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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Revenue	**475,543**	261,435	81.9%
Gross profit	**144,472**	75,995	90.1%
Profit/(loss) and total comprehensive income/(loss), net of tax, for the period attributable to owners of the parent	**45,548**	(5,999)	859.3%
Overall gross profit margin *(%)*	**30.4%**	29.1%	1.3pp
Gross profit margin — property management services *(%)*	**30.4%**	33.7%	(3.3)pp
Net profit/(loss) margin *(%)*	**10.5%**	(2.3)%	12.8pp

HIGHLIGHTS (Continued)

The Group's operations are mainly in property management business (including property management services, sales assistance services, and other services and sales of goods) and online to offline business. The following table presents revenue and the operating result for the Group for the six-month periods from 1 January to 30 June 2017 and 2016 based on types of business:

For the six months ended 30 June 2017 (Unaudited)	**Property management business** *RMB'000*	**Online to offline business** *RMB'000*	**Total** *RMB'000*
Revenue	**475,255**	**288**	**475,543**
Operating results	**87,685**	**(3,896)**	**83,789**

For the six months ended 30 June 2016 (Unaudited)	Property management business *RMB'000*	Online to offline business *RMB'000*	Total *RMB'000*
Revenue	254,403	7,032	261,435
Operating results	69,507	(31,117)	38,390

Operating results of the Group improved significantly from approximately RMB38,390,000 for the six months ended 30 June 2016 to approximately RMB83,789,000 for the six months ended 30 June 2017 and represented an 118.3% increment in operating results for the Group.

The board (the "Board") of directors (the "Directors") of Zhong Ao Home Group Limited (the "Company" or "ZhongAo") is pleased to announce the unaudited financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Notes	**For the six months ended 30 June 2017** *RMB'000* **(Unaudited)**	2016 *RMB'000* (Unaudited)
Revenue		**475,543**	261,435
Cost of sales and services	*5*	**(331,071)**	(185,440)
GROSS PROFIT		**144,472**	75,995
Other income and gains		**8,441**	10,484
Selling and marketing expenses		**(3,255)**	(17,027)
Administrative expenses		**(48,618)**	(52,234)
Share of profits and losses of:			
Joint ventures	*4*	**2,685**	993
An associate	*4*	**(39)**	–
Finance costs	*4*	**(3,723)**	(1,415)
Other expenses		**(22,051)**	(9,107)
Profit Before Tax	*5*	**77,912**	7,689
Income tax expenses	*6*	**(28,138)**	(13,638)
PROFIT/(LOSS) FOR THE PERIOD		**49,774**	(5,949)
Attributable to:			
Owners of the parent		**45,548**	(5,999)
Non-controlling interests		**4,226**	50
		49,774	(5,949)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT			
– Basic and diluted (RMB)	*8*	**0.057**	(0.007)
PROFIT/(LOSS) AND TOTAL OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX, FOR THE PERIOD		**49,774**	(5,949)
Attributable to:			
Owners of the parent		**45,548**	(5,999)
Non-controlling interests		**4,226**	50
		49,774	(5,949)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Restated*)
NON-CURRENT ASSETS			
Property and equipment		**34,868**	38,159
Investment properties	*9*	**146,466**	139,660
Prepayments for acquisition of properties	*10*	**24,295**	27,952
Investment in joint ventures		**5,060**	4,363
Investment in an associate		**2,761**	–
Goodwill		**104,630**	104,630
Intangible assets		**100,579**	106,289
Long-term deposits		**3,622**	–
Deferred tax assets		**21,729**	16,892
Total non-current assets		**444,010**	437,945
CURRENT ASSETS			
Inventories		**1,461**	748
Trade and bills receivables	*11*	**253,418**	159,373
Prepayments, deposits and other receivables		**90,653**	73,112
Financial assets designated as fair value through profit or loss		**–**	2,550
Available-for-sale investments		**30,000**	–
Cash and cash equivalents		**410,564**	442,473
Total current assets		**786,096**	678,256

* Certain amounts shown here do not correspond to the audited financial statements for the year ended 31 December 2016 and reflect the adjustments made, refer to Note 3 for details.

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Restated*)
CURRENT LIABILITIES			
Trade payables	*12*	**38,278**	36,575
Other payables and accruals	*12*	**437,191**	354,052
Interest-bearing bank borrowings	*13*	**42,702**	45,524
Tax payables		**63,446**	51,840
Total current liabilities		**581,617**	487,991
NET CURRENT ASSETS		**204,479**	190,265
TOTAL ASSETS LESS CURRENT LIABILITIES		**648,489**	628,210
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**31,582**	29,312
Interest-bearing bank borrowings	*13*	**81,468**	83,424
Liabilities for cash-settled share-based payments		**–**	12,411
Other long-term payable	*14*	**40,393**	59,617
Total non-current liabilities		**153,443**	184,764
NET ASSETS		**495,046**	443,446
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		**6,546**	6,549
Reserves		**425,001**	379,229
		431,547	385,778
Non-controlling interests		**63,499**	57,668
TOTAL EQUITY		**495,046**	443,446

