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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

The Group's operations are mainly in property management business, sale assistance business, online to offline business and other business. The following table provides an analysis of the Group's revenue and results based on types of business:

	Property management business	Sale assistance business	Online to offline business	Other business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016					
Segment revenue	**559,372**	**55,731**	**8,264**	**11,779**	**635,146**
Segment results	**104,943**	**23,472**	**(50,274)**	**5,120**	**83,261**
Year ended 31 December 2015					
Segment revenue	351,693	66,137	1,982	343	420,155
Segment results	87,918	29,109	(8,053)	(513)	108,461

	For the year ended 31 December		
	2016	2015	
	RMB'000	*RMB'000*	*Change*
Revenue	**635,146**	420,155	51.2%
Gross profit	**156,738**	140,088	11.9%
(Loss) profit for the year	**(3,352)**	10,613	(131.6)%
Adjusted net profit for the year (1)&(2)	**72,779**	80,744	(9.9)%
Gross profit margin *(%)*	**24.7%**	33.3%	(8.6) pp
Net (loss) profit margin *(%)*	**(0.5)%**	2.5%	(3.0) pp
Adjusted net profit margin *(%)* (1)&(2)	**11.5%**	19.2%	(7.7) pp
Basic (loss) earnings per share *(RMB)*	**(0.008)**	0.019	(142.1)%
Final dividend per share *(HK$)*	**–**	0.025	(100)%
Special dividend per share *(HK$)*	**–**	0.020	(100)%

Notes:

(1) Adjusted net profit for the year is derived by adding share-based payment expenses of RMB16.0 million (2015: RMB19.9 million), legal and professional fees for acquisition of property management companies of RMB9.8 million (2015: nil), listing expenses of nil (2015: RMB35.9 million), change in fair value of financial liabilities designated as at fair value through profit or loss of nil (2015: RMB6.3 million) and excluding the net loss of RMB50.3 million (2015: RMB8.0 million) incurred for the community O2O platform during the year.

(2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a "non-GAAP" financial measure. It is not a measurement of the Group's financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of the Group's liquidity.

The board (the "Board") of directors (the "Directors") of Zhong Ao Home Group Limited 中奧到家集團有限公司 (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 together with the comparative audited figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

		2016	2015
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**635,146**	420,155
Cost of sales and services		**(478,408)**	(280,067)
Gross profit		**156,738**	140,088
Other income	*4*	**7,867**	1,467
Other gains and losses	*4*	**(2,171)**	(4,019)
Change in fair value of investment properties		**3,341**	–
Change in fair value of financial liabilities designated as at fair value through profit or loss		**–**	(6,343)
Administrative expenses		**(99,675)**	(51,002)
Other expenses		**(9,837)**	–
Selling and distribution expenses		**(29,450)**	(7,615)
Listing expenses		**–**	(35,881)
Share of results of joint ventures		**2,148**	243
Finance costs	*5*	**(4,705)**	(1,572)
Profit before tax		**24,256**	35,366
Income tax expense	*6*	**(27,608)**	(24,753)
		(3,352)	10,613
(Loss) profit for the year attributable to:			
– Owners of the Company	*7*	**(6,383)**	10,911
– Non-controlling interests		**3,031**	(298)
		(3,352)	10,613
(Loss) earnings per share (RMB)			
– Basic	*9*	**(0.008)**	0.019
– Diluted	*9*	**(0.008)**	0.019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	NOTES	2016 RMB'000	2015 RMB'000
Non-current Assets			
Property, plant and equipment		**38,159**	22,007
Investment properties		**139,660**	–
Payments for acquisition of properties		**27,952**	59,504
Interests in joint ventures		**4,363**	1,045
Goodwill		**89,183**	41
Intangible assets		**106,289**	89
Deferred tax assets		**16,892**	9,894
		422,498	92,580
Current Assets			
Inventories		**748**	–
Trade and other receivables	*10*	**232,187**	106,134
Amount due from a related party		**–**	178
Amounts due from non-controlling shareholders of subsidiaries		**693**	–
Financial assets designated as at fair value through profit or loss ("FVTPL")		**2,550**	–
Pledged bank deposits		**–**	62,834
Bank balances and cash		**442,473**	449,107
		678,651	618,253
Current Liabilities			
Trade and other payables	*11*	**368,793**	154,695
Amount due to a joint venture		**150**	–
Amounts due to non-controlling shareholders of subsidiaries		**12**	–
Borrowings due within one year		**45,524**	22,361
Tax liabilities		**51,840**	19,485
		466,319	196,541
Net Current Assets		**212,332**	421,712
Total Assets less Current Liabilities		**634,830**	514,292

	NOTES	2016 RMB'000	2015 RMB'000
Non-current Liabilities			
Deferred tax liabilities		**29,312**	–
Borrowings due after one year		**83,424**	7,279
Liabilities for cash-settled share-based payments		**12,411**	5,276
Other long-term payable		**59,617**	–
		184,764	12,555
Net Assets		**450,066**	501,737
Capital and Reserves			
Share capital	*12*	**6,549**	6,594
Reserves		**379,229**	494,894
Equity attributable to owners of the Company		**385,778**	501,488
Non-controlling interests		**64,288**	249
Total Equity		**450,066**	501,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

1. GENERAL

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 shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 25 November 2015. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report for the year ended 31 December 2016.

