

8. DIVIDENDS

During 2021, a dividend of HKD3.00 cents per share in respect of the year ended 31 December 2020 was declared by the directors of the Company and approved in the Company’s annual general meeting on 31 May 2021. Dividends amounting to RMB21,332,000 were paid on 30 June 2021 (2020: RMB20,534,000).

The Board has resolved to recommend the payment of a final dividend of HKD2.5 cents per share for the year ended 31 December 2021 (2020: 3.00 cents) to the shareholders whose names appear on the register of members of the Company on 9 June 2022. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the “AGM”), the final dividend is expected to be payable on or about 7 July 2022. 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.

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 (2020: 837,350,658 shares) in issue during the year.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>106,282</u>	<u>131,509</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>854,550,000</u>	<u>837,350,658</u>

For the years ended 31 December 2021 and 2020, 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 2021 and 2020.

10. INVESTMENT PROPERTIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount at 1 January	188,951	183,309
Additions	56	832
Transfer from owner-occupied property	5,643	5,045
Transfer to owner-occupied property	(1,906)	(931)
Disposal	(5,830)	–
Disposal of a subsidiary	(10,727)	–
Net gain from fair value adjustments	<u>1,825</u>	<u>696</u>
Carrying amount at 31 December	<u>178,012</u>	<u>188,951</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 2021 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 2021. Each year, the Group's property manager and 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 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 RMB98,964,000 (2020: RMB54,187,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2021.

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 2021 using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recurring fair value measurement for:				
Commercial properties	–	–	178,012	178,012
Fair value measurement as at 31 December 2020 using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recurring fair value measurement for:				
Commercial properties	–	–	188,951	188,951

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 (2020: Nil).

10. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount at 1 January	188,951	183,309
Additions	56	832
Transfer from owner-occupied property	5,643	5,045
Transfer to owner-occupied property	(1,906)	(931)
Disposal	(5,830)	–
Disposal of a subsidiary	(10,727)	–
Net gain from fair value adjustments	1,825	696
	<u>178,012</u>	<u>188,951</u>
Carrying amount at 31 December	<u>178,012</u>	<u>188,951</u>

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

	Valuation techniques	Significant Unobservable input	Range	
			2021	2020
Commercial properties	Direct comparison method	Market unit price (RMB/sq.m.)	7–27	7–24

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

11. PREPAYMENTS FOR ACQUISITION OF PROPERTIES

As at 31 December 2021, the Group had deposits of RMB14,206,000 (2020: RMB15,634,000) in relation to the acquisition of properties situated in Mainland China paid to property developers. The Group paid RMB200,000 (2020: RMB6,469,000) for acquisition of properties in 2021.

12. TRADE RECEIVABLES

	31 December 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	530,069	490,156
Less: Impairment allowance	(119,556)	(115,954)
	410,513	374,202

Trade receivables mainly arise from property management services 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 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	308,857	243,975
1 to 2 years	74,198	61,700
Over 2 years	27,458	68,527
	410,513	374,202

13. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Payment on behalf of customers to utility suppliers	80,335	76,439
Deposits paid to utility suppliers	53,606	53,366
Other receivables	309,511	138,307
Prepayments	98,334	65,315
Other taxes recoverable	–	879
	541,786	334,306
Less: Impairment allowance	(40,804)	(30,736)
Total	500,982	303,570

13. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	(30,736)	(37,744)
Impairment loss, net (<i>note 5</i>)	(12,388)	(5,848)
Write-off	–	6,082
Disposal of a subsidiary	2,320	6,774
	<u>(40,804)</u>	<u>(30,736)</u>

Deposits and other receivables mainly represent a performance bond, bidding deposits for contracts and loans to employees. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2021 ranged from 3% to 30% (2020: 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 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Within 60 days	84,462	60,596
Over 60 days and within 180 days	4,137	3,650
Over 180 days and within 365 days	2,236	3,967
Over one year	5,557	4,144
	<u>96,392</u>	<u>72,357</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 2021	31 December 2020
	RMB'000	RMB'000
Contract liabilities	(a) 261,505	123,359
Receipts on behalf of community residents for utilities	266,526	208,079
Received in advance	6,434	6,167
Accruals	151,944	177,017
Other payables	37,006	40,983
Deposits received	68,296	65,429
Amounts due to non-controlling equity holders of subsidiaries	61,848	164,677
Other tax payables	36,492	50,523
	890,051	836,234
Non-current portion	(57,953)	–
	832,098	836,234

As at 31 December 2021, 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.

