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 2016

HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Revenue	**261,435**	197,099	32.6%
Gross profit	**75,995**	69,200	9.8%
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company	**(5,999)**	11,318	(153.0)%
Adjusted net profit for the period(1)&(2)	**38,241**	31,366	21.9%
Overall gross profit margin *(%)*	**29.1%**	35.1%	(6.0)pp
Gross profit margin — property management and sales assistances services *(%)*	**33.7%**	35.1%	(1.4)pp
Net (loss) profit margin *(%)*	**(2.3)%**	5.7%	(8.0)pp
Adjusted net profit margin *(%)*	**14.6%**	15.9%	(1.3)pp

	As of 30 June		
	2016	2015	Change
Total contracted GFA (sq.m. in thousands)	**36,466**	33,541	8.7%
Revenue-bearing GFA (sq.m. in thousands)	**17,106**	13,822	23.8%
Average price per revenue-bearing GFA *(RMB/sq.m./month)*	**1.95**	1.82	7.1%

Acquisitions of property management companies

On 5 February 2016, the Group successfully acquired a 70% equity interest in Eastern Harbor Engineering Management Limited which manages 11 properties in Shanghai with GFA of approximately 1 million sq.m..

On 26 July 2016, the Group announced that it has entered into an agreement with the vendors of Zhejiang Yongcheng Property Management Company Limited ("Yongcheng") to acquire a 70% equity interest in Yongcheng which has 234 projects and properties with total contracted GFA of approximately 18 million sq.m., mainly located in the prime business districts of Ningbo City, Zhejiang Province, under its management (subject to shareholders' approval).

Notes:

(1) Adjusted net profit for the period is derived by adding listing expenses of nil (six months ended 30 June 2015: RMB11.2 million), change in fair value of financial liabilities designated as at fair value through profit or loss of nil (six months ended 30 June 2015: RMB6.3 million), share-based payment expenses of RMB13.1 million (six months ended 30 June 2015: RMB2.2 million) and excluding the net loss of RMB31.1 million (six months ended 30 June 2015: RMB0.4 million) incurred for the community O2O platform for the six months ended 30 June 2016.

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

The board (the "Board") of directors (the "Directors") of Zhong Ao Home Group Limited (the "Company" or "ZhongAo") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**261,435**	197,099
Cost of sales and services		**(185,440)**	(127,899)
Gross profit		**75,995**	69,200
Other income		**2,658**	174
Other gains and losses		**(1,762)**	(8,036)
Change in fair value of investment properties	*9*	**481**	–
Change in fair value of financial liabilities designated as at fair value through profit or loss ("FVTPL")		–	(6,343)
Administrative expenses		**(52,234)**	(17,203)
Selling and distribution expenses		**(17,027)**	(2,799)
Listing expenses		–	(11,239)
Share of results of joint ventures		**993**	(6)
Finance costs		**(1,415)**	(397)
Profit before tax		**7,689**	23,351
Income tax expense	*4*	**(13,638)**	(12,207)
(Loss) profit and total comprehensive (expense) income for the period	*5*	**(5,949)**	11,144
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(5,999)**	11,318
Non-controlling interests		**50**	(174)
		(5,949)	11,144
(Loss) earnings per share (RMB)			
— Basic	*7*	**(0.007)**	0.022
— Diluted	*7*	**(0.007)**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016

	Notes	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment		**22,890**	22,007
Payments for acquisition of properties	*8*	**15,504**	59,504
Investment Properties	*9*	**45,714**	–
Interests in joint ventures		**2,038**	1,045
Goodwill		**3,546**	41
Intangible assets		**3,858**	89
Deferred tax asset		**11,310**	9,894
		104,860	92,580
Current Assets			
Inventories		**1,436**	–
Trade and other receivables	*10*	**179,893**	106,134
Amount due from a related party		**–**	178
Pledged bank deposits		**64,264**	62,834
Bank balances and cash		**433,713**	449,107
		679,306	618,253
Current Liabilities			
Trade and other payables	*11*	**220,523**	154,695
Amounts due to non-controlling shareholders of a subsidiary		**4,608**	–
Tax liabilities		**26,995**	19,485
Borrowings due within one year	*12*	**37,361**	22,361
		289,487	196,541
Net Current Assets		**389,819**	421,712
Total Assets less Current Liabilities		**494,679**	514,292
Non-current Liabilities			
Deferred tax liabilities		**1,069**	–
Borrowings due after one year	*12*	**6,098**	7,279
Liabilities for cash-settled share-based payments	*13*	**10,331**	5,276
		17,498	12,555
Net Assets		**477,181**	501,737

	Notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Capital and Reserves			
Share capital		**6,594**	6,594
Reserves		**465,121**	494,894
Equity attributable to owners of the Company		**471,715**	501,488
Non-controlling interests		**5,466**	249
Total Equity		**477,181**	501,737