* Certain amounts shown here do not correspond to the audited financial statements for the year ended 31 December 2016 and reflect the adjustments made, refer to Note 3 for details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2017 (the "Interim Financial Information") has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

Basis of consolidation

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of three elements of control described in the accounting policy for subsidiaries in the Group's audited financial statements for the year ended 31 December 2016. A change in the ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the revised standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and interpretations) that are relevant to the Group's operation for the preparation of the Group's Interim Financial Information:

Amendments to HKAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to HKAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016

Amendments to HKFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12*

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10 – B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. As the disclosure requirements in HKFRS 12 do not specifically apply to the interim condensed consolidated financial statements, the Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose the required information in its annual consolidated financial statements for the year ended 31 December 2017.

The adoption of these new and revised HKFRSs has had no significant financial effect on the Interim Financial Information and there have been no significant changes to the accounting policies applied in the Interim Financial Information.

3. CORRECTION OF PRIOR ERRORS

On 26 July 2016, the Group entered into an equity transfer agreement and a joint venture agreement (the "Agreements") with 10 individual equity holders (the "Vendors") to acquire a 70% equity interests in 浙江永成物業管理有限公司 and its subsidiaries (collectively referred to as "Zhejiang Yongcheng") with certain indebtedness (the "Acquisition") at a cash consideration of RMB210,000,000. The acquisition of a 70% equity interests in Zhejiang Yongcheng was completed in October 2016. According to the Agreements, net profit of Zhejiang Yongcheng derived during the period from 1 January 2016 to the date upon the renewed business license of Zhejiang Yongcheng being obtained by the Group should be appropriated to the foregoing Vendors. The profit represented identifiable liabilities at the date of acquisition of Zhejiang Yongcheng. As a consequence, other payables and accruals, goodwill at the date of acquisition of Zhejiang Yongcheng recorded by the Group have been understated and non-controlling interests at the date of acquisition of Zhejiang Yongcheng recorded by the Group have been overstated. The connection of error did not have impact to the profit or loss.

The error has been corrected by restating each of the affected financial statement account balances for the prior periods as follows:

Impact on condensed consolidated statement of financial position

	31 December 2016 *RMB'000*
Increase in goodwill and total non-current assets	15,447
Increase in other payables and accruals, and total current liabilities	22,067
Decrease in net assets	**6,620**
Decrease in equity attributable to non-controlling interests	6,620
Decrease in total equity	**6,620**

The change did not have an impact on profit or loss and other comprehensive income, earnings per share for the period or the Group's operating, investing and financing cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the geographical zones of services rendered in the PRC as follows:

(a) Southern Region includes the cities of Guangzhou, Nanning, Sanya, Haikou, Foshan, Zhongshan, Jiangmen, Qingyuan, Zhaoqing, Guilin, Zhuhai, Wenchang and Cenxi;

(b) 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, Huai'an, Zhoushan, and Taizhou;

(c) Northern Region includes the cities of Baotou, Eérduosi, Dalian, Beijing and Tianjin.

Management monitors the results of the Group's 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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations except that changes in fair value of investment properties, bank interest income, investment income, share of profits of joint ventures, share of losses of an associate, net exchange gains/losses, share-based payment expenses, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the six-month periods from 1 January to 30 June 2017 and 2016:

For the six months ended 30 June 2017 (Unaudited)	**Southern Region**	**Eastern and Central Region**	**Northern Region**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**102,860**	**339,726**	**32,957**	**475,543**
Segment results	**21,713**	**58,345**	**3,731**	**83,789**
Reconciliation:				
Bank interest income				**939**
Investment income				**395**
Changes in fair value of investment properties				**1,596**
Net exchange losses				**(2,360)**
Corporate expenses				**(18,130)**
Share-based payment expense of the Company				**(221)**
Reversal of share-based payment expense of a subsidiary				**12,981**
Share of profits of joint ventures				**2,685**
Share of losses of an associate				**(39)**
Finance costs				**(3,723)**
Profit before tax				**77,912**

Operating segments (continued)

For the six months ended 30 June 2016 (Unaudited)	Southern Region *RMB'000*	Eastern and Central Region *RMB'000*	Northern Region *RMB'000*	Total *RMB'000*
Segment revenue	94,608	136,980	29,847	261,435
Segment results	27,180	4,170	7,040	38,390
Reconciliation:				
Bank interest income				2,136
Changes in fair value of investment properties				481
Net exchange gains				7,345
Corporate expenses				(27,168)
Share-based payment expense of the Company				(7,277)
Share-based payment expense of a subsidiary				(5,796)
Share of profits of joint ventures				993
Finance costs				(1,415)
Profit before tax				7,689