Except for other payables for an option and amounts due to non-controlling equity holders of 廣西輝煌置業諮詢服務有限公司 (Guangxi Huihuang Property Advisory Services Company Limited*) (“**Huihuang Property**”) and 廣西輝煌房地產諮詢服務集團有限公司 (Guangxi Huihuang Real Estate Advisory Services Group Company Limited*) (“**Huihuang Real Estate**”) as at 31 December 2020, other payables are non-interest-bearing and have an average term of three months.

(a) Details of contract liabilities as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Advances received from customers		
Sale of goods and installation services	105,333	–
Property management services (note 4)	156,172	123,359
Total contract liabilities	261,505	123,359

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

16. SHARE CAPITAL

Shares

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading independent property management company in China. In 2021, the Group received the following recognition and awards.

In January 2021, the Group received the 卓越企業、2020年度優秀副會長單位及廣州國際智慧物業博覽會優秀組織獎 (Outstanding Enterprise, 2020 Excellent Vice President Unit and Guangzhou International Smart Property Expo Excellent Organisation Award*) from 廣州市物業管理行業協會 (Guangzhou City Property Management Industry Association*).

In February 2021, the Group received the 2020 年度全國政府採購百強物業管理服務商獎項 (the 2020 Top 100 Property Management Service Providers in China Award*) from 政府採購信息 (Government Procurement Information*).

In March 2021, the Group received the 「先鋒物業項目」 (Anti-epidemic pioneer property projects*) recognition for the two buildings located in Hangzhou under the Group's management from 杭州市蕭山區住房和城鄉建設局 (Hangzhou City Xiaoshan District Residential Houses and City Municipal Construction Bureau*). The Group was also praised by 廣東省佛山市三水區西南街道辦事處國土城建和稅務局 (Guangdong Province Foshan City Sanshui District Southwest Street Office Department of Land, Urban Development and Taxation*) for the building located in Foshan.

In April 2021, the Group received the 2021 中國物業服務百附企業 (2021 China Top 100 Property Management Companies in China*) from 中國指數研究院 (China Index Academy*).

In June 2021, the Group received the 2021 藍籌物業百強企業 (2021 Blue Chip Property Top 100 Company*)、上市綜合實力企業及優秀企業〔單項獎〕 from 經濟觀察報 (The Economic Observer*).

In August 2021, the Group was recognised as a 國家體育產業示範單位 (National Sports Industry Demonstration Unit*) by 國家體育總局 (General Administration of Sport of China).

* For identification purpose only

In October 2021, the Group received the 廣東省物業管理行業發展40周年品牌標杆企業 (Guangdong Province Property Management Industry 40th Anniversary Brand Benchmarking Enterprise Award*) at the 2021 Guangzhou International Smart Property Expo co-organised) by 廣州市物業管理行業協會 (Guangzhou City Property Management Industry Association*), 中國商業物業發展建設工作委員會 (China Commercial Property Development and Construction Working Committee*), Guangdong Property Management Industry Institute, Guangzhou Property Management Association and 廣州旭楊國際展覽有限公司 (Guangzhou Xuyang International Exhibition Company Limited*).

In December 2021, the Group received the 2021廣東省物業服務綜合實力企業、2021粵港澳大灣區物業服務品牌企業及廣東省物業管理行業協會最佳會員獎 (2021 Guangdong Province Property Services Comprehensive Strength Enterprise, 2021 Guangdong, Hong Kong, Macau and the Greater Bay Area Property Services Brand Enterprise and Guangdong Property Management Industry Institute Best Member Award*) from the Guangdong Property Management Industry Institute.