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

Pursuant to the Reorganisation with details set out in the section headed "Reorganisation" in the Company's prospectus dated 13 November 2015, the Company became the holding company of the companies now comprising the Group on 15 April 2015. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the period ended 30 June 2015 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the period ended 30 June 2015, or since their respective dates of incorporation/establishment, where is a shorter period, except for a subsidiary acquired by the Group during the period, which are included in the condensed consolidated financial statements since the date of acquisition.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and 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").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The directors of the Company considered the application of the above new or revised amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following accounting policies during the current interim period:

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weight average method. Net realised value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SEGMENT INFORMATION

The segment information reported internally was analysed on the basis of geographical zones of services rendered in the PRC, representing Southern Region, Eastern and Central Region and Northern Region which is consistent with the internal information that are regularly reviewed by the management of the Group, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by geography.

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

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**
Bank interest income				**2,136**
Change in fair value of investment properties				**481**
Net exchange gain				**7,345**
Central administrative costs				**(27,168)**
Share-based payment expense of the Company				**(7,277)**
Share-based payment expense of a subsidiary				**(5,796)**
Share of results of joint ventures				**993**
Finance costs				**(1,415)**
Profit before tax				**7,689**

Six months ended 30 June 2015 (unaudited)

	Southern Region *RMB'000*	Eastern and Central Region *RMB'000*	Northern Region *RMB'000*	Total *RMB'000*
Segment revenue	84,370	102,219	10,510	197,099
Segment results	24,268	26,600	2,733	53,601
Bank interest income				90
Net exchange gain				347
Change in fair value of financial liabilities designated as at FVTPL				(6,343)
Central administrative costs				(10,499)
Share-based payment expense of the Company				(2,203)
Listing expenses				(11,239)
Share of results of joint ventures				(6)
Financial cost				(397)
Profit before tax				23,351

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

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**

Six months ended 30 June 2015 (unaudited)

	Property management business *RMB'000*	Online to offline business *RMB'000*	Total *RMB'000*
Segment revenue	197,099	–	197,099
Segment results	54,038	(437)	53,601

4. INCOME TAX EXPENSE

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**15,021**	13,998
Deferred tax:		
Current period	**(1,383)**	(1,791)
	13,638	12,207

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong during the six months ended 30 June 2016 and 2015.

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

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(Loss) profit for the period has been arrived at after (crediting) charging:		
Directors' emoluments	**8,002**	2,352
Other staff cost:		
— salaries and other benefits	**119,658**	83,469
— contributions to retirement benefit scheme	**8,832**	5,815
— share-based payments expenses of the Company	**5,723**	1,073
— share-based payments expenses of a subsidiary	**5,293**	–
Total staff costs	**147,508**	92,709
Depreciation of property, plant and equipment	**3,286**	2,729
Amortisation of intangible assets	**373**	28
Allowance for doubtful debts on trade and other receivables	**7,859**	7,167
Net exchange gain	**(7,345)**	(347)
Bank interest income	**(2,136)**	(90)
Loss on disposal of property, plant and equipment	**31**	–

6. DISTRIBUTIONS

During the current interim period, a final dividend of HK2.5 cents (2014: nil) per share and a special dividend of HK2.0 cents (2014: nil) 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 and had been paid to owners of the Company in July 2016.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

During the six months ended 30 June 2015, dividends of RMB87,592,000 has been distributed by Guangdong Zhong Ao to its then shareholders, in which RMB54,073,000 has been offset with amounts due from director and the remaining RMB33,519,000 was distributed in cash.

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	**(5,999)**	11,318
Number of shares:		
Number of ordinary shares for the purpose of basic (loss) earnings per share	**800,000,000**	514,873,000
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**800,000,000**	514,873,000

The calculation of the weighted average number of ordinary shares in issue during the six months ended 30 June 2015 was based on the assumption that the reorganisation and the capitalisation issue had been completed on 1 January 2015.

The computation of diluted loss per share for the period ended 30 June 2016 does not assume the exercise of the share options of the Company since the exercise price of the share options is higher than the average market price of the Company's shares during the six months ended 30 June 2016. In addition, the computation of diluted loss per share does not take into account of the effect the shares of Hangzhou Yidao Information Technology Company Limited's ("Hangzhou Yidao") that will be transferred to the employees of Hangzhou Yidao as set out in note 13 (b) as its impact is anti-dilutive.

The computation of diluted earnings per share for the six months ended 30 June 2015 did not assume the exercise of the share options of the Company since the exercise price of the share options was higher than the estimated fair value of the shares over the outstanding period in issue and did not take into account the effect of the ordinary shares subscribed by Central Oscar Holdings Limited and Decision Holdings Limited before the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2015, as its impact was anti-dilutive.