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

For the six months ended 30 June 2017 (Unaudited)	**Property management business** ***RMB'000***	**Online to offline business** ***RMB'000***	**Total** ***RMB'000***
Segment revenue	**475,255**	**288**	**475,543**
Segment results	**87,685**	**(3,896)**	**83,789**

For the six months ended 30 June 2016 (Unaudited)	Property management business *RMB'000*	Online to offline business *RMB'000*	Total *RMB'000*
Segment revenue	254,403	7,032	261,435
Segment results	69,507	(31,117)	38,390

5. PROFIT BEFORE TAX

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

	Notes	**For the six months ended 30 June** **2017** ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited)
Cost of services provided		**330,235**	185,440
Cost of goods sold		**836**	–
Employee benefit expense (excluding compensation to key management personnel)			
Salaries and other benefits		**148,887**	63,829
Retirement benefit scheme contributions		**9,600**	4,102
Share-based payment expenses of the Company		**892**	5,723
		159,379	73,654
Depreciation		**5,289**	3,286
Amortisation of intangible assets		**9,703**	373
Impairment of intangible assets		**219**	–
Impairment of trade receivables	*11*	**18,039**	7,859
Impairment of prepayments, deposits and other receivables		**928**	–
Changes in fair value of investment properties	*9*	**(1,596)**	481
Rental income		**(1,131)**	(585)
Net foreign exchange losses/(gains)		**2,360**	(7,345)
Bank interest income		**(939)**	(2,136)
Loss on disposal of items of property and equipment		**37**	31

6. INCOME TAX

Provision for PRC corporate income tax (the "CIT") has been provided at the applicable income tax rate of 25% for the six months ended 30 June 2017 (six months ended 30 June 2016: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

No provision for Hong Kong Profits Tax has been made in the Interim Financial Information as the income of the Group neither arises in nor is derived from Hong Kong during both periods.

Income tax in the interim condensed consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China:		
Charge for the period	**30,705**	15,021
	30,705	15,021
Deferred tax	**(2,567)**	(1,383)
Total tax charge for the period	**28,138**	13,638

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

During the six months ended 30 June 2016, a 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 of the Company and approved in the Company's annual general meeting on 31 May 2016. Dividend amounted to RMB31,051,000 was recognised as dividend payable as at 30 June 2016.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT

The calculation of the basic earnings/loss per share amount is based on the profit/(loss) attributable to ordinary owners of the parent for the six months ended 30 June 2017, and the weighted average number of ordinary shares of 794,193,000 (six months ended 30 June 2016: 800,000,000) in issue during the period.

The calculation of the basic earnings/(loss) per share amount is based on:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary owners of the parent, used in the basic earnings/(loss) per share calculation	**45,548**	(5,999)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**794,193,000**	800,000,000

The computation of diluted earnings per share for the six months ended 30 June 2017 has not included 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 period ended 30 June 2017.

The computation of diluted loss per share for the six months ended 30 June 2016 did not include the exercise of the share options of the Company since the exercise price of the share options was higher than the average market price of the Company's shares during the six months ended 30 June 2016.

9. INVESTMENT PROPERTIES

	RMB'000 (Unaudited)
At 1 January 2017	139,660
Additions	5,210
Net gain from fair value adjustments *(note 5)*	1,596
At 30 June 2017	146,466

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

Investment properties are stated at fair value, which has been determined with reference to the valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professionally qualified valuers, on the income approach, as at 30 June 2017. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The Group's management had discussions with the valuer on the valuation assumptions and valuation results on a regular basis when the valuation is performed.

Included in the completed investment properties were certain buildings with a carrying value of RMB3,740,000 (31 December 2016: Nil) of which the property certificates have not been obtained as at 30 June 2017.

The Group's investment properties with a carrying value of RMB14,386,000 were pledged to secure general banking facilities granted to the Group as at 31 December 2016 (note 13). No investment properties were pledged as at 30 June 2017.

10. PREPAYMENTS FOR ACQUISITION OF PROPERTIES

As at 30 June 2017, the Group had deposits of RMB24,295,000 (31 December 2016: RMB27,952,000) in relation to the acquisition of properties situated in Mainland China to property developers. The acquisition of certain properties had been completed during the current period and related prepayments of RMB3,740,000 (six months ended 30 June 2016: RMB45,233,000) and RMB1,210,000 (six months ended 30 June 2016: Nil) were transferred to investment properties and property and equipment, respectively.