As at 31 December 2021, the Group had a total contracted gross floor area (“**GFA**”) of approximately 72.3 million square meters (“**sq.m.**”) where it was contracted to manage 637 properties across 46 cities in China.

The Group’s main business line is property management business. Under the property management business line, the Group is engaged in the provision of property management services, provision of sales assistance services, provision of cleaning and greening services, provision of real estate agency services and other services.

Property management services

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

* For identification purpose only

The Group believes that service quality is fundamental to establish a solid foundation to support the growth of the Group's business. The Group holds various qualifications and licenses in respect of property management services, namely CMS31950, IEC27001, ISO50001, ISO 9001, ISO 14001, OHSAS 18001 and level one property management qualification certificate.

As of 31 December 2021, the Group had maintained its presence in 46 cities in China where it was contracted to manage a total of 637 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted GFA of approximately 72.3 million sq.m. This represents a slightly increase of 0.4% compared to the aggregate contracted GFA of approximately 72.0 million sq.m. as at 31 December 2020. In relation to the delivered contracted GFA of approximately 66.1 million sq.m. as at 31 December 2021, it represented an increase of approximately 0.8% compared to the delivered contracted GFA of approximately 65.6 million sq.m. as at 31 December 2020.

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 2021.



- | | | | |
|---|--|--|---|
| <ul style="list-style-type: none"> ■ Eastern and Central China | <ul style="list-style-type: none"> ■ Southern China | <ul style="list-style-type: none"> ■ Northern China | <ul style="list-style-type: none"> ■ Western China |
|---|--|--|---|
-
- | | | | |
|---|---|---|---|
| <ul style="list-style-type: none"> 1. Changde (1) 2. Chongqing (3) 3. Chuzhou (4) 4. Fuyang (1) 5. Hangzhou (59) 6. Heze (4) 7. Huaian (2) 8. Huanggang (1) 9. Huzhou (19) 10. Jiaxing (1) 11. Kaifeng (2) 12. Nanchang (1) 13. Nantong (15) 14. Nanyang (1) 15. Ningbo (309) 16. Quzhou (7) 17. Shanghai (21) 18. Shaoxing (8) 19. Suzhou (44) 20. Taizhou (2) 21. Wenzhou (8) 22. Wuxi (8) 23. Xuancheng (3) 24. Yanan (2) 25. Yueyang (1) 26. Zhenjiang (3) 27. Zhoukou (1) | <ul style="list-style-type: none"> 28. Cenxi (9) 29. Chongzuo (2) 30. Foshan (20) 31. Guangzhou (12) 32. Guiang (1) 33. Guilin (3) 34. Jiangmen (1) 35. Laibin (2) 36. Nanning (19) 37. Qingyuan (4) 38. Sanya (7) 39. Wenchang (1) 40. Wuzhou (8) 41. Zhaoqing (4) | <ul style="list-style-type: none"> 42. Baotou (7) 43. Beijing (1) 44. Tianjin (1) 45. Zhangjiakou (3) | <ul style="list-style-type: none"> 46. Lhasa (1) |
|---|---|---|---|

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

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

	As of 31 December 2021		As of 31 December 2020	
	<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⁾	44,560	344	43,020	326
Southern China ⁽²⁾	13,872	66	13,649	63
Northern China ⁽³⁾	2,095	8	1,979	7
Subtotal	60,527	418	58,648	396
<i>Non-residential properties</i>	5,611	147	6,913	153
Total	66,138	565	65,561	549

As of 31 December 2021, the Group's contracted GFA of undelivered properties amounted to approximately 6.1 million sq.m. (2020: 6.4 million sq.m.)