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"). The Company's ultimate controlling parties are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin who are also the directors of the Company.

The principal activity of the Company is investment holding. Its subsidiaries are primarily engaged in the provision of property management services and property management consulting services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and the subsidiaries established in the People's Republic of China (the "PRC").

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (THE "HKFRSs")

The Group had applied the following amendments to HKFRSs issued by the Hong Kong Certified Public Accountants ("HKICPA") for the first time in the current year.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 27	Equity method in separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2017

[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management of the Group anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The management of the Group anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above impact, the management of the Group do not anticipate that the application of above new standards and amendments will have significant impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presents as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB18,156,000. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new arrangements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as mentioned above, the directors of the Company do not anticipate that the application of the HKFRSs issued but not yet effective, will have a material effect on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The segment information reported internally was analysed on the basis of geographical zones of services rendered in the PRC, representing Southern Region, Eastern and Central Region and Northern Region which is consistent with the internal information that are regularly reviewed by the management of the Group, i.e. the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by geography. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

- Southern Region includes the cities of Guangzhou, Nanning, Sanya, Haikou, Foshan, Zhongshan, Jiangmen, Qingyuan, Zhaoqing, Guilin, Zhuhai, Wenchang and Cenxi.

- Eastern and Central Region includes the cities of Hangzhou, Suzhou, Chongqing, Ningbo, Jiaxing, Nantong, Shaoxing, Quzhou, Nanchang, Shanghai, Wuxi, Xuancheng, Zhengjiang, Huzhou, Chuzhou, Yangzhou, Chizhou, Wenzhou, Huaian, Zhoushan and Taizhou.

- Northern Region includes the cities of Baotou, Eérduosi, Dalian, Beijing and Tianjin.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs, change in fair value of investment properties, bank interest income, change in fair value of financial liabilities designated as at FVTPL, loss on deemed disposal of a subsidiary, share of results of joint ventures, net exchange gain, share-based payment expenses, finance costs and listing expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

No analysis of segment assets and segment liabilities is presented as these information are not regularly provided to the chief operating decision maker for review.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

	Southern Region	**Eastern and Central Region**	**Northern Region**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016				
Segment revenue	**201,219**	**380,557**	**53,370**	**635,146**
Segment results	**41,603**	**37,186**	**4,472**	**83,261**
Bank interest income				**3,655**
Net exchange gain				**12,101**
Change in fair value of investment properties				**3,341**
Share-based payment expenses of the Company				**(8,345)**
Share-based payment expenses of a subsidiary				**(7,683)**
Share of results of joint ventures				**2,148**
Finance costs				**(4,705)**
Central administrative costs				**(59,517)**
Profit before tax				**24,256**

	Southern Region *RMB'000*	Eastern and Central Region *RMB'000*	Northern Region *RMB'000*	Total *RMB'000*
Year ended 31 December 2015				
Segment revenue	179,447	221,371	19,337	420,155
Segment results	49,611	54,575	4,275	108,461
Bank interest income				1,198
Net exchange gain				9,732
Change in fair value of financial liabilities designated as at FVTPL				(6,343)
Listing expenses				(35,881)
Share-based payment expenses of the Company				(14,630)
Share-based payment expenses of a subsidiary				(5,298)
Share of results of joint ventures				243
Finance costs				(1,572)
Loss on deemed disposal of a subsidiary				(85)
Central administrative costs				(20,459)
Profit before tax				35,366

The Group's operations are mainly in property management business, sale assistance business, online to offline business and other business. The following table provides an analysis of the Group's revenue and results based on types of business:

	Property management business *RMB'000* *(note a)*	**Sale assistance business** *RMB'000*	**Online to offline business** *RMB'000*	**Other business** *RMB'000* *(note b)*	**Total** *RMB'000*
Year ended 31 December 2016					
Segment revenue	**559,372**	**55,731**	**8,264**	**11,779**	**635,146**
Segment results	**104,943**	**23,472**	**(50,274)**	**5,120**	**83,261**

	Property management business *RMB'000* *(note a)*	Sale assistance business *RMB'000*	Online to offline business *RMB'000*	Other business *RMB'000* *(note b)*	Total *RMB'000*
Year ended 31 December 2015					
Segment revenue	351,693	66,137	1,982	343	420,155
Segment results	87,918	29,109	(8,053)	(513)	108,461

Notes:

(a) Property management business contains property management services under lump sum basis, property management services under commission basis and ancillary services.