8. PAYMENTS FOR ACQUISITION OF PROPERTIES

During the six months ended 30 June 2016, the Group has made additional deposit of RMB1,233,000 (six months ended 30 June 2015: nil) in relation to its acquisition of certain properties situated in the PRC to independent property developers. The acquisition of certain properties had been completed during the current interim period and related payments of RMB45,233,000 was transferred to investment properties.

9. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2016 (audited)	–
Additions	45,233
Net increase in fair value recognised in profit or loss	481
At 30 June 2016 (unaudited)	45,714

The fair values of the Group's investment properties as at 30 June 2016 had been arrived at on the basis of valuations as at of such date carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent qualified professional valuers not connected with the Group which has appropriate qualifications and relevant experiences in valuation of similar properties in relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate.

10. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly arisen from property management service income.

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**181,423**	110,789
Less: allowance for doubtful debts	**(45,238)**	(39,576)
Total trade receivables	**136,185**	71,213
Other receivables:		
Deposits	**5,348**	3,356
Advance to staffs	**13,480**	9,266
Prepayments	**13,644**	13,151
Payment on behalf of residents	**13,643**	10,257
Consideration receivable on disposal of a subsidiary	**–**	3,031
Other tax recoverable	**980**	2,186
Others	**2,578**	1,982
	49,673	43,229
Less: allowance for doubtful debts	**(5,965)**	(8,308)
Total other receivables	**43,708**	34,921
Total	**179,893**	106,134

Property management services income from providing property management services are required to be settled by property owners and property developers within 45 days upon the issuance of demand note. The following is an aging analysis of trade receivables presented based on the date of demand note at the end of each reporting period, which approximated the respective revenue recognition dates:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	**28,874**	16,324
31 to 90 days	**36,656**	16,971
91 days to 180 days	**43,021**	15,689
181 to 365 days	**20,460**	17,803
Over 1 year	**7,174**	4,426
	136,185	71,213

11. TRADE AND OTHER PAYABLES

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Trade payables	**34,771**	25,139
Other payables:		
Receipts on behalf of residents	**32,844**	32,044
Receipts in advances *(note)*	**65,398**	36,854
Deposits received	**34,775**	29,252
Accrued staff costs	**15,099**	15,142
Accrued listing expenses	**–**	10,252
Dividend payable	**31,051**	–
Other tax payables	**2,236**	769
Others	**4,349**	5,243
Total other payables	**185,752**	129,556
Total	**220,523**	154,695

Note: the balances represented the advance from customers for payment of management service fees.

The following is an aging analysis of the Group's trade payables presented based on the invoice date at the end of each reporting period:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
0 to 60 days	**29,068**	22,731
61 to 180 days	**4,215**	1,530
181 to 365 days	**789**	416
Over 1 year	**699**	462
	34,771	25,139

12. BORROWINGS

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Unsecured bank borrowing	**8,459**	9,640
Secured bank borrowings	**35,000**	20,000
	43,459	29,640
Carrying amount repayable:		
Within one year	**37,361**	22,361
Over one year	**6,098**	7,279
	43,459	29,640

During the current interim period, the Group obtained new borrowings amounting to RMB35,000,000 (six months ended 30 June 2015: nil) and repaid borrowings amounting to RMB21,181,000 (six months ended 30 June 2015: RMB1,180,000). The amounts due are based on scheduled repayment date set out in the loan agreements.

The new borrowings raised are denominated in Renminbi. The new borrowings raised in the current interim period carry interest at variable rate of 105% of the Benchmark rate per annum on borrowing of the People's Bank of China and was secured by bank deposit of RMB64,264,000.

13. SHARE-BASED PAYMENTS

(a) The Company — Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme ("Scheme") was adopted pursuant to a resolution passed by the Company on 20 April 2015 for the purposes of providing incentives to directors and eligible employees of the Group, and will expire on 17 April 2021. Under the Scheme, the board of directors of the Company is authorised to grant options to the directors and eligible employees to subscribe for shares in the Company.

Details of the share options granted under the Scheme is as follows:

Category of Grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	20 April 2015	HK$1.72	20/4/2015–30/6/2016	1/7/2016–17/4/2021
			20/4/2015–30/6/2017	1/7/2017–17/4/2021
			20/4/2015–30/6/2018	1/7/2018–17/4/2021
Employees	20 April 2015	HK$1.72	20/4/2015–30/6/2016	1/7/2016–17/4/2021
			20/4/2015–30/6/2017	1/7/2017–17/4/2021
			20/4/2015–30/6/2018	1/7/2018–17/4/2021
	10 July 2015	HK$1.72	10/7/2015–30/6/2016	1/7/2016–17/4/2021
			10/7/2015–30/6/2017	1/7/2017–17/4/2021
			10/7/2015–30/6/2018	1/7/2018–17/4/2021

The following table discloses movements of share options held by directors and employees during the six months ended 30 June 2016:

