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宇业控股

U-HOME HOLDINGS

U-HOME GROUP HOLDINGS LIMITED

宇業集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 2327)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

RESULTS

The directors (the “Directors”) of U-Home Group Holdings Limited (the “Company”) are pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 (the “Period”).

During the period, the Group reported revenue of HK\$37,816,000, representing an increase by 2.2 times as compared to approximately HK\$11,902,000 of the six months ended 30 September 2015. The Group gross profit of HK\$7,676,000, representing an increase by 1.0 time as compared to approximately HK\$3,830,000 of the six months ended 30 September 2015. The Group operating profit of HK\$40,392,000, representing an increase by 49.0 times as compared to approximately HK\$808,000 of the six months ended 30 September 2015. The profit attributable to the owners of the Company of approximately HK\$32,329,000, representing an increase of 207.6 times as compared to approximately of HK\$155,000 of the six months ended 30 September 2015.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

Significant Events

Acquisition of a Subsidiary

On 30 October 2015, U-Home Enterprise Development Company Limited (“UHEL”), a wholly owned subsidiary of the Company, and 江蘇懿德投資有限公司 (Jiangsu Yide Investment Company Limited*) (“Jiangsu Yide”) entered into a Sale and Purchase agreement, pursuant to which the Group agreed to purchase and Jiangsu Yide agreed to sell the entire issued shares of 蕪湖逸舟商貿有限公司 (Wuhu Yizhou Trading Company Limited*) (“Wuhu Yizhou”) which is principally engaged in investment holding and leasing of properties at the consideration of HK\$122,600,000. In relation to the transaction, Jiangsu Yide irrevocably undertakes UHEL that the audited net profit of Wuhu Yizhou for the three years ending 31 December 2017 will not be less than RMB18,000,000. The acquisition of Wuhu Yizhou was completed on 22 January 2016.

Acquisition of controlling shareholding of a Subsidiary

On 2 April 2016, U-Home Group Health Service Company Limited (“UHHL”), a wholly owned subsidiary of the Company, and Taiyue Inc., the other six corporate shareholders and one individual shareholder (the “Vendors”) entered into a Sale and Purchase agreement, pursuant to which UHHL conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, representing 60% of the entire issued share capital of La Clinique de Paris International Ltd (“LCDPI”) at the consideration of HK\$82,800,000. The principal businesses of LCDPI are engaged in the provision of anti-aging, health management, healthy supplements and other health related services. The acquisition of LCDPI was completed on 27 May 2016.

Subscription of 375.3 million New Shares under General Mandate

On 10 June 2016, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 375,300,000 Subscription Shares at the Subscription Price of HK\$0.284 per Subscription Share. The net proceeds are approximately HK\$106,365,200. The Company intends to use the net proceeds of the Subscriptions to enlarge its capital base and prepare for any business development opportunities as and when they arise. The Subscription was completed on 4 July 2016.

Business Review

During the period, the domestic economic environment remained challenging, with intensified economic structure adjustment and noticeable slowdown in economic growth. While the diversified business structure of the Group effectively balanced market risks, overall operating results increased as compared to the six months ended 30 September 2015 due to the active business developments. The completion of the integration of a property leasing business and an anti-aging and health related business reflected a good approach to the Group. The Group is committed to achieve long-term sustainable growth of its businesses in preserving and enhancing the Shareholders’ value. The Group is focused on selecting attractive investment opportunities, especially in the anti-aging and health related business, to strengthen and extend its business scope and has maintained prudent and disciplined financial management to ensure its sustainability.

* For identification purpose only

Trading Business

For the six months ended 30 June 2016, the trading business continued to grow. The turnover from trading business increased by approximately 4.2 times from approximately HK\$5,674,000 for the six months ended 30 September 2015 to approximately HK\$29,612,000 for the six months ended 30 June 2016. The increase in revenue for the six months ended 30 June 2016 was mainly attributed to the increase in the sales of chemical materials. The profit derived from the trading business increased by 36.2 times from approximately HK\$36,000 for the six months ended 30 September 2015 to approximately HK\$1,340,000 for the six months ended 30 June 2016.

R&D and Project Management

The Group has commenced joint effort chemical and biological researches with R&D institution in Hong Kong since 2007. The management is optimistic towards this business and continuously propelling the existing projects as well as putting continuous efforts in identifying R&D projects with potentials.