11. TRADE AND BILL RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**316,999**	205,323
Less: provision for doubtful debts	**(63,581)**	(45,950)
	253,418	159,373

Trade and bills receivables mainly arise from property management service income. The credit period is generally 45 days for property owners and property developers upon the issuance of demand notes. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a year. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the date of demand note, net of provision for doubtful debts, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**141,447**	63,748
Over 90 days and within one year	**108,937**	76,710
Over one year	**3,034**	18,915
	253,418	159,373

The movements in provision for impairment of trade receivables are as follows:

	RMB'000
	(Unaudited)
At 1 January 2017	45,950
Impairment losses recognised *(note 5)*	18,039
Write-off	(408)
At 30 June 2017	63,581

The aging analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**55,538**	41,347
Past due within one year	**194,846**	99,111
Past due over one year	**3,034**	18,915
	253,418	159,373

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The carrying amount of the trade receivables approximates to their fair value due to their relatively short maturity terms.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Restated)
Trade payables	**38,278**	36,575
Receipts on behalf of community residents for utilities	**122,775**	81,864
Receipts in advance	**86,394**	78,323
Accruals	**84,553**	89,511
Deposits received	**64,724**	51,917
Equity interests redemption option granted to non-controlling equity holders of a subsidiary *(note 14)*	**44,146**	22,101
Amounts due to non-controlling equity holders of a subsidiary	**21,687**	21,684
Amount due to a joint venture	**150**	150
Other tax payables	**12,762**	8,502
	437,191	354,052

As at 30 June 2017, the Group's other payables and accruals included amounts due to non-controlling equity holders of a subsidiary and amount due to a joint venture which are unsecured, interest-free and repayable on demand.

Other payables are non-interest-bearing and have an average term of three months.

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unsecured bank borrowing	**124,170**	126,618
Secured bank borrowings	**–**	2,330
	124,170	128,948
Carrying amount repayable:		
Within one year	**42,702**	45,524
Over one year	**81,468**	83,424
	124,170	128,948

The Group's bank loans were secured by the pledges of the Group's assets with carrying values at 30 June 2017 and 31 December 2016 as follows:

	Note	**30 June 2017**	31 December 2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Investment properties	*9*	**–**	14,386

The effective interest rates of the Group's bank borrowings are as follows:

30 June 2017	1.97%-4.35%
31 December 2016	2.25%-5.85%

As at 30 June 2017, all the Group's borrowings are denominated in RMB except that unsecured borrowings amounting to RMB101,170,000 (31 December 2016: RMB103,618,000) were denominated in HK$.

The bank borrowing balances of the Group bore interest at floating rates, except for bank and other borrowings of RMB23,000,000 at 30 June 2017 (31 December 2016: RMB25,330,000) that bore interest at fixed rates.

The carrying amounts of the interest-bearing bank borrowings approximate to their fair values.

14. OTHER LONG-TERM PAYABLE

	Note	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Equity interests redemption option granted to non-controlling equity holders of a subsidiary		**84,539**	81,718
Less: current portion	*12*	**(44,146)**	(22,101)
Non-current portion		**40,393**	59,617

Pursuant to the Agreements as disclosed in Note 3 of the Interim Financial Information, the 30% non-controlling interests in Zhejiang Yongcheng had certain put rights to require the Group to acquire from the Vendors remaining 30% equity interests in Zhejiang Yongcheng in four tranches prior to year 2020. The considerations are contingent and will be adjusted based on the future financial performance of the Zhejiang Yongcheng and capped at RMB22,500,000 for each tranche. Since the Group does not have present ownership interests on the 30% equity interests in Zhejiang Yongcheng before the non-controlling equity holders exercise the buy-out option, the Group recorded the 30% equity interests in Zhejiang Yongcheng owned by the Vendors as the non-controlling interests in the Interim Financial Information. The buy-out option amount was classified as a financial liability at 30 June 2017 and 31 December 2016 and the changes in the amount of the option were recognised in the profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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 30 June 2017, the Group had a total contracted gross floor area ("GFA") of 63.3 million sq. m. where it was contracted to manage 482 properties across 39 cities in China.

The Group has two main business lines, namely property management business and online-to-offline business. Under the property management business line, the Group is engaged in the provision of property management services, sales assistance services and other services and sale of goods.

Property management business

Property management services

The Group primarily provides property developers and property owners with a broad range of property management services to mainly residential properties, commercial and government buildings. Services provided by the Group include standard property management services and also ancillary services such as cleaning, gardening, security, repair and maintenance and butler services. Through its butler services, the Group provides personalized and premium property management services to residents with its trained butlers onsite. While its primary and long-term business focus is on the residential property market, the Group also provides services to non-residential properties, including both stand-alone non-residential properties and properties associated with residential properties, such as schools and commercial buildings.

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

* *The English name is for identification purpose only*

Sales assistance services

The Group provides property developers with sales assistance services by deploying on-site staff at the sales centres to maintain the conditions of the centres and provide timely assistance to facilitate various aspects of the sales process. The Group generally continues to service the property developer clients after the expiration of the sales assistance contracts by entering into preliminary property management contracts. Sales assistance serves as an important source of business for the property management services.

Other services and sale of goods

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

Online to Offline ("O2O") business

The Group launched the community O2O platform through its Aidaojia mobile application ("Aidaojia") in June 2015, this platform has designed to enhance its property management services to users residing in properties under the Group's management. The Group continued to explore the optimal revenue generating model of this business line for the utilisation of resources and best interests of the Group.