(b) Other business contains consulting services, engineering services, catering services and sales of engineering spare parts.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Other income		
Bank interest income	**3,655**	1,198
Unconditional government grants	**3,028**	179
Rental income from investment properties	**762**	–
Others	**422**	90
	7,867	1,467
Other gains and losses		
Allowance on trade receivables	**(13,434)**	(13,785)
Loss on disposal of property, plant and equipment	**(105)**	(25)
Loss on deemed disposal of a subsidiary	**–**	(85)
Net exchange gain	**12,101**	9,732
Others	**(733)**	144
	(2,171)	(4,019)

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on borrowings	**2,384**	1,450
Imputed interest expense on consideration payable	**1,088**	–
Imputed interest expense on non-current liabilities for cash-settled share-based payments	**1,233**	122
	4,705	1,572

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**27,061**	27,365
Deferred tax		
Current year	**547**	(2,612)
	27,608	24,753

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong during both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%.

7. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration	**12,697**	7,329
Other staff cost:		
– salaries and other benefits	**282,927**	165,985
– contributions to retirement benefit schemes	**20,234**	12,744
– share-based payments expenses of the Company	**4,927**	9,836
– share-based payments expenses of a subsidiary	**7,683**	5,298
Total staff costs	**328,468**	201,192
Depreciation for property, plant and equipment	**7,484**	5,149
Amortisation of intangible assets	**2,559**	56

8. DISTRIBUTIONS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 final dividend – HK2.50 cents per share	**17,251**	–
2015 special dividend – HK2.00 cents per share	**13,800**	–
2015 dividend declared and paid by a subsidiary	**–**	87,592

In March 2016, a final dividend of HK2.5 cents per share and a special dividend of HK2.0 cents per share in respect of the year ended 31 December 2015 were declared by the directors and approved in the Company's annual general meeting on 31 May 2016. Dividend amounted to the RMB31,051,000 (equivalent to HK$36,000,000) had been paid to the shareholders of the Company in July 2016.

No dividend has been proposed by the directors since the end of the reporting period.

Dividends of RMB87,592,000 has been distributed by Guangdong Zhong Ao Property Management Company Limited to its then equity interest holders during the year ended 31 December 2015, in which RMB54,073,000 have been offset with amounts due from directors and RMB33,519,000 was distributed in cash.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	2016	2015
	RMB'000	*RMB'000*
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share, representing (loss) profit for the year attributable to owners of the Company	**(6,383)**	10,911
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**798,271,066**	578,454,795

The calculation of the weighted average number of ordinary shares in issue during the years ended 31 December 2015 is based on the assumption that the reorganisation and the capitalisation issue had been completed on 1 January 2015.

For the year ended 31 December 2016, the computation of diluted loss per share does not take into account the effect of the share options of the Company and the shares of 杭州壹到科技信息有限公司 Hangzhou Yidao Information Technology Company Limited ("Hangzhou Yidao") since their exercise would result in a decrease in loss per share.

For the year ended 31 December 2015, the computation of diluted earnings per share does not assume the exercise of the share options of the Company since the exercise price of the share options is higher than the average market price of the Company's shares during the year ended 31 December 2015 and does not take into account of the effect of the Central Oscar Holdings Limited ("Central Oscar") and Decision Holdings Limited ("Decision Holdings") Subscription Shares as its impact is anti-dilutive. The computation also does not take into account of the effect of the shares of Hangzhou Yidao that will be transferred to the employees of Hangzhou Yidao as its impact is anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**205,323**	110,789
Less: allowance for doubtful debts	**(45,950)**	(39,576)
Total trade receivables	**159,373**	71,213
Other receivables:		
Deposits paid to utilities suppliers	**12,721**	3,356
Advance to staff	**11,983**	9,266
Prepayments	**20,627**	13,151
Payment on behalf of community residents to utilities suppliers	**26,799**	10,257
Consideration receivable on disposal of a subsidiary	**–**	3,031
Other tax recoverable	**1,179**	2,186
Others	**4,305**	1,982
	77,614	43,229
Less: allowance for doubtful debts	**(4,800)**	(8,308)
Total other receivables	**72,814**	34,921
Total	**232,187**	106,134

Trade receivables are mainly arisen from property management services income.

Property management services income from providing property management services are required to be settled by property owners and property developers within 45 days upon the issuance of demand note. The settlement pattern of the property management services income from property management services are normally within 30 days to 90 days after the issuance of demand note to the property owners and property developers.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the date of demand note at the end of the year, which approximated the respective revenue recognition dates:

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**31,393**	16,324
31 to 90 days	**32,355**	16,971
91 to 180 days	**34,306**	15,689
181 to 365 days	**42,404**	17,803
Over 1 year	**18,915**	4,426
	159,373	71,213

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**36,575**	25,139
Other payables:		
Receipts on behalf of community residents	**81,864**	32,044
Receipts in advances	**78,323**	36,854
Deposits received *(note)*	**51,917**	29,252
Accrued staff costs	**79,859**	15,142
Accrued listing expenses	**–**	10,252
Contingent considerations payable	**22,101**	–
Other tax payables	**8,502**	769
Others	**9,652**	5,243
Total other payables	**332,218**	129,556
Total	**368,793**	154,695

Note: The balances represented the deposits paid by the community residents during the period when their relevant property is under refurbishment.