One of the Group's R&D projects of pharmaceutical products has attained phrasal achievement. On 23 July 2012, the Group entered into a technology transfer agreement with YJB, pursuant to which an aggregate consideration of RMB111,000,000 was payable by YJB upon satisfaction of the pre- condition stipulated for each of the following three phases of construction, production and registration:

At phase 1, the Group shall transfer the technical documents of the product technology to YJB within six months upon signing the technology transfer agreement; at phase 2, the Group shall assist YJB to construct a production plant with its ancillary facilities for the production of the pharmaceutical bulk materials products to be qualified by the Group and YJB within a prescribed construction budget, and the construction of the plant had been completed in July 2014;

And at phase 3, the Group shall assist YJB to (i) commence full scale production of such pharmaceutical bulk materials products at a designated production capacity and ensure that the production cost of such bulk materials shall not exceed the prescribed unit cost, and (ii) obtain the registration certificates of such products as well as the certification of "Good Manufacturing Practice" issued by the State Food and Drug Administration of the PRC by no later than 31 December 2016.

According to the technology transfer agreement, invoices of RMB40,000,000, RMB20,000,000 and RMB51,000,000 shall be issued upon satisfaction of the pre-conditions set for phase 1, phase 2 and phase 3 respectively as mentioned above. The above payment schedule may be extended by mutual agreement between the parties to the technology transfer agreement, while the maximum consideration shall be subject to adjustment(s) if certain of the above terms and conditions cannot be fulfilled in full.

Investment and Treasury Function

The profits derived from this segment decreased by 50.0% from HK\$480,000 for the six months ended 30 September 2015 to HK\$240,000 for the six months ended 30 June 2016. The profits was derived from the gain from rental income.

Consultancy and Agency Business

The revenue from this segment was decreased by 39.2% from HK\$6,228,000 for the six months ended 30 September 2015 to HK\$3,785,000 for the six months ended 30 June 2016. The profits derived was decreased by 67.0% from HK\$2,697,000 for the six months ended 30 September 2015 to HK\$890,000 for the six months ended 30 June 2016.

Leasing Business

On 22 January 2016, the Group successfully acquired a leasing company in China. For the period ended 30 June 2016, the revenue from this segment was HK\$1,314,000 and the profit derived was HK\$38,941,000, mainly due to the fair value gain before tax of the investment properties of approximately HK\$25,149,000, the gain on disposal of financial assets of approximately HK\$9,797,000 and the gain on disposal of investment properties of approximately HK\$3,126,000.

Anti-aging and Health Related Business

On 27 May 2016, the Group successfully acquired the controlling shareholding of LCDPI. For period ended 30 June 2016, the revenue from this segment was HK\$3,105,000 and the profit derived was HK\$628,000.

Prospects

Property development in Australia going forward

Since the first half of year 2015, the Group has diversified its business into property development by establishing a property development operation in Australia. As at 30 June 2016, the planning permits and approvals required for the development of the Land under the applicable laws and regulations have not been obtained. It is expected that the Planning Permit and approvals will be obtained by not later than 2016.

FINANCIAL REVIEW

Liquidity

As at 30 June 2016, cash and cash equivalents of the Group totaled approximately HK\$119,038,000 (31 December 2015: approximately HK\$197,347,000), of which approximately 77.6% are in Hong Kong dollars, 2.3% in RMB, 3.1% in US dollars, 0.6% in EURO and 16.4% in AUD.

The decrease in cash and cash equivalents is mainly due to the cash paid for the acquisitions of subsidiaries.

As at 30 June 2016, the Group had current assets of approximately HK\$274,161,000 (31 December 2015: HK\$264,746,000) whilst current liabilities were approximately HK\$173,335,000 (31 December 2015: HK\$20,378,000).

Interest Rate Risk

As at 30 June 2016, the gearing ratio was 0% (31 December 2015: Nil).