Category of Grantees	Date of grant	Vesting period	Outstanding at 1 January 2016 '000 (Audited)	Lapsed during the period '000	Outstanding at 30 June 2016 '000 (Unaudited)
Directors	20 April 2015	20/4/2015–30/6/2016	15,695	–	15,695
		20/4/2015–30/6/2017	8,688	–	8,688
		20/4/2015–30/6/2018	917	–	917
			25,300	–	25,300
Employees	20 April 2015	20/4/2015–30/6/2016	10,211	(4,104)	6,107
		20/4/2015–30/6/2017	9,894	(892)	9,002
		20/4/2015–30/6/2018	11,314	(1,115)	10,199
	10 July 2015	10/7/2015–30/6/2016	6,841	(2,482)	4,359
		10/7/2015–30/6/2017	7,682	(1,765)	5,917
		10/7/2015–30/6/2018	8,758	(2,121)	6,637
			54,700	(12,479)	42,221
Total			80,000	(12,479)	67,521

The Group recognised the total expense of RMB7,277,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB2,203,000) in relation to share options granted by the Company.

(b) A Subsidiary of the Company

On 17 July 2015, Hangzhou Yidao, a subsidiary of the Company which is principally engaged in the provision of software and information technology services, Guangdong Zhong Ao, the immediate holding company of Hangzhou Yidao, and Mr. Luo Tao, the representative of the employees of Hangzhou Yidao entered into an agreement ("Equity incentive — Hangzhou Yidao Agreement"). Pursuant to the Equity incentive — Hangzhou Yidao Agreement, up to 33% equity interest of Hangzhou Yidao will be transferred to the employees of Hangzhou Yidao ("Yidao Employees") who are responsible for the development and operation of Hangzhou Yidao at nil consideration by 30 April 2018 upon satisfaction of certain performance targets of Hangzhou Yidao. On or before 30 April 2019, the Yidao Employees have the right to require Guangdong Zhong Ao to repurchase all of the equity interests in Hangzhou Yidao that they received pursuant to the Equity incentive — Hangzhou Yidao Agreement at a total cash consideration of RMB22,000,000.

This share-based payment transaction with cash alternative at the option of grantees is a compound financial instrument, that included a cash-settled component and an equity-settled component.

Details of the share options granted under Equity incentive — Hangzhou Yidao Agreement is as follows:

Category of Grantees	**Date of grant**	**Vesting period**
Employees	17 July 2015	17/7/2015 - 30/4/2018

Vesting conditions for the options are as follow:

(i) the online to offline ("O2O") applications developed by Hangzhou Yidao shall cover at least 300 residential communities, with over 200 activated users of each of such residential communities;

(ii) total subscribers of the O2O applications developed by Hangzhou Yidao shall be more than 800,000, with not less than 250,000 residential monthly active user ("MAU") that log in the account at least once a month; and

(iii) the quarterly gross merchandise volume ("GMV") paid through the O2O applications developed by Hangzhou Yidao shall be not less than RMB3,500,000.

The Group recognised share-based payment expense of RMB5,796,000 (six months ended 30 June 2015: nil) and imputed interest of RMB755,000 (2015: nil) for the six months ended 30 June 2016 in relation to the share-based payment arrangement of Hangzhou Yidao, in which RMB5,055,000 (six months ended 30 June 2015: nil) was recognised as the liabilities for the cash-settled portion and the remaining of RMB1,496,000 (six months ended 30 June 2015: nil) was charged to the equity for equity-settled portion.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group has three main business lines:

Property Management Services

The Group provides property management services primarily to residential properties and occasionally to non-residential properties. In managing this business line, the Group provides property developers and property owners with a broad range of property management 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 quality of services is one of its strengths that enables it to establish a solid foundation for the Group's business. The Group holds various qualifications and licenses in respect of its property management services, allowing it to provide high quality services to residents. The Group holds ISO 9001, ISO 14001, OHSAS 18001 and level one property management qualification certificate.

As part of the Group's strategy to differentiate itself from property management companies and establish the market standard for premium property management service in China, the Group began providing butler services to selected properties in 2007. The Group's butler services are highly recognized in the market and helped it obtain recognition as one of the "Leading Specialty Property Management Enterprises" (中國特色物業服務領先企業) in 2012 and 2014 according to a list compiled by the China Index Academy.

Sales Assistance Services

The Group provides property developers with sales assistance services by deploying on-site staff at the sales centers to maintain the conditions of the centers and provide timely assistance with 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 with them at the same time as the Group secures sales assistance contracts, which serves as an important source of business for its property management business line.

Community Online and Offline ("O2O") Platform

With the community O2O market growing at a rapid pace, the Group launched its current model of community O2O platform in June 2015 through its Aidaojia mobile application ("Aidaojia") at selected properties. Capitalizing on the Group's existing offline infrastructure, the Group believes that its O2O model benefits from several key advantages to further its development, such as the Group's unique butler service model, experienced team, resident demographics and strategic partners. In contrast to pure O2O players, the Group has on-the ground property management staff to conduct sales and marketing activities and provide offline support to facilitate services and products from merchants and national brands, serving residents who have gained trust in the Group over its years of services to them.