Notes:

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

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 2021		As of 31 December 2020	
	<i>Sq.m. in thousands</i>	<i>No.</i>	<i>Sq.m. in thousands</i>	<i>No.</i>
As at beginning of year	72,014	613	71,971	584
New engagements ⁽¹⁾	3,522	58	5,275	78
Terminations ⁽²⁾	(3,253)	(34)	(5,232)	(49)
As at end of year	<u>72,283</u>	<u>637</u>	<u>72,014</u>	<u>613</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 services

The Group provides property developers and property owners with a series of indoor and outdoor environmental cleaning, greening and maintenance. This business division also provides services to the property developers and property owners of the property management business division. Accordingly, segment result of cleaning and greening division is evaluated by the Group's management on services as subcontracted from the property management business division.

Real estate agency services

The Group provides property developers and property owners with agency services on the leasing and sales assistance of residential properties and retail units.

Other business

Other businesses comprise shuttle bus, security guard and maintenance services in the PRC, engineering services, catering services and the sale of engineering spare parts.

Prospects and Future Plans

The Group will continue to maintain its own advantage as an independent property management company and compete with counterparts in the market by its high quality service and operational efficiency. The Group will actively establish stable 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.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the year ended 31 December 2021, the Group recorded revenue of approximately RMB1,873.5 million, representing an increase of 6.9% over the year 2020.

Increase in the Group's revenue was primarily attributable to the growth in property management business revenue from approximately RMB1,252.30 million for the year ended 31 December 2020 to approximately RMB1,332.1 million for the year ended 31 December 2021 and represented a 6.4% increase over the corresponding year. In addition, the Group's revenue generated from sales assistance services has decreased by approximately RMB5.4 million, from cleaning and greening business has increased by approximately RMB71.5 million, from real estate agency business has decreased by approximately RMB72.4 million and from other businesses has increased by approximately RMB47.7 million.

Breakdown of Revenue by business line and services

	For the year ended 31 December		Change	
	2021	2020		
	RMB'000	RMB'000	RMB'000	%
Property management business				
— Property management services	1,332,054	1,252,251	79,803	6.4
— Sale assistance services	24,992	30,351	(5,359)	(17.7)
Cleaning and greening business	155,036	83,567	71,469	85.5
Real estate agency business	165,417	237,863	(72,446)	(30.5)
Other business	196,034	148,285	47,749	32.2
	<u>1,873,533</u>	<u>1,752,317</u>	<u>121,216</u>	<u>6.9</u>

Property Management Business

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

Property management services

Revenue from property management services increased by approximately RMB79.8 million or approximately 6.4% over 2020 primarily due to increase in high unit price projects.

Sale assistance services

Revenue from sale assistance services for the year ended 31 December 2021 was approximately RMB25.0 million, comparing to approximately RMB30.4 million, representing an decrease of approximately RMB5.4 million or 17.7%. The decrease was mainly due to a decrease in the demand of this service during the year.

Cleaning and greening business

Revenue from cleaning and greening business for the year ended 31 December 2021 was approximately RMB155.0 million, comparing to RMB83.6 million, representing an increase of approximately RMB71.4 million or 85.5%. The increase was primarily due to acquisition of 廣東華瑞環境工程有限公司 (Guangdong Huarui Environmental Engineering Company Limited*) ("**Guangdong Huarui**") during the year and the full year contribution from Jiana Express which was acquired in mid 2020.

Real estate agency business

Revenue from real estate agency business for the year ended 31 December 2021 was approximately RMB165.4 million, comparing to approximately RMB237.9 million, representing an decrease of approximately RMB72.5 million or 30.5%. The decrease was mainly due to the full year count of revenue in 2021 instead of cut off count of ten months revenue since the put option was completed. In addition, the other reason were the prolonged Covid-19 epidemic and the impact of the real estate market in PRC.

Other businesses

Revenue from other businesses increased from approximately RMB148.3 million for the year ended 31 December 2020 to approximately RMB196.0 million for the year ended 31 December 2021. The increase of approximately RMB47.7 million or 32.2% over the year was mainly due to the acquisition of 廣州諾登電梯服務有限公司 in 2021 (Guangzhou Nuodeng Elevator Services Company Limited*) ("**Guangzhou Nuodeng Elevator**").