Commitments

(a) Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Within one year	3,259	151
After one year but within five years	5,573	157
	<u>8,711</u>	<u>308</u>

(b) Capital commitments

As at 30 June 2016, the Group had capital commitments contracted for but no provided for in these financial statement which are as follows:

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Acquisition of the Land (<i>Note 14(b)</i>)	174,163	170,246
Acquisition of the a subsidiary	<u>—</u>	<u>98,600</u>
	<u>174,163</u>	<u>268,846</u>

Charge on Group Assets

As at 30 June 2016, there are no any bank loans (31 December 2015: Nil) was secured by the Group's pledged bank deposits (31 December 2015: Nil).

Contingent Liabilities

As at 30 June 2016, the Group has not issued corporate guarantees to banks (31 December 2015: Nil) with respect to bank borrowings of the associates of the Group.

The Group was not liable to any material legal proceedings of which provision for contingent liabilities was required.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

		For the six months ended 30 June 2016 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2015 <i>HK\$'000</i> (Unaudited)
	Notes		
Revenue	5	37,816	11,902
Cost of sales		<u>(30,140)</u>	<u>(8,072)</u>
Gross profit		7,676	3,830
Other income		539	1,109
Investment income		240	480
Selling expenses		(1,400)	(630)
Administrative expenses		(4,443)	(3,743)
Other operating expenses		(1,838)	(238)
Other gains	6	14,469	—
Fair value gain on investment properties	12	<u>25,149</u>	<u>—</u>
Operating Profit		<u>40,392</u>	<u>808</u>
Finance costs		<u>(8)</u>	<u>(29)</u>
Profit before income tax	7	<u>40,384</u>	<u>779</u>
Income tax expense	8	<u>(7,839)</u>	<u>(626)</u>
Profit for the Period		<u>32,545</u>	<u>153</u>
Other comprehensive income, after tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		<u>(1,576)</u>	<u>(130)</u>
Total comprehensive income for the period		<u>30,969</u>	<u>23</u>
Profit attributable to:			
Owners of the company		32,329	155
Non-controlling interests		<u>216</u>	<u>(2)</u>
Profit for the Period		<u><u>32,545</u></u>	<u><u>153</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the six months ended 30 June 2016 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2015 <i>HK\$'000</i> (Unaudited)
	<i>Notes</i>		
Total comprehensive income attributable to:			
Owners of the Company		30,753	155
Non-controlling interests		216	(130)
		30,969	23
Earnings per share			
— Basic (<i>cents</i>)	10	1.30	0.01
— Diluted (<i>cents</i>)	10	1.30	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	1,766	2,162
Investment property	12	170,634	35,000
Intangible asset		758	776
Goodwill	13	98,760	—
Deposit	14	8,169	32,609
		<u>280,087</u>	<u>70,547</u>
Current assets			
Available-for-sales financial assets	6	11,837	—
Inventories		1,006	513
Accounts receivable	15	21,740	6,343
Deposit, prepayments and other receivables	14	120,452	60,543
Tax recoverable		88	—
Cash and cash equivalents	16	119,038	197,347
		<u>274,161</u>	<u>264,746</u>
Total current assets			
Current liabilities			
Derivative financial liabilities	13	18,824	—
Accounts payable	17	3,077	2,368
Accrued expenses and other payables		142,825	8,768
Tax payable		8,609	9,242
		<u>173,335</u>	<u>20,378</u>
Net current assets		<u>100,826</u>	<u>244,368</u>
Net Assets		<u>380,913</u>	<u>314,915</u>
EQUITY			
Share capital	18	25,766	24,600
Reserves		353,030	290,323
		<u>378,796</u>	<u>314,923</u>
Equity attributable to owners of the Company			
Non-controlling interests		2,117	(8)
		<u>380,913</u>	<u>314,915</u>
Total equity		<u>380,913</u>	<u>314,915</u>

NOTES ON THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

(Expressed in Hong Kong dollars)

1. General Information

U-Home Group Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 2906, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries are collectively referred to as the “Group”.

The Company is principally engaged in investment holding. The principal activities of its subsidiaries include trading of health care products, chemical materials and building materials, research and development of chemical and biological products, investment and treasury function, consultancy and agency business, leasing business and anti-aging and health related business.

The directors consider the immediate shareholder is U-Home Group International Limited and the ultimate parent is Shunda Investment Limited, both companies incorporated in British Virgin Islands (“BVI”) with limited liability.

The financial statements for the period from 1 January 2016 to 30 June 2016 were approved for issue by the board of directors on 17 August 2016.