The credit period granted by suppliers to the Group ranges from 3 days to 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2016	2015
	RMB'000	*RMB'000*
0 to 60 days	**31,369**	22,731
61 to 180 days	**2,738**	1,530
181 to 365 days	**1,252**	416
Over 1 year	**1,216**	462
	36,575	25,139

12. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
On the date of incorporation	38,000,000	380
Increase on 5 November 2015	7,962,000,000	79,620
At 31 December 2015 and 2016	8,000,000,000	80,000
Issued and fully paid:		
On the date of incorporation	100	–
Issue new shares to Pre-IPO investors	240	–
Issue new shares to Qichang	660	–
Issue of new shares upon initial public offering	200,000,000	2,000
Capitalisation issue	599,999,000	6,000
At 31 December 2015	800,000,000	8,000
Shares repurchased and cancelled	(5,456,000)	(55)
At 31 December 2016	794,544,000	7,945

During the year ended 31 December 2016, 5,456,000 shares were repurchased and cancelled and other 372,000 shares were repurchased but not yet cancelled and were recognised as treasury shares at 31 December 2016, which have been cancelled in January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading independent property management company in China. In 2016, the Group was rated among the Best 10 of property management enterprises in China in terms of the overall strength and brand value by China Real Estate Association* (中國房地產業協會), Shanghai E-house China R&D Institute* (上海易居房地產研究院) and China Real Estate Appraisal Centre* (中國房地產測評中心). Also, the Group has been named The Most Potential Listed Company (最具潛力上市公司) in China Financial Market Listed Company Award 2016 (中國融資上市企業大獎). As of 31 December 2016, the Group had a total contracted gross floor area ("GFA") of 60.0 million sq. m. where it was contracted to manage 455 properties across 39 cities in China.

The Group has four main business lines:

Property management business line

Under this business line, the Group primarily provides property developers and property owners with a broad range of property management services to mainly residential properties, and commercial and government buildings. Services provided by the Group include standard property management services, ancillary services.

Sale assistance business line

Under this business line, the Group provides property developers with cleaning, security and maintenance of their model homes and sales centers and general assistance to facilitate the sales process of the properties.

Community Online to Offline ("O2O") platform

Under this business line, the Group offers a broad range of services and products to its residents, as well as enhancement to its existing property management services through its O2O platform. For example, residents would be able to enjoy special discounts and hassle-free in their orders placed with our affiliated suppliers via the Group's O2O platform.

Other services and sales of goods

This business line primarily consists of the provision of consulting services, engineering and catering services, and the sales of engineering spare parts.

* *The English name is for identification purpose only*

Property Management Services

As of 31 December 2016, the Group had expanded its presence to 39 cities in China where it was contracted to manage a total of 455 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted GFA of 60.0 million square meters ("sq.m."). This represented an increase of 77.5% compared to the aggregate contracted GFA of 33.8 million sq.m. as of 31 December 2015. In relation to the delivered GFA of 44.6 million sq.m. in 2016, the increase represented a growth of 100.9% compared to the delivered GFA of 22.2 million sq.m. as of 31 December 2015.

In order to meet the Group's business objectives after listed in late 2015, we strategically accelerated business growth to strengthen its market position in the fragmented property management market in mainland China through acquisitions. In February 2016, the Group successfully acquired 70% of equity interest in Eastern Harbour Engineering Management Limited ("Eastern Harbour") which is engaged in the provision of property management services in Shanghai. In addition, the Group successfully acquired 70% of equity interest in Zhejiang Yongcheng Property management Company Limited ("Yongcheng") at a consideration of RMB210.0 million in October 2016. Yongcheng has 266 projects and properties with a total contracted GFA of approximately 21.6 million sq.m. which represented 36% of the Group's total contracted GFA as of 31 December 2016. Yongcheng's properties under management are mainly located in the prime business districts of Ningbo City, Zhejiang Province, and covered by convenient transportation networks. The Board believes that this acquisition will be able to enlarge the Group's portfolio of properties under management and its revenue source.

Geographic Presence

The Group will continue to strategically select markets to enter into, focus on those with more developed economies and comparatively high per capita GDP. Once the Group has established presence in a new city, it seeks to expand its business within the same city or neighboring cities with a view to maximizing its economies of scale.

The table below sets forth the revenue breakdown of different geographic areas where the Group has established presence for the years indicated.

	2016	2015
	RMB'000	*RMB'000*
Eastern and Central China	**380,557**	221,371
Southern China	**201,219**	179,447
Northern China	**53,370**	19,337
Total	**635,146**	420,155

The map below illustrates the cities in which properties the Group was contracted to manage were located and number of projects in each city as of 31 December 2016.