Cost of Sales and Services

The Group's cost of sales and services primarily comprises (i) sub-contracting costs, representing the expenses paid to sub-contractors for various services under the property management services and sales assistance services; (ii) staff costs; (iii) depreciation expenses associated with equipment and property used in providing services; (iv) costs of other services and sale of goods such as salaries cost of the technicians in the provision of elevator engineering services and weak-current engineering services; costs of the spare parts sold and operating costs in running the catering services and (v) costs of cleaning and greening products and utensils as well as commission paid for the real estate and property agency services.

Cost of sales and services increased by 9.9% from approximately RMB1,310.7 million for the year ended 31 December 2020 to approximately RMB1,440.8 million for the year ended 31 December 2021. The increase was due primarily to the growth of the Group's business and the corresponding increase in the labor costs and sub-contracting costs.

Gross Profit and Gross Profit Margin

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

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Property management business				
— Property management services	336,741	25.3	333,149	26.6
— Sale assistance services	7,173	28.7	9,014	29.7
Cleaning and greening business	12,781	8.2	11,715	14.0
Real estate agency business	38,358	23.2	61,847	26.0
Other business	37,686	19.2	25,916	17.5
Overall	432,739	23.1	441,641	25.2

The Group's gross profit for the year ended 31 December 2021 was RMB432.7 million, comparing to RMB441.6 million in 2020, representing a decrease of RMB8.9 million, or 2%. The Group's gross profit margin decreased from 25.2% for the year ended 31 December 2020 to 23.1% in 2021.

Other Income and Gains

The Group's other income and gains for the year ended 31 December 2021 was approximately RMB51.1 million, comparing to approximately RMB54.9 million in 2020, representing a decrease of RMB3.8 million or 7%. The decrease was primarily due to the decrease in government grants for subsidy to subsidiaries to face the challenge under the Covid-19 epidemic.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended 31 December 2021 were approximately RMB12.4 million, which was similar to that of approximately RMB12.6 million in 2020.

Administration Expenses

The Group's administrative expenses for the year ended 31 December 2021 was approximately RMB234.1 million, comparing to approximately RMB238.4 million in 2020 which was similar.

Net Impairment Losses Recognised on Financial Assets

The Group's net impairment losses on financial assets were approximately RMB32.3 million for the year ended 31 December 2021, comparing to net impairment losses on financial assets of approximately RMB22.8 million for the year ended 31 December 2020, representing an increase of approximately RMB9.5 million in the provision for impairment losses on financial assets which was primarily due to the acquisition of Guangzhou Nuodeng Elevator and increase in overdue trade receivables.

Other Expenses

The Group's other expenses for the year ended 31 December 2021 were approximately RMB18.6 million, comparing to approximately RMB4.9 million in 2020, representing an increase of approximately RMB13.7 million or 283.1%. The increase was due to (i) losses of investment in Huihuang Real Estate and Huihuang Property of approximately 7.5 million; and (ii) increase in donation, losses of disposal of property and equipment and legal professional fee.

Finance Costs

The Group's net finance expenses amounted to approximately RMB6.4 million for the year ended 31 December 2021 comparing to net finance expenses for the year ended 31 December 2020 of approximately RMB18.1 million, representing a decrease of approximately RMB11.7 million or 64.7%. The decrease was primarily due to lower interest expenses of approximately RMB6.4 million imputed on consideration payable.

Income Tax

The Group's income tax expense for the year ended 31 December 2021 was approximately RMB58.8 million, comparing to income tax of approximately RMB51.8 million in 2020. The increase in income tax was primarily due to increase in assessable profit from 廣東中奧物業管理有限公司 (Guangdong Zhong Ao Property Management Company Limited*) (“**Guangdong Zhong Ao**”), 蘇州工業園區建屋物業發展有限公司 (Suzhou Industrial Park House Construction Property Development Company Limited*) and 廣東迅華電氣技術有限公司 (Guangdong Xunhua Electrical Engineering Technology Company Limited*) (“**Guangdong Xunhua**”).