2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34, “Interim Financial Reporting”.

3. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The Group has not adopted ahead of the effective date for the new and revised HKFRSs that have been issued by HKICPA.

4. Operating segment information

For management purposes, the Group is organized into business units based on their products and services and has four reportable segments as follows:

- (a) Trading of health care products, chemical materials and building materials — Trading of health care products, chemical materials and building materials;
- (b) Research and development — Research and development of chemical and biological products;
- (c) Investment and treasury function — Investment holding and treasury function;
- (d) Consultancy and agency business — Provision for property agency and consultancy services;
- (e) Leasing business — Leasing of properties;
- (f) Anti-aging and health related business — Provision of anti-aging, health management, health supplements and other health related services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

5. Segment Reporting

Information regarding the Group's reportable segments for the six months ended 30 June 2016 and 30 September 2015 is set out below.

For the six months ended 30 June 2016						
	Trading of health care products, chemical materials and building materials 2016 HK\$'000	Research and development 2016 HK\$'000	Investment and treasury function 2016 HK\$'000	Consultancy and agency business 2016 HK\$'000	Leasing business 2016 HK\$'000	Anti-aging and health related business 2016 HK\$'000
						Consolidated 2016 HK\$'000
Segment Revenue	29,612	—	—	3,785	1,314	37,816
Segment results	1,340	(1)	240	890	38,941	42,038
Unallocated income/(expense)						(1,646)
Profit from operations						40,392
Finance costs						(8)
Profit before income tax expenses						<u>40,384</u>

For the six months ended 30 September 2015					
	Trading of Pharmaceutical and health care products 2015 HK\$'000	Research and development 2015 HK\$'000	Investment and treasury function 2015 HK\$'000	Consultancy and agency business 2015 HK\$'000	Consolidated 2015 HK\$'000
Segment Revenue	5,674	—	—	6,228	11,902
Segment results	36	(1)	480	2,697	3,212
Unallocated income/ (expense)					(2,404)
Profit from operations					808
Finance costs					(29)
Profit before income tax expenses					<u>779</u>

6. Other gains

	For the six months ended 30 June 2016 HK\$'000	For the six months ended 30 September 2015 HK\$'000
Exchange gains	1,546	—
Gain on disposal in financial assets (<i>Note (a)</i>)	9,797	—
Gain on disposal in investment properties	3,126	—
	<u>14,469</u>	<u>—</u>

Note:

(a) *Gain on disposal in financial assets*

Unlisted equity securities

	For the six months ended 30 June 2016 HK\$'000	For the six months ended 30 September 2015 HK\$'000
At 1 January 2016/1 April 2015	—	—
Addition	86,064	—
Disposal	(74,227)	—
At 30 June 2016/31 December 2015	<u>11,837</u>	<u>—</u>

Upon the completion of the acquisition of Wuhu Yizhou, Wuhu Yizhou held 3,000 shares of 蕪湖揚子農村商業銀行股份有限公司 (Wuhu Yangzi Village Commercial Bank Company Limited*), representing 3% shareholding of the company and 1,000 shares of 安徽東至揚子村鎮銀行股份有限公司 (Anhui Dong Zhi Yangzi Village Bank Company Limited*), representing 10% shareholding of the company. Each of Wuhu Yangzi Village Commercial Bank Company Limited and Anhui Dong Zhi Yangzi Village Bank Company Limited is engaged in provision of banking services in the PRC which include retail banking, wholesale banking and treasury operations and underwriting of government bonds; the sale of government bonds, financial bonds etc.

* *For identification purpose only*

For the six months ended 30 June 2016, Wuhu Yizhou sold 3,000 shares of 蕪湖揚子農村商業銀行股份有限公司 (Wuhu Yangzi Village Commercial Bank Company Limited*). The gain on disposal was HK\$9,797,000, representing 1.77% and 2.57% of the consolidated total assets value and net assets value respectively of the Group. Wuhu Yizhou received dividends of RMB6,000,000 in total from 蕪湖揚子農村商業銀行股份有限公司 (Wuhu Yangzi Village Commercial Bank Company Limited*) in 2013 and 2014. The percentage return was approximately 10% during such two years. After the completion of the acquisition of Wuhu Yizhou, the Group decided to dispose the financial assets and focus on the core business developments.