■ Eastern and Central China

1. Chizhou (3)
2. Chongqing (1)
3. Chuzhou (9)
4. Hangzhou (33)
5. Huaian (1)
6. Huzhou (12)
7. Jiaxing (3)
8. Nanchang (1)
9. Nantong (7)
10. Ningbo (252)
11. Quzhou (2)
12. Shanghai (10)
13. Shaoxing (21)
14. Suzhou (9)
15. Taizhou (1)
16. Wenzhou (2)
17. Wuxi (13)
18. Xuancheng (3)
19. Yangzhou (1)
20. Zhenjiang (1)
21. Zhoushan (1)

■ Southern China

22. Cenxi (2)
23. Foshan (18)
24. Guangzhou (5)
25. Guilin (1)
26. Haikou (2)
27. Jiangmen (1)
28. Nanning (19)
29. Qingyuan (2)
30. Sanya (6)
31. Wenchang (1)
32. Zhaoqing (2)
33. Zhongshan (3)
34. Zhuhai (1)

■ Northern China

35. Baotou (2)
36. Beijing (1)
37. Dalian (1)
38. Eérduosi (1)
39. Langfang (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 2016		As of 31 December 2015	
	Sq. m. in thousands	***No.***	*Sq. m. in thousands*	*No.*
Residential properties				
Eastern and Central China[1]	**27,160**	**201**	12,168	74
Southern China[2]	**9,897**	**45**	8,534	40
Northern China[3]	**744**	**3**	1,240	5
Subtotal	**37,801**	**249**	21,942	119
Non-residential properties	**6,794**	**124**	272	4
Total	**44,595**	**373**	22,214	123

As of 31 December 2016, the Group's contracted GFA of undelivered properties amounted to approximately 15.4 million sq.m. (2015: 11.6 million sq.m.)

Notes:

(1) Including Chizhou, Chongqing, Chuzhou, Hangzhou, Huaian, Huzhou, Jiaxing, Nanchang, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Taizhou, Wenzhou, Wuxi, Xuancheng, Yangzhou, Zhenjiang and Zhoushan.

(2) Including Cenxi, Foshan, Guangzhou, Guilin, Haikou, Jiangmen, Nanning, Qingyuan, Sanya, Wenchang, Zhaoqing, Zhongshan and Zhuhai.

(3) Including Baotou, Beijing, Dalian, Eérduosi and Langfang.

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 2016		As of 31 December 2015	
	Sq. m. in thousands	***No.***	*Sq. m. in thousands*	*No.*
As of beginning of period	**33,815**	**167**	31,389	149
New engagements[(1)]	**5,289**	**23**	3,967	26
Acquisitions	**22,291**	**274**	–	–
Terminations[(2)]	**(1,400)**	**(9)**	(1,541)	(8)
As of end of period	**59,995**	**455**	33,815	167

Notes:

(1) In relation to properties the Group manages, new engagements primarily include service engagements for new constructions developed by property developers and to a lesser extent, 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.

Sale Assistance Services

The Group provides property developers with cleaning, security and maintenance of their model homes and sales centers and assists in facilitating the sale process of the properties. The sale assistance service 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. The Group provided sale assistance services to 72 and 81 properties in 2016 and 2015, respectively. The Group can enter into new property management contracts with most of the property developers via this sales channel by demonstrating the expertise and providing of quality sales assistance services.

Other services and sales of goods

The Group provides installation, repairing and maintenance services primarily to the elevators of the properties under management. Engineering spare parts can be sold separately to other elevator servicing companies. Also, the Group operates canteens in the government buildings and provides catering services there. In relation to consulting services, the Group provides consultation and advice to property developers on various aspects of their operations, including the general structure, lift or road planning of the properties which may affect the quality of the property management services that the residents receive subsequently.

Community O2O Platform

Since the launch of the community O2O platform ("Aidaojia") by the Group in June 2015, the application has experienced rapid development in 2016.

As of 31 December 2016, the Aidaojia mobile application of the Group covered approximately 4,700 residential properties with approximately 476,000 registered users. The number of orders processed (including both promotional and non-promotional orders) for the year ended 31 December 2016 was approximately 1,028,000.

Prospects and Future Plans

The Group will continue to maintain its own advantage as an independent property management company and compete with counterparts in the market by its high quality service and operational efficiency. The Group will actively establish stable partnership with leading property developers in all regions and explore potential projects under development. The Group will strive to develop new business relationships from the existing customer base and own network in order to provide strong organic growth to the Group. The Group targets to expand its portfolio of customers by pursuing properties which have owners' association recently established. Furthermore, when right opportunities arise, the Group will accelerate its expansion of business scope and coverage in China by means of acquisitions.