Goodwill

As at 31 December 2021, the Group recorded goodwill of approximately RMB302.6 million, representing an decrease of 20.4% as compared with that of approximately RMB380.0 million as at 31 December 2020. The decrease in goodwill of the Group was due to (i) decrease of approximately RMB81.6 million of put option exercised in relation to the disposal of Huihuang Real Estate and Huihuang Property; and (ii) increase of approximately RMB4.3 million in relation to the acquisition of Guangzhou Nuodeng Elevator.

The goodwill primarily derived from the expected future business development of the above acquired companies, increase of market coverage, expansion of service portfolio, integration of value-added services and improvement of management efficiency.

Trade Receivables

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

As at 31 December 2021, total trade receivables of the Group amounted to approximately RMB410.5 million, representing an increase of approximately RMB36.3 million compared to approximately RMB374.2 million as at 31 December 2020. The increase was primarily due to (i) an increase of approximately 7% of revenue; and (ii) increase in trade receivables ageing.

Prepayments and Other Receivables

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

As at 31 December 2021, the Group's prepayments and other receivables amounted to approximately RMB501.0 million, representing an increase of approximately RMB197.4 million compared to approximately RMB303.6 million as at 31 December 2020. The increase was primarily due to increase in other receivables by (i) the acquisition of Guangzhou Nuodeng Elevator at approximately RMB103 million; (ii) put option exercised in at relation to the disposal of Huihuang Real Estate and Huihuang Property Advisory at approximately RMB34 million; and (iii) increase in short term lending by Guangdong Zhong Ao.

Financial Assets at Fair Value through Profit or Loss

Financial Assets at fair value through profit or loss of approximately RMB14.1 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 RMB15 million as at 31 December 2020 to approximately RMB14.1 million as at 31 December 2021 was mainly due to the disposal of Huihuang Real Estate and Huihuang Property Advisory.

Trade Payables

Trade payables primarily comprise payables to sub-contractors of the Group. Trade payables increased from approximately RMB72.4 million as at 31 December 2020 to approximately RMB96.4 million as at 31 December 2021. This was primarily due to the net effect of (i) increase from the acquisition of Guangzhou Nuodeng Elevator of approximately RMB34.1 million; and (ii) decrease from the disposal of Huihuang Real Estate and Huihuang Property Advisory of approximately RMB9.8 million.

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 RMB836.2 million as at 31 December 2020 to approximately RMB832.1 million as at 31 December 2021. The decrease in amounting approximately RMB4.1 million due to offsetting effect of (i) the acquisition of Guangzhou Nuodeng Elevator; and (ii) the disposal of Huihuang Real Estate and Huihuang Property Advisory.

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 2021, net working capital (calculated as current assets less current liabilities) was approximately RMB306.0 million, representing an increase of RMB206.8 million from RMB99.2 million as at 31 December 2020. The current ratio (calculated as current assets/current liabilities) was 1.3 times as at 31 December 2021 (2020: 1.1 times).

As at 31 December 2021 and 31 December 2020, the Group's borrowings were denominated in RMB except for unsecured borrowings amounting to RMB20,071,000 as at 31 December 2020 which were denominated in HKD. A non-controlling equity holder of a subsidiary of the Company provided a personal guarantee in respect of certain bank loans granted to the Group of up to RMB4,606,000 (31 December 2020: RMB7,750,000) at nil consideration as at 31 December 2021. The bank borrowing balances of the Group bore interest at floating rates, except for bank and other borrowings of RMB44,950,000 at 31 December 2021 (31 December 2020: RMB58,200,000) that bore interest at fixed rates. The carrying amounts of the interest-bearing bank borrowings approximate to their fair values.

The Group principally focused on the operation in the PRC. Except for the cash, bank deposits and bank borrowings denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the year ended 31 December 2021, 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 2021, the Group was in a good financial position with a net cash position amounting to RMB318.7 million (2020: RMB251.8 million). Accordingly, no gearing ratio is presented.