Through the Group's community O2O platform, the Group offers a broad range of services and products to its residents. This platform also helps enhance its existing property management services. For example, residents would be able to purchase certain daily necessities from the community O2O platform and the products would be delivered directly to the residents' homes by butlers. In the future, residents may also be able to access their management fee bills and pay the bills online through a third-party payment provider. The Group's community O2O platform would be closely integrated with its butler service model to provide these offerings. Besides covering the properties managed by the Group, Aidaojia also provides services to users living in properties managed by third party property management companies.

Business Review

Property Management Services

As at 30 June 2016, the Group had expanded its business presence to 28 cities in China where it was contracted to manage 185 residential properties or non-residential properties with an aggregate contracted gross floor area ("GFA") of 36.5 million square meters ("sq.m."), representing an increase of 8.0% as compared to the aggregate contracted GFA of 33.8 million square meters as at 31 December 2015, including revenue-bearing GFA of 17.1 million square meters, representing an increase of 10.3% as compared to revenue-bearing GFA of 15.5 million square meters as at 31 December 2015.

In February 2016, the Group successfully acquired a 70% equity interest in Eastern Harbour Engineering Management Limited ("Eastern Harbor") which manages 11 properties in Shanghai and this acquisition will enable the Group to expand its service market in Shanghai in the future.

Total contracted GFA equals the sum of revenue-bearing GFA, undelivered GFA and common area GFA (which includes pathways, gardens, parking lots, swimming pools, advertisement bullet in boards and club houses).

The table below sets forth the total contracted GFA and the number of residential properties and non-residential properties in different regions in the PRC, as well as revenue-bearing GFA as at the date indicated.

	As at 30 June 2016		As at 31 December 2015	
Total Contracted GFA	***Sq. m. in thousands***	***No.***	*Sq. m. in thousands*	*No.*
Residential properties				
Eastern and Central China(1)	**19,507**	**110**	17,628	97
Southern China(2)	**14,450**	**58**	13,737	55
Northern China(3)	**1,354**	**6**	1,354	6
Subtotal	**35,311**	**174**	32,719	158
Non-residential properties	**1,155**	**11**	1,096	9
Total	**36,466**	**185**	33,815	167

	As at 30 June 2016	As at 31 December 2015
	Sq. m. in thousands	*Sq. m. in thousands*
Revenue-bearing GFA(4)		
Residential properties		
Eastern and Central China(1)	**9,946**	8,657
Southern China(2)	**6,236**	6,056
Northern China(3)	**664**	718
Subtotal	**16,846**	15,431
Non-residential properties	**260**	116
Total	**17,106**	15,547

Notes:

(1) Including Chongqing, Hangzhou, Huzhou, Jiaxing, Nanchang, Nantong, Ningbo, Quzhou, Shanghai, Shaoxing, Suzhou, Wuxi, Xuancheng, Zhenjiang.

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

(3) Including Baotou, Dalian, Eérduosi.

(4) Revenue-bearing GFA means contracted GFA in relation to which the collection of property management fees has started when a property has been delivered or is ready to be delivered (this happens when the delivery notice is given to the first group of property owners). In properties that have been delivered or are ready to be delivered after delivery notices have been given to the first group of property owners in such properties, property developers would pay property management fees on unsold units until such units are sold.

Sales assistance services

The Group provides property developers with cleaning, security and maintenance of their model homes and sales centers and provide general assistance to facilitate the sales process of the properties. The sales assistance services contracts generally have a duration of 6 to 18 months and could be terminated prior to the expiration date if all display units have been sold out. During the six months ended 30 June 2015 and 30 June 2016, the Group provided sales assistance services to 84 and 65 properties, respectively.

Community O2O Platform

Since the launch of the Aidaojia mobile application platform by the Group in June 2015, the application has experienced rapid development.

As at 30 June 2016, the Aidaojia mobile application of the Group covered approximately 4,600 residential properties with approximately 465,000 registered users. The number of orders processed (including both promotional and non-promotional orders) for the six months ended 30 June 2016 was approximately 975,000.