Owing to the significant resources commitment by the Group on the development of the O2O business during the year, the Group has incurred significant costs and expenses (such as selling, marketing, promotion and distribution expenses) in developing and promoting this business in order to enlarge the customer base of the Group. Going forward, in order to mitigate the loss attributable to the development of the O2O business, the Group will consider introducing more stringent cost control measures to reduce the operating expenses of the O2O platform, such as outsourcing its operation, or exploring other feasible means in order to strive a balance between profitability, growth and building customer base in the O2O platform for the benefits of all stakeholders.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the year ended 31 December 2016, the Group recorded revenue of RMB635.1 million, representing an increase of 51.2% over 2015. Increase in the Group's revenue was mainly due to the growth in property management services, other service and sales of goods, together with the revenue generated from the O2O platform. Revenue from the three business lines for the year ended 31 December 2016 were RMB559.4 million, RMB11.8 million and RMB8.3 million, comparing to RMB351.7 million, RMB0.3 million and RMB2.0 million in 2015, represented increases of RMB207.7 million, RMB11.4 million and RMB6.3 million, or 59.1%, 3,334.1% and 317.0%, respectively. Other services and sales of goods became a major line of business during the year with a revenue growth from RMB0.3 million for the year ended 31 December 2015 to RMB11.8 million in 2016 after the acquisition of Yongcheng.

Breakdown of Revenue by business line

	For the year ended 31 December		**Change**	
	2016	2015		
	RMB'000	*RMB'000*	*RMB'000*	*%*
Property management services	**559,372**	351,693	207,679	59.1
Sale assistance services	**55,731**	66,137	(10,406)	(15.7)
Other services and sales of goods	**11,779**	343	11,436	3,334.1
Revenue from community O2O Platform	**8,264**	1,982	6,282	317.0
	635,146	420,155	214,991	51.2

Property management services

Revenue from property management services increased by RMB207.7 million or 59.1% over 2015 primarily due to (i) organic growth in the Group's existing property management services business as a result of increase in the delivered contracted GFA by 3.5 million sq.m.; and (ii) additional revenue attributable to the delivered contracted GFA of 18.9 million sq.m. bringing in the Group through new acquisitions namely Eastern Harbour and Yongcheng.

Sales assistance services

Revenue from the sale assistance services business line for the year ended 31 December 2016 was RMB55.7 million, comparing to RMB66.1 million in 2015, representing a decrease of RMB10.4 million, or 15.7%. The decrease in revenue from the sales assistance service business line was due to the decrease in the number of projects from 81 in 2015 to 72 in 2016 and the decrease in average revenue of each project from approximately RMB817,000 for the year ended 31 December 2015 to approximately RMB774,000 for the year ended 31 December 2016.

Other services and sales of goods

Revenue from other services and sales of goods during the year ended 31 December 2016 was RMB11.8 million (2015: RMB0.3 million). This business line primarily consists of the provision of consulting services, engineering and catering services, and the sales of engineering spare parts. The increase in revenue of this business line was mainly due to revenue received or receivable from Yongcheng which has been newly acquired during the year.

Community O2O Platform

Revenue from the community O2O platform for the year ended 31 December 2016 was RMB8.3 million, comparing to RMB2.0 million in 2015, represented an increase of RMB6.3 million or 317.0%. This revenue was mainly generated from the provision of community e-commerce services including high-frequency commodities consuming and delivering daily living services as well as offline merchant services for residents through the Group's community O2O platform.

Cost of Sales and Services

The Group's cost of sales and services for property management and sales assistance services primarily comprise (i) sub-contracting costs, representing the expenses paid to sub-contractors for various services under the property management and sales assistance business lines; (ii) staff costs; (iii) depreciation expenses associated with equipment and property used in providing services; and (iv) others, primarily representing raw material costs, travelling expenses and communication expenses.

Cost of sales and services for the property management and sales assistance business lines increased by 63.8% from RMB275.2 million for the year ended 31 December 2015 to approximately RMB450.9 million for the year ended 31 December 2016. The increase was primarily due to the growth of business and the corresponding increase in the staff costs and sub-contracting costs. The increase in staff costs was attributable to (i) increase in the number of employees that the Group employed directly; and (ii) increase in the average salary of the Group's employees. The increase in sub-contracting costs was attributable to the expansion of the Group's business.

Cost of sales and services for community O2O platform for the year ended 31 December 2016 was RMB21.1 million (2015: RMB4.2 million), which primarily comprised (i) the cost of daily necessities sold; (ii) expenses including personnel cost and expenses attributable to buying, receiving, inspecting and warehousing inventories, picking, packaging, and preparing customer orders for delivery; and (iii) rental expenses of leased warehouses, delivery and pickup stations.

Costs of other services and sales of goods for the year ended 31 December 2016 was RMB6.5 million (2015: RMB0.6 million), which primarily consisted of (i) salaries cost of the technicians in the provision of elevator engineering services; (ii) costs of the spare parts sold; and (iii) operating costs in running the catering services in 2016 whereas the costs were relating to consulting services in 2015.