	<i>HK\$'000</i>
Sales proceed	84,024
Investment cost	(74,227)
Gain on disposal	9,797

7. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/ (crediting):

	For the six months ended 30 June 2016 <i>HK\$'000</i> (Unaudited)	For the six months ended 30 September 2015 <i>HK\$'000</i> (Unaudited)
Cost of inventories	28,789	5,446
Staff costs	2,019	1,611
Retirement costs	58	16
Depreciation	1,019	12
Operating lease charges in respect of premises	243	138
Interest on bank advances wholly repayable within five years	—	29

* For identification purpose only

8. Income tax expense

	For the six months ended 30 June 2016 HK\$'000 (Unaudited)	For the six months ended 30 September 2015 HK\$'000 (Unaudited)
Current tax		
— Hong Kong		
Tax for the period	<u>1,024</u>	<u>91</u>
	<u>1,024</u>	<u>91</u>
— PRC		
Tax for the period	<u>6,815</u>	<u>535</u>
	<u>7,839</u>	<u>626</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the Period.

9. Dividends

No dividends were paid, declared or proposed during the six months ended 30 June 2016 and 30 September 2015.

10. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to owners of HK\$32,329,000 (2015: HK\$155,000) and on the weighted average of 2,482,304,318 (2015: 1,698,251,000) ordinary shares in issue during the Period.

The basic and diluted profits per share for the six months ended 30 June 2016 were the same as the Company had no dilutive potential shares in issue during the period.

11. Property, plant and equipment

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Opening net book amount		
At 1 January 2016/1 April 2015	2,162	96
Additions	670	3,963
Depreciation	(1,019)	(1,971)
Exchange adjustment	(47)	74
Net book amount		
At 30 June 2016/31 December 2015	<u>1,766</u>	<u>2,162</u>

12. Investment property

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
At 1 January 2016/1 April 2015	35,000	33,000
Additions (<i>Note (a)</i>)	115,430	—
Change in fair value	25,149	2,000
Disposals	(4,945)	—
At 30 June 2016/31 December 2015	<u>170,634</u>	<u>35,000</u>

12. Investment property (Continued)

Note:

(a) Acquisition of a subsidiary

On 22 January 2016, the Group acquired the entire issued shares of Wuhu Yizhou at a cash consideration of HK\$122,600,000.

The fair values of the identifiable assets and liabilities of Wuhu Yizhou as at the date of acquisition were as follows:

	HK\$
Investment properties	115,429,586
Intangible asset	1,137
Available for sale of financial assets	87,106,154
Trade receivables, deposit and prepayment	175,808
Bank balance	28,752,450
Other payable and accruals	(106,567,924)
Bank borrowings	(2,130,178)
Income tax payable	(75,607)
Total identifiable net assets at fair value	122,691,426
Gain on bargain purchase	(91,426)
Satisfied by cash	122,600,000

An analysis of the net cash outflow in respect of the acquisition of Wuhu Yizhou is as follows:

	HK\$
Cash consideration	122,600,000
Bank balance acquired	(28,752,450)
	93,847,550

13. Goodwill

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
At 1 January 2016/1 April 2015	—	—
Additions:		
— Acquisition of a subsidiary (Note (a))	79,936	—
— Put option (Note (b))	18,824	—
At 30 June 2016/31 December 2015	98,760	—

13. Goodwill (Continued)

Note:

(a) Acquisition of a subsidiary

On 27 May 2016, the Group acquired 60% of the entire issued shares of LCDPI at a consideration of HK\$82,800,000. The consideration was satisfied by cash of HK\$49,680,000 and the new issue shares for the remaining consideration HK\$33,120,000.

The fair values of the identifiable assets and liabilities of LCDPI as at the date of acquisition were as follows:

	HK\$
Property, plant and equipment	670,704
Investment	166,580
Inventories	2,139,957
Trade receivables, deposit and prepayment	9,249,058
Bank balance	10,384,370
Trade payable, other payable and accruals	(17,528,580)
Income tax payable	(308,222)
Total identifiable net assets at fair value	4,773,867
Non-controlling interests	(1,909,547)
Goodwill	79,935,680
Satisfied by cash and consideration shares	82,800,000

An analysis of the net cash outflow in respect of the acquisition of LCDPI is as follows:

	HK\$
Cash consideration	49,680,000
Bank balance acquired	(10,384,370)
	39,295,630

- (b) Pursuant to the Shareholders' Agreement of the acquisition of LCDPI, the Group granted to the Vendors the Put Option (the "Put Option") to require the Group to purchase all or part of the shares of LCDPI owned by the Vendors. In consideration of the grant of the Put Option, the Vendors will pay to the Group HK\$1.00.