Business review

Property management business

Property Management Services

As of 30 June 2017, the Group had expanded its presence to 39 cities in China where it was contracted to manage a total of 482 residential properties and non-residential premises such as commercial or government buildings with an aggregate contracted gross floor area ("GFA") of 63.3 million square meters ("sq.m."). This represented an increase of 5.5% comparing to the aggregate contracted GFA of 60.0 million sq.m. as of 31 December 2016. In relation to the delivered GFA of 49.0 million sq.m. as at 30 June 2017, the increase represented a growth of 9.9% compared to the delivered GFA of 44.6 million sq.m. as of 31 December 2016.

The acquisitions of 70% equity interests in Eastern Harbour Engineering Management Limited ("Eastern Harbour") and Zhejiang Yongcheng Property Management Company Limited ("Yongcheng") in 2016 provided a stable and healthy growth of the Group's business. Eastern Harbour and Yongcheng enhanced the portfolio of properties under management and revenue source in the eastern and central region of China. The Group strives to develop new business relationships from the existing customer base and own network in order to provide strong organic growth to the Group. In addition to organic growth, the Group continues to identify the right acquisition targets to strengthen its portfolio and increase geographic presence across China.

Geographic Presence

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

The table below sets forth the revenue breakdown of different geographic areas where the Group has established presence for the six months ended 30 June:

	2017	2016
	RMB'000	*RMB'000*
Eastern and Central China	**339,726**	136,980
Southern China	**102,860**	94,608
Northern China	**32,957**	29,847
Total	**475,543**	261,435

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 30 June 2017.

Eastern and Central China

1. Chizhou (2)
2. Chongqing (1)
3. Chuzhou (5)
4. Hangzhou (35)
5. Hengyang (1)
6. Huaian (1)
7. Huzhou (15)
8. Jiaxing (3)
9. Nanchang (1)
10. Nantong (7)
11. Ningbo (264)
12. Quzhou (4)
13. Shanghai (11)
14. Shaoxing (22)
15. Suzhou (9)
16. Taixing (1)
17. Taizhou (2)
18. Wenzhou (6)
19. Wuxi (13)
20. Xuancheng (3)
21. Zhenjiang (1)

Southern China

22. Cenxi (3)
23. Foshan (18)
24. Guangzhou (6)
25. Guilin (1)
26. Haikou (2)
27. Huizhou (1)
28. Jiangmen (1)
29. Nanning (19)
30. Qingyuan (3)
31. Sanya (7)
32. Wenchang (1)
33. Zhaoqing (3)
34. Zhongshan (3)

Northern China

35. Baotou (2)
36. Beijing (2)
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 30 June 2017		As of 31 December 2016	
	Sq. m. in thousands	**No.**	Sq. m. in thousands	No.
Residential properties				
Eastern and Central China[1]	**30,517**	**225**	27,160	201
Southern China[2]	**10,541**	**47**	9,897	45
Northern China[3]	**1,197**	**5**	744	3
Subtotal	**42,255**	**277**	37,801	249
Non-residential properties	**6,703**	**125**	6,794	124
Total	**48,958**	**402**	44,595	373

As of 30 June 2017, the Group's contracted GFA of undelivered properties amounted to approximately 14.3 million sq.m. (31 December 2016: 15.4 million sq.m.)

Notes:

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

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

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

Sale Assistance Services

The Group provides services for property developers with cleaning, security and maintenance of their model homes and sales centres and assists in facilitating the sale process of the properties. The sales 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. During the six months ended 30 June 2017 and 30 June 2016, the Group provided sale assistance services to 60 and 65 properties, respectively.

Other services and sale 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.

Online to offline business

Since the launch of the Aidaojia application in June 2015, the Group has achieved certain targets in terms of user registration and area coverage owing to the resources dedicated for the development and deployment. In order to optimize the utilization of resources, the Group has outsourced the maintenance and operation services of the Group's O2O platform to a third party in April 2017.

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.

As disclosed in the Company's announcement dated 29 June 2017, pursuant to the terms of the Joint Venture Agreement entered between the Group and the Vendors, the Group will acquire the remaining interests in Yongcheng in four tranches of 7.5% each at a price of RMB22.5 million for each of the subsequent acquisition. Since the net profit of Yongcheng for the financial year of 2016 has met the profit guarantee provision provided to the Group, the Group entered into an acquisition agreement to purchase a further 7.5% of the existing registered capital of Yongcheng at a total consideration of RMB22.5 million (the "Further Acquisition") on 29 June 2017.

Upon completion of the Further Acquisition, the Group will hold 77.5% of the registered capital of Yongcheng in which Yongcheng will remain as a non wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company. The directors are of the view that the Group's increase in shareholding in Yongcheng will further consolidate the profit base and provide a stable return of investments to the shareholders.

FINANCIAL PERFORMANCE REVIEW

Revenue

During the six months ended 30 June 2017, the Group recorded revenue of RMB475.5 million, representing a year-on-year increase of 81.9% over the previous period ended 30 June 2016.