Gross Profit (Loss) and Gross Profit(Loss) Margin

The tables below sets forth the Group's gross profit/(loss) and gross profit/(loss) margins by business line for the years indicated:

	For the year ended 31 December			
	2016		2015	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Property management services	**139,451**	**24.9**	112,564	32.0
Sale assistance services	**24,790**	**44.5**	30,050	45.4
Other services and sales of goods	**5,329**	**45.2**	(265)	(77.3)
Community O2O platform	**(12,832)**	**(155.3)**	(2,261)	(114.1)
Total	**156,738**	**24.7**	140,088	33.3

The Group's gross profit for the year ended 31 December 2016 was RMB156.7 million, comparing to RMB140.1 million in 2015, represented an increase of RMB16.7 million, or 11.9%. The Group's overall gross profit margin decreased from 33.3% for the year ended 31 December 2015 to 24.7% in 2016. The decrease in the Group's overall gross profit margin was primarily due to (i) the substantial increase in gross loss incurred in the community O2O platform by RMB10.6 million in 2016, (ii) increase in staff costs paid to the property management service employees; and (iii) relatively lower gross profit margin of properties managed in Yongcheng.

Other Gains and Losses

The Group's other losses for the year ended 31 December 2016 was RMB2.2 million, comparing to RMB4.0 million in 2015, represented a decrease in a net other losses of RMB1.8 million, or 45.0%. Other gains and losses in 2016 primarily comprised of two items: i) net exchange gain of RMB12.1 million as a result of drop in Renminbi exchange rate over 2016; and ii) allowance for doubtful debts on of trade receivables of RMB13.4 million for the year ended 31 December 2016.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2016 was RMB99.7 million, comparing to RMB51.0 million in 2015, which represented an increase of RMB48.7 million, or 95.5%. The increase was primarily attributable to the increase in (i) administrative expenses of RMB19.9 million in the operation of community O2O platform in 2016; (ii) increase in Directors' emoluments of RMB5.4 million; (iii) absorption of administrative expenses of Eastern Harbour and Yongcheng amounting to RMB8.5 million after consolidating to the Group this year; and (iv) expansion of the Group's business scale.

Other Expenses

The Group's other expenses for the year ended 31 December 2016 was RMB9.8 million (2015: nil). The expenses was attributable to the legal and professional fees for new acquisitions.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended 31 December 2016 was RMB29.5 million, comparing to RMB7.6 million in 2015, represented an increase of RMB21.9 million and primarily due to increase in the Group's business development, marketing and promotion expenses of RMB19.9 million incurred for the O2O operation.

Finance Costs

The Group's finance costs increased from RMB1.6 million for the year ended 31 December 2015 to RMB4.7 million for the year ended 31 December 2016. The increase was primarily due to increase in (i) interest expense of RMB1.0 million for bank borrowings and (ii) imputed interest expenses on consideration payable and share based payments of RMB1.1 million and RMB1.0 million, respectively.

Share-based Payment Expenses

The Group recognised share-based payment expenses of RMB16.0 million (2015: RMB19.9 million) for the year ended 31 December 2016. Decrease in the share-based payment expense was primarily due to fewer employees remained eligible for exercising the Pre-IPO share options during the year.

Income Tax Expenses

The Group's income tax expense for the year ended 31 December 2016 was RMB27.6 million, comparing to RMB24.8 million in 2015, represented an increase of RMB2.8 million, or 11.3%. The Group's effective tax rate increased from 70.0% for the year ended 31 December 2015 to 113.8% in 2016 since the losses in the O2O business incurred during the year were not utilised for tax purposes.

Net profit (loss) and Adjusted Net Profit for the Year

For the year ended 31 December 2016, as a result of the cumulative effect of the above factors, the Group's net loss was RMB3.4 million and its net loss margin was 0.5%.

Our adjusted net profit was derived from our net profit (loss) for both years by adding share-based payment expenses, legal and professional fees for acquisition of property management companies, change in fair value of financial liabilities designated as at FVTPL, listing expenses and excluding the net loss incurred for the community O2O platform. As these cost items are either non-recurring, non-cash spending or incurred from a separate business line, the Group believes that separate analysis of the impacts of these cost items adds clarity to the constituent part of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's core business. The adjusted net profit is an unaudited figure.

The following table reconciles our adjusted net profit for the year presented to the profit under HKFRSs for the years indicated:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
(Loss) profit for the year under HKFRS	**(3,352)**	10,613
Add:		
Net loss incurred for the O2O platform	**50,266**	7,979
Share-based payment expenses	**16,028**	19,928
Legal and professional fees for acquisition of property management companies	**9,837**	–
Change in fair value of financial liabilities designated as at FVTPL	**–**	6,343
Listing expenses	**–**	35,881
Adjusted net profit for the year	**72,779**	80,744

Deferred Taxation

As of 31 December 2016 and 2015, the deferred tax asset recognised was mainly attributable to the allowance of doubtful debt of RMB16.4 million and RMB9.9 million, respectively.