With reference to the valuation performed by Roma Appraisals Limited, an independent professional valuer to the Group, using the binomial option pricing model (the "Put Option Valuation"). The exercise price of the Put Option will be determined with reference to the valuation of the Target Group which will be the higher of:

- (a) based on the audited consolidated net profit of the Target Company as shown in the financial statements of the Target Company for its preceding financial year, the aggregate of: (i) 15 x the audited consolidated net profit up to and including HK\$8,000,000; (ii) 10 x any audited consolidated net profit exceeding HK\$8,000,000 up to and including HK\$15,000,000; and (iii) 8 x any audited consolidated net profit exceeding HK\$15,000,000; and

13. Goodwill (*Continued*)

(b) (*Continued*)

(b) HK\$150,000,000.

In any case, the valuation of the Target Group will not exceed HK\$400,000,000. The following major assumptions were used to calculate the fair value of the Put Option:

Stock price	HK\$175,398,665
Exercise price	HK\$150,000,000 – HK\$400,000,000
Risk-free rate	1.17%
Contractual Life	14 years
Expected volatility	59.33%
Expected dividend yield	0%
Probability	50%
P/E Multiple	10.18

The Put Option of HK\$18,824,000 assumed from the business combination over the Adjusted Net Assets and a deduction of non-controlling interests of approximately HK\$1,910,000.

14. Deposits, prepayments and other receivables — Group

	Group	
	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Non-current assets:		
— Tender deposits (<i>Note (a)</i>)	8,169	8,359
— Deposits paid for acquisition of companies	—	24,250
	8,169	32,609
Current assets:		
— Deposits (<i>Note (b)</i>)	20,041	24,142
— Other receivables (<i>Note (c)</i>)	93,993	33,660
— Prepayments	6,418	2,741
	120,452	60,543
	128,621	93,152

14. Deposits, prepayments and other receivables — Group (Continued)

Note:

- (a) A tender deposit of RMB7,000,000 (equivalent to approximately HK\$8,169,000) was paid to U-Home Group Limited (31 December 2015: HK\$8,359,000), a wholly owned subsidiary of an executive director and the controlling shareholder of the Company, by the Company on behalf of a wholly owned subsidiary of the Group, Nanjiang Tuoyu, for bidding a contract for the provision of consultancy and agency business to U-Home Group Limited and its associates. Nanjiang Tuoyu succeed in bidding the tender on 24 March 2014. On 19 May 2014, Nanjiang Tuoyu entered into a framework agreement with U-Home Group Limited which is valid for a term of three years commencing from the date of the Company having obtained independent shareholders' approval on the framework agreement and expiring on 31 March 2017. The tender deposit will be refunded within 7 business days after the expiry or termination of the framework agreement.
- (b) On 9 April 2015, U-Home Oceania Pty Ltd. ("UHOL"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Alphington Developments Pty Ltd, a company incorporated in Australia with limited liability ("Vendor"), pursuant to which the Vendor agreed to sell and UHOL agreed to acquire the land use right over a land (the "Land") at a consideration of AUD33,480,000 (inclusive of GST) (equivalent to approximately HK\$197,900,000) (the "Acquisition"). The Group plans to build 108 medium to high density townhouses on the Land. Up to the reporting date, HK\$20,041,000 (2015: HK\$19,899,000) have been paid by UHOL in accordance with the payment schedule as a deposit which is included in "Deposits" under current assets. The completion of the Acquisition is conditional upon the fulfilment of all those conditions precedent stated in the sale and purchase agreement (the "CPs"). As of 30 June 2016, certain of the CPs are not fulfilled.
- (c) on 10 June 2016, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Subscribers have agreed to subscribe for and the Company has agreed to allot and issue a total of 375,300,000 Subscription Shares at the Subscription Price of HK\$0.284 per Subscription Share. Up to the reporting date, the subscription receivable is HK\$62,281,000. On 4 July 2016, all the conditions precedent under the Subscription Agreements have been fulfilled and completed.