Pledge of Assets

At 31 December 2021, investment properties and property and equipment of RMB104.6 million (2020: RMB54.2 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 2021.

Employees and Remuneration Policies

As at 31 December 2021, the Group had approximately 7,528 (2020: 9,735) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in April 2015 and share award scheme in June 2017 in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

The Group also invests in continuing education and training programmes for management staff and other employees with a view to 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.

EVENTS AFTER THE REPORTING PERIOD

On 16 March 2022, Guangdong Zhong Ao, a direct 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, 30% of the equity interest in Guangdong Xunhua for a total cash consideration of RMB25,000,000. For further details, please refer to the announcement of the Company dated 16 March 2022.

On 29 March 2022, 浙江永成物業管理有限公司 (Zhejiang Yongcheng Property Management Company Limited*) (“**Zhejiang Yongcheng**”), a wholly-owned subsidiary of the Company, 寧波永都電梯工程有限公司 (Ningbo Yongdu Elevator Engineering Company Limited*) (“**Ningbo Yongdu**”), a 51%-owned subsidiary of the Company, 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 the agreement, the parties agreed to cancel two equity transfer agreements both dated 29 December 2020, and arrange for (i) the transfer of the entire equity interest in Guangzhou Nuodeng from Ningbo Yongdu back to Mr. Huang; and (ii) the transfer of 49% equity interest in Ningbo Yongdu from Mr. Huang back to Zhejiang Yongcheng or its designated third party, which will be a wholly-owned subsidiary of the Company. The above agreed cancellation arrangement will be settled by the swap of equity interest in Guangzhou Nuodeng and Ningbo Yongdu and there will not be any cash payment involved. For further details, please refer to the announcement of the Company dated 29 March 2022.

On 31 March 2021, the Directors resolved to recommend the payment of a final dividend of HKD2.5 cents per share for the year ended 31 December 2021 (2020: HKD3.00 cents) to the shareholders whose names appear on the register of members of the Company on 9 June 2022. 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 2022. The aggregate amount shall be paid out of the Company’s share premium account if the payment of the dividend is approved by the shareholders at the AGM.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed above in this announcement, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2021.

Save as disclosed above in this announcement, as at 31 December 2021, the Group has no specific plan for major investment or acquisition for major capital assets or other business. However, the Group will continue to identify new opportunities for business development.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HKD2.5 cents per share for the year ended 31 December 2021 (2020: 3.00 cents) to the shareholders whose names appear on the register of members of the Company on 9 June 2022, 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 2022. 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 Tuesday, 31 May 2022 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 Tuesday, 31 May 2022. To ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, 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, 25 May 2022.

To ascertain the entitlement to the proposed final dividend for the year ended 31 December 2021, the register of members of the Company will be closed from 7 June 2022 to 9 June 2022, 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 2021, 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 2022.

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 2021, 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 A2.1 of the CG Code (now Code Provision C2.1 in the new CG Code) requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Liu Jian as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of the chairman and chief executive officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive directors (including Mr. Liu Jian), two non-executive directors and four independent non-executive directors and therefore has a fairly strong independence element in its composition.

Code Provision A4.1 of the CG Code (not provided for under the new CG Code) requires that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive Directors of the Company are not appointed for a specific term. They were, however, subject to the requirement of retirement and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company’s articles of association. As such, the Company considers that sufficient measures were taken to ensure that the Company’s corporate governance practices were no less exacting than those in the code provisions of the CG Code.

AUDIT COMMITTEE

The audit committee of the Board (“**Audit Committee**”) has been established with written terms of reference to, among other matters, review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chan Wai Cheung, Admiral, Mr. 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 2021 have been reviewed by the Audit Committee.

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

During the year ended 31 December 2021, 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 2021.

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 2021 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 2021. 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 2021 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 2022

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

* *for identification purpose only*