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 of 31 December 2016, net working capital (calculated as current assets less current liabilities) was RMB212.3 million which represented a decrease of RMB209.4 million from RMB421.7 million as of 31 December 2015 primarily due to the considerations paid for new acquisitions during the year. The current ratios (calculated as current assets/current liabilities) are 1.5 times and 3.1 times as of 31 December 2016 and 31 December 2015 respectively.

As of 31 December 2016, the Group had bank borrowings denominated in RMB of RMB25.3 million (2015: RMB29.6 million), among which RMB2.3 million in 2016 was secured by the investment properties of the Group and RMB20.0 million was secured by the Group's bank deposit as of 31 December 2015. Bank borrowings of RMB25.3 million as of 31 December 2016 were fixed-rate, whereas the balance of RMB29.6 million represented variable-rate borrowings as of 31 December 2015. In addition, the Group had an unsecured bank borrowing amounting to RMB103.6 million (2015: nil) which was variable-rate and denominated in HK$ as of 31 December 2016.

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 2016, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group. The management will continue to monitor foreign currency exchange exposure and will take prudent measures to minimize the currency translation risk.

Gearing Ratio

The gearing ratio is defined as total borrowings net of pledged bank deposits and bank balances and cash divided by total equity. As of 31 December 2016, the Group was in a strong financial position with a net cash position amounting to RMB313.5 million (2015: RMB482.3 million). Accordingly, no gearing ratio is presented.

Pledge of Assets

As of 31 December 2015, restricted bank deposits in the amount of RMB62.8 million were pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's cash from offshore to onshore entities. Pledge of the deposits has been released in September 2016 due to the repayment of bank borrowings. Accordingly, no bank deposit has been pledged to financial institutions as of 31 December 2016.

At 31 December 2016, investment properties of RMB14.4 million (2015: nil) were pledged to secure certain banking facilities granted to the Group.

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2016.

Employees and Remuneration Policies

As of 31 December 2016, the Group had approximately 6,700 (2015: 1,500) 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 which allows the Directors to grant share options to, among other persons, Directors and employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group. For the year ended 31 December 2016, the Group granted an aggregate of 80,000,000 (2015: 80,000,000) share options to certain Directors and employees of the Group.

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

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed in this Announcement, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 December 2016.

At 31 December 2016, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

USE OF NET PROCEEDS

On 25 November 2015, the Company issued 200,000,000 new shares of nominal value of HK$0.01 each in connection with the listing of its shares on the Stock Exchange (the "IPO"). The net proceeds after deducting the underwriting commission and issuing expenses arising from the IPO amounted to HK$289.1 million (equivalent to RMB238.2 million).

Up to 31 December 2016, RMB58.2 million has been utilised for the development of the O2O platform and RMB118.9 million has been utilized in the acquisitions of Eastern Harbour and Yongcheng. RMB0.7 million has been utilized for the implementation of training and recruitment programs. The remaining net proceeds of RMB60.4 million were deposited with certain licensed financial institutions as of 31 December 2016.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year (2015: final dividend of HK2.5 cents per share and special dividend of HK2.0 cents per share).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on Friday, 26 May 2017. To ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, 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 Monday, 22 May 2017.

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 2016, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provisions A.2.1:

Code provision of A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Liu Jian as both the Chairman and the Chief Executive Officer of the Company. The Board believes that vesting the roles of the Chairman and Chief Executive Officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and Board, which comprises experienced and high-calibre individuals. The Board currently comprises four Executive Directors (including Mr. Liu Jian), four Non-executive Directors and four Independent Non-executive Directors and therefore has a fairly strong independence element in its composition.

AUDIT COMMITTEE

An 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 all the independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Yuan Boyin, Mr. Zhang Weilun and Mr. Wu Haibing. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee. The annual results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

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

During the year ended 31 December 2016, 5,456,000 shares were repurchased and cancelled. 372,000 shares were repurchased but not yet cancelled and were recognized as treasury shares at 31 December 2016, which have been cancelled in January 2017.

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 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CESSATION TO FURTHER ANNOUNCE AND PUBLISH QUARTERLY FINANCIAL RESULTS

The Board has on 28 March 2017 resolved not to further announce and publish the Company's quarterly financial results for the first three-month and nine-month periods of this and subsequent financial years in order to reduce the administrative burden of the Company and allow the Company to devote more of resources towards the development of its business.

The Board considers that with its rapidly developing business, this arrangement is in the best interest of the Company.

The Company will continue to announce and publish its interim and annual results and reports in accordance with the requirements of the Listing Rules.

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 2016 of the Company contains all the information required by the Listing Rules, which 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, 28 March 2017

As at the date of this announcement, our executive directors are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing, Mr. Long Weimin, our non-executive directors are Mr. Wei Zhe, Ms. Wu Qimin, Mr. Lam Yiu Por, Mr. Zheng Dong, and our independent non-executive directors are Mr. Zhang Weilun, Mr. Lee Kwok Tung Louis, Mr. Yuan Boyin, and Mr. Wu Haibing.