As of 30 June 2016, a balance of HK\$3,072,000 (2015: HK\$3,072,000), derived from the disposal of the Group's technical know-how in prior year was included in "Other receivables". The collectability of the balance is subject to the fulfilment of certain conditions set out in the project in which the technical know-how was used for. The project is still in progress at the reporting date.

Included in "Other receivables" of HK\$93,993,000, HK\$19,351,000 representing 10% of the cost of the Land as detailed in note (b) above, was paid by the Company as a cash guarantee to the Vendor's solicitor, Kalus Kenny Interlex, in accordance with the "Deed of Guarantee and Indemnity" which is used to secure the performance of the Company as a guarantor. The balance is refundable upon the completion of the Acquisition.

The carrying amounts of deposits and other receivables are considered a reasonable approximation of fair value.

15. Accounts receivable

An ageing analysis of the accounts receivable is as follows:

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Within 3 months	11,889	6,343
Over 3 months but less than 6 months	<u>9,851</u>	<u>—</u>
	<u>21,740</u>	<u>6,343</u>

All of the above balances are expected to be recovered within one year.

16. Cash and cash equivalents — Group

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Cash and bank balance	119,038	62,347
Time deposits	<u>—</u>	<u>135,000</u>
Cash and cash equivalents	<u>119,038</u>	<u>197,347</u>

17. Accounts payable

An ageing analysis of the accounts payable is as follows:

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Accounts payable		
Within 3 months	3,077	2,001
Over 3 months but within 6 months	<u>—</u>	<u>367</u>
Cash and cash equivalents	<u>3,077</u>	<u>2,368</u>

All of the above balances are expected to be settled within one year.

18. Share capital

	At 30 June 2016		At 31 December 2015	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January 2016/1 April 2015	2,460,000,000	24,600	1,640,000	16,400
Issue of new shares under open offer (<i>Note 1</i>)	—	—	820,000,000	8,200
Allotment and issue of new shares under an acquisition (<i>Note 2</i>)	116,619,718	1,166	—	—
At 30 June 2016/31 December 2015	2,576,619,718	25,766	2,460,000,000	24,600

Note:

- On 18 September 2015, the Company completed the open offer in which 820,000,000 offer shares were issued on the basis of one offer share for every two shares at the subscription price of HK\$0.26 per offer share with the par value of HK\$0.01 each.
- On 27 May 2016, the Company completed an acquisition in which 116,619,718 consideration shares were issued with the par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK\$1,166,197 and its share premium account was increased by approximately HK\$31,953,803.

19. Share-based employee compensation

No share option was granted or cancelled during the period.

OTHER INFORMATION

Employment and Remuneration Policy

As at 30 June 2016, the Group had a total of approximately 60 employees (31 December 2015: approximately 60 employees). The Group's remuneration policies are in line with prevailing market practice and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes.

Purchase, Sale or Redemption of Listed Securities of the Company

There were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2016.

Corporate Governance

The Company has complied with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Period.

Model Code for Securities Transactions By Directors

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 own code of conduct regarding directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2016.

Review of Interim Results

The audit committee, comprising of the two independent non-executive directors and one non-executive director of the Company, has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2016.

Publication of Interim Results Announcement and Interim Report

The interim report will be dispatched to shareholders as well as made available on our Company's website at www.u-home.hk and the Stock Exchange's website at www.hkexnews.hk.

Appreciation

The sustained growth of the Group's results is hinged on the continuous support, commitment and contributions of the management and staff during the Period and the support shown to us by our investors. On behalf of the Board, I would like to express our deepest gratitude to the investors of the Company and the staff of the Group.

By order of the Board

Zhou Wen Chuan

Executive Director and Chief Executive Officer

Hong Kong, 17 August 2016

As at the date of this announcement, the Board comprises Mr. Zhou Xuzhou, Mr. Liu Lailin and Ms. Zhou Wen Chuan as executive Directors, Dr. Mao Zhenhua as non-executive Director and Mr. Gao Guanjiang, Professor Wilton Chi Wai Chau and Ms. Jing Zhang Brogle as independent non-executive Directors.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.