Prospects and Future Plans

Property Management Services

The property management market is currently quite fragmented, where a trend of industry consolidation is expected. Through acquisitions, the Group will be able to strengthen its market position, increase its market share, expand its geographical coverage and gain access to new capacity. The Group has been actively identifying investment opportunities in pursuit of its business strategy. In February 2016, the Group successfully acquired a 70% equity interest in Eastern Harbor at a cash consideration of RMB12.1 million from independent third parties. In addition, on 26 July 2016, the Group entered into an agreement with the vendors of Zhejiang Yongcheng Property Management Company Limited ("Yongcheng"), pursuant to which the Group agrees to acquire a 70% equity interest in Yongcheng which has 234 projects and properties with total contracted GFA of approximately 18.0 million square meters under its management, representing of 49.3% of the Group's total contracted GFA, at a total consideration of RMB210.0 million (subject to shareholders' approval). As Yongcheng's properties under management are mainly located in the prime business districts of Ningbo City, Zhejiang Province, covered by convenient transportation networks, the Board believes that upon completion of the acquisition, the Group will be able to enlarge its portfolio of properties under management and its revenue source.

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

The Group will continue to maintain its own advantage as an independent property management company, competing with counterparts in the market by its high quality service and operational efficiency, actively establishing stable partnership with leading property developers in all regions, and exploring potential new development projects. The Group will accelerate its expansion of business scope and coverage in China through acquisition of property management companies in the capital market.

Sales Assistance Services

The Group will continue to provide high quality sales assistance services. If high quality services and expertise during the terms of the sales assistance services contracts enable the Group to retain most of the property developer clients through entering into new property management contracts, the Group intends to obtain further businesses from its sales assistance business line.

Community O2O Platform

The Group has completed trials on the services scope and the scale of operation for the community O2O platform ("Aidaojia") during the six months ended 30 June 2016. In the second half of the year, the Group will focus on creating a revenue generating model, thereby completing the three stages of trials for the business, scale and revenue generating models for the implementation of a stable development direction for its community O2O platform.

The Group will focus on improving the quality of the merchandises being offered, thereby increasing the selling price per order with a corresponding rise in gross margin. As at 30 June 2016, the Group's community O2O platform covers approximately 4,600 residential properties. The Group will focus on developing more cooperation opportunities within the residential properties already covered by it thus improving its penetration rates.

In the second half of 2016, the Group will continue to work with third-party property management companies as partners with a focus on the construction of entry points to communities and the optimization of the "1+N" one stop solution which brings convenience to the life of residents. The Group aims at providing more extensive commodities and living services with higher cost-performance value and of greater convenience to households, allowing daily necessities of community households to be delivered directly to their home.

With regard to deeper cooperation with third-party property management companies, the Group will act in an open and independent manner to provide the Software-as-a-Service ("SaaS") on the community O2O platform to third-party property management companies, so that they no longer need to make huge investments in research and development of the mobile applications as well as the operation of community O2O platform in which they are not specialized. Aidaojia will provide comprehensive one stop solution in respect of community services to third-party property management companies with deeper cooperation, which mainly includes property management services, community forum, convenient home delivery service, ancillary services, and community advertising. Aidaojia SaaS platform allows these third-party property management companies to establish a community O2O platform of their own brand with unique features, through which property management services, community management, as well as intelligentization and informatization of traditional property management services can be conducted. Meanwhile, these third-party property management companies can provide butler services to residents, rendering convenient services including last-mile delivery, courier receiving, etc. In addition to serving residents in the communities, they can also capitalize on the commercial integration ability and the community O2O store opening system of Aidaojia to offer commercial services such as water delivery, laundry, housekeeping services, repair and maintenance services, and supermarket services. These services can generate various operational income, which will be shared among third-party property management companies and Aidaojia.

As of now, the Group has deeper cooperation with almost 50 third-party property management companies in respect of community services. In the second half of the year, the Group will develop more partnership with third-party property management companies, rendering the most exhaustive "community O2O service solution" to customers and the industry, through which more property management companies can explore the value of "residents and properties" in communities together with Aidaojia. This will generate income, reduce property management cost as well as enhance service quality and satisfaction of residents.

In connection with brands and service providers, Aidaojia will introduce larger supermarket chains as its partners and source more manufacturers. Household products of all types will be integrated through "Community Vip (社區唯品會)", which features group buying and flash sales in communities with high cost-performance value. By receiving transaction commissions and through advertisement collaboration in communities, the closed-loop business model of Aidaojia platform will gradually be developed, so as to realize the single city profit target for mature cities.

Owing to the significant commitment by the Group on the development of the O2O business during the six months ended 30 June 2016, the Group has incurred significant costs and expenses (such as selling, marketing, promotion and distribution expenses) in developing and promoting this business in order to enlarge the customer base of the Group. The Group has recognized a net loss of RMB31.1 million for the community O2O platform for the six months ended 30 June 2016. As at 30 June 2016, the Group had used RMB38.7 million for the development of its O2O platform. Accordingly, the unutilized net proceeds for development of the O2O platform was RMB21.8 million. In the second half of the year, the Group will focus on creating a revenue generating model in the O2O business and targets to further invest RMB12 million to RMB 15 million in developing and promoting this O2O business. Nonetheless, the Group will work hard to balance its profitability, growth, building customer base in O2O platform, and serving our residents for the benefit of all stakeholders.