Increase in the Group's revenue was primarily attributable to the growth in property management business revenue from RMB254.4 million for the period ended 30 June 2016 to RMB475.2 million for the period ended 30 June 2017 and represented 86.8% increase over the corresponding period last year.

Breakdown of Revenue by business line and services

For the six months ended 30 June

	2017	2016	**Change**	
	RMB'000	RMB'000	*RMB'000*	%
Property management business				
– Property management services	**443,490**	224,218	219,272	97.8
– Sales assistance services	**23,799**	29,881	(6,082)	(20.4)
– Other services and sale of goods	**7,966**	304	7,662	2,520.4
Online to offline business	**288**	7,032	(6,744)	(95.9)
	475,543	261,435	214,108	81.9

Property management business

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

Property management services

Revenue from property management services increased by RMB219.3 million, or 97.8% over the same period in 2016 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 5.3 million sq.m.; and (ii) additional revenue attributable to the delivered contracted GFA of 19.3 million sq.m. bringing in to the Group through Yongcheng.

Sales Assistance Services

Revenue from the sales assistance business line for the six months ended 30 June 2017 was RMB23.8 million, comparing to RMB29.9 million for the six months ended 30 June 2016, represented a decrease of RMB6.1 million, or 20.4%. The decrease in revenue from the sales assistance services was due to the decrease in the number of projects, where the Group provided sales assistance services on 60 projects for the six months ended 30 June 2017 as compared to 65 projects for the six months ended 30 June 2016 and certain large-scale projects were completed during the six months ended 30 June 2017.

Other services and sales of goods

Revenue from other services and sales of goods during the six months ended 30 June 2017 was RMB8.0 million (six months ended 30 June 2016: 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 was acquired in October 2016.

Online to offline business

Online to offline business revenue received from the community O2O platform for the six months ended 30 June 2017 was RMB0.3 million, comparing to RMB7.0 million for the six months ended 30 June 2016, represented a decrease of RMB6.7 million or 95.9 %. Revenue from the corresponding period last year was mainly generated from the provision of community e-commerce services for the residents through the Group's community O2O platform which the revenue generated from this revenue model decreased significantly after the shift in strategic direction of this business line since the fourth quarter of 2016.

Cost of Sales and Services

The Group's cost of sales and services for property management business primarily comprises (i) sub-contracting costs, representing the expenses paid to sub- contractors for various services under the property management business line; (ii) staff costs; (iii) depreciation expenses associated with equipment and property used in providing services; and (iv) costs of other services and sale of goods such as salaries cost of the technicians in the provision of elevator engineering services; costs of the spare parts sold and operating costs in running the catering services. For the six months ended 30 June 2017, cost of sales and services for property management business increased by 96.3% from approximately RMB168.6 million for the six months ended 30 June 2016 to approximately RMB331.0 million. The increase was due primarily to the growth of the Group's business and the corresponding increase in the labor costs and sub-contracting costs. The increase in labor costs was mainly attributable to the increase in the number of employees that the Group employed after the acquisition of Yongcheng.

The Group's costs of sales and services for the online to offline business for the six months ended 30 June 2016 was RMB16.8 million and represented the direct costs of running the community O2O platform. Such costs decreased significantly for the six months ended 30 June 2017 after the change in strategic direction of this revenue generating model since the fourth quarter of 2016 and the outsourcing of the maintenance and operation services of the Group's O2O platform to a third party in April 2017.

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

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

	For the six months ended 30 June			
	2017		2016	
	(Unaudited)		(Unaudited)	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Property management business	**144,262**	**30.4%**	85,805	33.7%
Online to offline business	**210**	**72.9%**	(9,810)	(139.5)%
Total	**144,472**	**30.4%**	75,995	29.1%

The Group's gross profit for the six months ended 30 June 2017 was RMB144.5 million, comparing to RMB76.0 million for the six months ended 30 June 2016, represented an increase of RMB68.5 million, or 90.1%. The Group's overall gross profit margin increased from 29.1% for the six months ended 30 June 2016 to 30.4% for the six months ended 30 June 2017.

The Group's gross profit for the property management business line for the six months ended 30 June 2017 was RMB144.3 million, comparing to RMB85.8 million for the six months ended 30 June 2016, represented an increase of RMB58.5 million, or 68.1%. The Group's gross profit margin for the property management business line decreased from 33.7% for the six months ended 30 June 2016 to 30.4% for the six months ended 30 June 2017 as a result of (i) increase in staff costs paid to the property managements service employees since 2016, and (ii) relatively lower gross profit margin of properties managed in Yongcheng.