FINANCIAL PERFORMANCE REVIEW

Revenue

For the six months ended 30 June 2016, the Group recorded revenue of RMB261.4 million, representing a year-on-year increase of 32.6% over the previous period.

The table below sets forth the Group's revenue by business lines for the six months ended 30 June:

	2016	2015	**Change**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Property management services	**224,522**	165,432	59,090	35.7%
Sale assistance services	**29,881**	31,667	(1,786)	(5.6)%
Community O2O platform	**7,032**	–	7,032	N/A
	261,435	197,099	64,336	32.6%

The increase in the Group's revenue was mainly due to an increase in revenue from property management service business line, partially offset by a decrease in revenue from the sales assistance service business line.

Property Management Service. Revenue from the property management services for the six months ended 30 June 2016 was RMB224.5 million, as compared to RMB165.4 million for the six months ended 30 June 2015, representing an increase of RMB59.1 million, or 35.7%. The increase in our revenue from property management services was due primarily to (i) an increase in revenue from property management services as a result of increase in the total revenue-bearing GFA by 3.3 million sq.m., or 23.9%, to 17.1 million sq.m. from 13.8 million sq.m. as at 30 June 2015 as a result of our business expansion; (ii) an increase in average price per revenue-bearing GFA from RMB1.82/sq.m./month as at 30 June 2015 to RMB1.95/sq.m./month as at 30 June 2016.

Sales Assistance Services. Revenue from the sales assistance business line for the six months ended 30 June 2016 was RMB29.9 million, as compared to RMB31.7 million for the six months ended 30 June 2015, representing a decrease of RMB1.8 million, or 5.6%. 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 65 projects for the six months ended 30 June 2016 compared to 84 projects for the six months ended 30 June 2015, the effect of which was partially offset by an increase of average revenue of projects from approximately RMB377,000 for the six months ended 30 June 2015 to approximately RMB460,000 for the six months period ended 30 June 2016.

Community O2O Platform. Revenue from the community O2O platform for the six months ended 30 June 2016 was RMB7.0 million. This revenue was mainly generated from community e-commerce services including high-frequency commodities consuming and delivering, daily living services, as well as offline merchant services for residents through the Group's community O2O platform.

Cost of Sales and Services

The Group's cost of sales and services for property management and sale assistance business lines primarily comprises (i) sub-contracting costs, representing the expenses paid to sub-contractors for various services under property management business line; (ii) staff costs; (iii) depreciation expenses associated with equipment and property used in providing services; and (iv) others, primarily representing raw material costs, travelling expenses and communication expenses. For the six months ended 30 June 2016, cost of sales and services for property management and sale assistance business lines increased by 31.8% from approximately RMB127.9 million for the six months ended 30 June 2015 to approximately RMB168.6 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 attributable to (i) an increase in the number of employees that the Group employed directly; and (ii) an increase in the average salary of the Group's employees.

The Group's cost of sales and services for community O2O Platform for six months ended 30 June 2016 was RMB16.8 million, which primarily comprises (i) the cost of daily necessities sold; (ii) expenses including personnel cost and expenses attributable to buying, receiving, inspecting and warehousing inventories, picking, packaging, and preparing customer orders for delivery; and (iii) rental expenses of leased warehouses, delivery and pickup stations.

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			
	2016		2015	
	(Unaudited)		(Unaudited)	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Property management services	**71,970**	**32.1%**	54,758	33.1%
Sale assistance services	**13,835**	**46.3%**	14,442	45.6%
Community O2O Platform	**(9,810)**	**(139.5)%**	–	–
Total	**75,995**	**29.1%**	69,200	35.1%

The Group's gross profit for the six months ended 30 June 2016 was RMB76.0 million, as compared to RMB69.2 million for the six months ended 30 June 2015, representing an increase of RMB6.8 million, or 9.8%. The Group's overall gross profit margin decreased from 35.1% for the six months ended 30 June 2015 to 29.1% for the six months ended 30 June 2016. The decrease in the Group's gross profit margin was due primarily to the gross loss incurred in community O2O platform.

The Group's gross profit for the property management business line for the six months ended 30 June 2016 was RMB72.0 million, as compared to RMB54.8 million for the six months ended 30 June 2015, representing an increase of RMB17.2 million, or 31.4%. The Group's gross profit margin for the property management business line was slightly decreased as a result of increased in average salary of employees, the effect was partially offset by the increase in average price per GFA.

Other Income

The Group's other income for the six months ended 30 June 2016 was RMB2.7 million, which increased by RMB2.5 million as compared to RMB0.2 million for the six months ended 30 June 2015. The increase was mainly attributable to an increase of RMB2.0 million in bank interest income as a result of increase in bank balances and cash.