Other Income and gains

The Group's other income and gains for the six months ended 30 June 2017 was RMB8.4 million, which decreased by RMB2.1 million as compared to RMB10.5 million for the six months ended 30 June 2016. The decrease was mainly due to the net effect of the increase in the unconditional subsidies from the government of RMB3.9 million and rental income from investment properties of RMB1.1 million, and the decrease in net exchange gain of RMB7.3 million in the corresponding period which has been recorded as a net exchange loss in other expenses during the six months ended 30 June 2017.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2017 was RMB48.6 million, comparing to RMB52.2 million for the six months ended 30 June 2016, represented a decrease of RMB3.6 million, or 6.9%. The decrease was primarily due to the net effect of the (i) decrease in share based payment expenses of RMB12.9 million; (ii) decrease in administrative expenses of RMB4.1 million associated with the operation of community O2O platform; (iii) the reversal of share-based payment expense of a subsidiary of RMB13.0 million for the six months ended 30 June 2017; (iv) the increase in amortisation expenses of intangible assets of RMB9.3 million; and (v) general administrative expenses after the acquisition of Yongcheng in October 2016.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the six months ended 30 June 2017 were RMB3.3 million, comparing to RMB17.0 million for the six months ended 30 June 2016, represented a decrease of RMB13.7 million, or 80.6%. The decrease was primarily due to the decrease in business development, marketing and promotion expenses of RMB13.8 million incurred for the online to offline business after the shift in strategic direction of this business line since the fourth quarter of 2016.

Finance Costs

The Group's finance costs increased from RMB1.4 million for the six months ended 30 June 2016 to RMB3.7 million for the six months ended 30 June 2017. This increase was primarily due to the net effect of the (i) increase in interest expense of RMB1.6 million for bank borrowings; (ii) increase in imputed interest expenses of RMB2.8 million on the buy-out options granted to non-controlling equity holders of a subsidiary; and (iii) the reversal of shared based payment expenses of RMB1.4 million which has been included as a credit in the finance cost.

Other expenses

The Group's other expenses for the six months ended 30 June 2017 primarily comprised of (i) impairment of trade receivables of RMB18.0 million (six months ended 30 June 2016: RMB7.9 million) and net exchange loss of RMB2.4 million which has been recorded as a net exchange gain of RMB7.3 million in other income for the six months ended 30 June 2016.

Share-based Payment Expenses

The Group recognised share-based payment expenses of RMB0.2 million for the six months ended 30 June 2017 (six months ended 30 June 2016: 13.1 million). Decrease in the share-based payment expense was due to fewer employees eligible for exercising the share options and the cessation of the recognition of share-based payment expanse (six months ended 30 June 2016: 5.8 million) of a subsidiary after the resignation of the employees of this subsidiary during the six months ended 30 June 2017.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2017 was RMB28.1 million, comparing to RMB13.6 million for the six months ended 30 June 2016, the Group's effective tax rate decreased from 177.4% for the six months ended 30 June 2016 to 36.1% for the six months ended 30 June 2017 primarily due to the losses incurred in the online-to-offline business during the corresponding period in 2016 were not utilized for tax purpose.

Trade and Bill Receivables

Trade receivables mainly arose from management and service income from property management services and income from sales assistance service.

As at 30 June 2017, total trade and bills receivables of the Group amounted to approximately RMB253.4 million, representing an increase of approximately RMB94.0 million compared to approximately RMB159.4 million as at 31 December 2016. The increase was attributable to the expansion of the scale of the Group's business after the acquisition of Yongcheng in October 2016.

The Group's trade receivables turnover days for the six months ended 30 June 2017 was 79 days (year ended 31 December 2016: 66 day). Due to the seasonality caused by property owners' tendency to settle management fee balances towards the end of the year, the Group's trade receivables for the six months ended 30 June 2017 are higher than that at the year end.

Trade and Other Payables and accruals

Trade payables primarily comprise payables to sub-contractors of the Group's property management services. Trade payables increased from approximately RMB36.6 million as at 31 December 2016 to approximately RMB38.3 million as at 30 June 2017. This was primarily due to the growth of the Group's property management services business.

Other payables primarily comprise receipts on behalf of community residents for utilities, receipts in advances, accruals and deposits received. Other payables increased from approximately RMB354.1 million as at 31 December 2016 to approximately RMB437.2 million as at 30 June 2017, primarily attributable to (i) an increase of RMB40.9 million in receipts on behalf of community residents for utilities; and (ii) an increase of RMB22.0 million in equity interests redemption option granted to non-controlling equity holders of a subsidiary.

Liquidity, Financial Resources and Capital Structure

The Group maintains a strong and healthy financial position. The Group's principal sources of funds to finance the working capital, capital expenditure and other capital requirements were internally generated by cash flows and bank loans. As at 30 June 2017, net working capital (calculated as current assets less current liabilities) was RMB204.5 million which represented an increase of RMB14.2 million from RMB190.3 million as at 31 December 2016. The current ratios (calculated as current assets/current liabilities) are 1.4 times and 1.4 times as at 30 June 2017 and 31 December 2016 respectively.

The following table summarises the condensed consolidated statements of cash flows of the Group for the six months ended 30 June:

	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows from/(used in) operating activities	**13,418**	(38,304)
Net cash (used in)/from investing activities	**(35,932)**	2,988
Net cash (used in)/from financing activities	**(7,035)**	13,159

As of 30 June 2017, the Group had bank borrowings denominated in RMB of RMB23.0 million (31 December 2016: RMB25.3 million), among which nil (31 December 2016: RMB2.3 million) was secured by the investment properties of the Group. Bank borrowings denominated in RMB of RMB23.0 million as of 30 June 2017 (31 December 2016: RMB25.3 million) bore interest at fixed-rate, whereas the bank borrowing amounting to RMB101.2 million (31 December 2016: RMB103.6 million) bore floating rate and was denominated in HK$ as of 30 June 2017.

The Group principally focused its operation in the PRC. Except for the bank deposits and bank borrowing denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2017, 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 at 30 June 2017, the Group was in a strong financial position with a net cash position amounting to RMB286.4 million (31 December 2016: RMB313.5 million). Accordingly, no gearing ratio is presented.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2017.

Employees and Remuneration Policies

As at 30 June 2017, excluding the employees under commission basis, the Group had approximately 6,900 (31 December 2016: 6,700) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in April 2015 and adopted a share award scheme in June 2017 in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

The Group also invests in continuing education and training programmes for management 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil). The Board will consider to declare final dividend if the annual results of the Group for the year ending 31 December 2017 is satisfactory.

CORPORATE GOVERNANCE

The Board is committed to maintaining and upholding high standards of corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders of the Company ("Shareholders").

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of the Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") as its code of corporate governance.

In the opinion of the Directors, the Company applied and complied with all the code provisions of the CG Code throughout the six months ended 30 June 2017, except for certain deviations as specified and explained with considered reasons hereunder:

Code Provision A.2.1

Chairman and chief executive officer are two key aspects of the management of a company. Chairman is responsible for providing leadership for the board and management of the board while chief executive officer is responsible for day-to-day management of business. Clear division of these responsibilities should be in place to ensure a balance of power and authority. The code provision A.2.1 of CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the period, Mr. Liu Jian is the chairman and chief executive officer of the Company. This constitutes a deviation from the code provision A.2.1 of CG Code.

The Company consider that having Mr. Liu acting as both the chairman and chief executive officer will provide a strong and consistent leadership to the Group and allow for more effective strategic planning and management of the Group. Further, in view of Mr. Liu's experience in the industry, personal profile and role in the Group and historical development of the Group, the Group considers it is to the benefit of the Group that Mr. Liu continues to act as both the chairman and chief executive officer after the Listing. Therefore, the Company currently has no intention to separate the functions of chairman and chief executive officer.

Code Provision E.1.2

In respect of the code provision E.1.2 of the CG Code, the Chairman of the Board and Nomination Committee, the Chairman of the Audit Committee and one of committee member were not present at the annual general meeting of the Company held on 26 May 2017 due to other business commitments.

EVENTS AFTER THE REPORTING PERIOD

On 29 June 2017, the Company entered into an acquisition agreement to purchase further 7.5% of equity interests of Zhejiang Yongcheng Property Management Company Limited at a total consideration of RMB22,500,000. Completion of the further acquisition is unconditional and would take place upon the update of the equity holders' interest information in Zhejiang Yongcheng's business license.

On 6 July 2017, the board of directors of the Company resolved to award 8,434,000 of the Company's shares to 20 employees of the Group by way of allotment and issue of 8,434,000 new shares with nil consideration.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rule and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Chan Wai Cheung, Admiral, Mr. Zhang Weilun and Mr. Chan Ka Leung, Kevin, all being independent non-executive directors. Mr. Chan Wai Cheung, Admiral is the chairman of the audit committee and is the independent non- executive director with the appropriate professional qualifications. The unaudited interim results of the Group for the six months ended 30 June 2017 have been reviewed by the audit committee of the Board.

The Company's independent auditor, Ernst & Young, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2017 in accordance with Hong Kong standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 29 June 2017, the Company entered into an acquisition agreement to purchase further 7.5% of equity interests of Zhejiang Yongcheng Property Management Company Limited at a total consideration of RMB22,500,000. Completion of the further acquisition is unconditional and would take place upon the update of the equity holders' interest information in Zhejiang Yongcheng's business license.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2017. In addition, the Group had no significant investments held during the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.gdzawy.com). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be dispatched to the Company's Shareholders and published on the above websites in due course.

By order of the Board
Zhong Ao Home Group Limited
LIU Jian
Chairman and Chief Executive Officer

Hong Kong, 31 August 2017

As at the date of this announcement, the Executive Directors are Mr. Liu Jian, Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin; the Non-Executive Directors are Mr. Wei Zhe, Ms. Wu Qimin and Mr. Zheng Dong; the Independent Non-Executive Directors are Mr. Zhang Weilun, Mr. Chan Wai Cheung, Admiral and Mr. Chan Ka Leung, Kevin.