Other Gains and Losses

The Group's other gains and losses for the six months ended 30 June 2016 was a net loss of RMB1.8 million as compared to a net loss of RMB8.0 million for the six months ended 30 June 2015, representing a decrease of RMB6.2 million, or 77.5%. The decrease in net loss was primarily due to the increase in net exchange gain of RMB7.0 million for the six months ended 30 June 2016.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2016 was RMB52.2 million, as compared to RMB17.2 million for the six months ended 30 June 2015, representing an increase of RMB35.0 million. The increase was primarily due to (i) an increase in share-based payments expenses of RMB10.9 million incurred for the six months ended 30 June 2016; (ii) an increase in the administrative expenses of RMB7.0 million associated with the operation of community O2O platform; (iii) an increase in professional and audit fees for acquisitions of property management companies, and other professional and audit fees of RMB8.5 million; (iv) an increase in Directors' emoluments of RMB3.1 million; (v) an increase in depreciation and amortization of RMB0.9 million; and (vi) the expansion of the Group's business scale.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2016 were RMB17.0 million, as compared to RMB2.8 million for the six months ended 30 June 2015, representing an increase of RMB14.2 million, or 507.1%. The increase was primarily due to an increase in our business development, marketing and promotion expenses of RMB14.3 million incurred for the community O2O platform.

Listing Expenses

There is no listing expense incurred for the six months ended 30 June 2016. The listing expenses for the six months ended 30 June 2015 amounted to RMB11.2 million, which primarily consisted of the service fees paid to auditors and other professional parties in connection with the preparation for the global offering.

Finance Costs

The Group's finance costs increased from RMB0.4 million for the six months ended 30 June 2015 to RMB1.4 million for the six months ended 30 June 2016, and this increase was primarily due to interest expense of RMB0.6 million incurred on the bank borrowing in the amount of RMB43.5 million and imputed interest expense on non-current liabilities for cash settled share-based payments amounting to RMB0.8 million.

Share-based Payment Expenses

The Pre-IPO Share Option Scheme ("Scheme") was adopted pursuant to a resolution passed by the Company on 20 April 2015. On 20 April 2015 and 10 July 2015, the Company granted 54,700,000 and 25,300,000 Pre-IPO share options to its employees and Directors of the Company for which the exercise price is HK$1.72 each. The Pre-IPO share option expense for the six months ended 30 June 2016 was approximately RMB7.3 million.

On 17 July 2015, the Group entered into an agreement ("Equity Incentive Agreement") with Mr. Luo Tao, the representative of the employees of Hangzhou Yidao Information Technology Company Limited ("Hangzhou Yidao"), a wholly owned subsidiary of the Company which is principally engaged in the provision of software and information technology services. Pursuant to the Equity Incentive Agreement, up to 33% equity interest of Hangzhou Yidao will be transferred to the employees of Hangzhou Yidao ("Employees") at nil consideration by 30 April 2018 upon satisfaction of certain performance targets. On or before 30 April 2019, the Employees have the right to require the Group to repurchase all of the 33% equity interest in Hangzhou Yidao that they received pursuant to the Equity Incentive Agreement at a total cash consideration of RMB22 million.

The Group recognised the total expense of RMB5.8 million for the six months ended 30 June 2016 in relation to share options granted by Hangzhou Yidao.

Change in Fair Value of Investment Properties

The Group's change in fair value of investment properties was a gain of RMB0.5 million for the six months ended 30 June 2016, which was primarily due to the growth in market value of the respective investment properties.

Income Tax Expense

The Group's income tax expense for the six months ended 30 June 2016 was RMB13.6 million, as compared to RMB12.2 million for the six months ended 30 June 2015, representing an increase of RMB1.4 million, or 11.5%. The increase was due primarily to an increase in current tax for EIT of RMB1.0 million.

Adjusted Profit for the Period

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period under HKFRSs	**(5,949)**	11,144
Add:		
Share-based payment expenses	**13,073**	2,203
Change of the fair value of financial liabilities designated as at FVTPL	**–**	6,343
Listing expenses	**–**	11,239
Net loss incurred for the O2O platform	**31,117**	437
Adjusted net profit for the period	**38,241**	31,366

Adjusted net profit for the period increased from RMB31.4 million of the corresponding period of 2015 to RMB38.2 million, representing an increase of 21.9%.

Trade and Other Receivables

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

As at 30 June 2016, total trade receivables of the Group amounted to approximately RMB136.2 million, representing an increase of approximately RMB65.0 million compared to approximately RMB71.2 million as at 31 December 2015. The increase was attributable to the expansion of the scale of the Group's business as a result of increase in revenue-bearing GFA from which the Group effectively generated income during the period.

The Group's trade receivables turnover days for the six months ended 30 June 2016 was 72 days (six months ended 30 June 2015: 73 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 2016 are higher than for the year ended 31 December 2015. However, the trade receivables are in line with historical pattern observed in the past years when the Group's trade receivables decreased from RMB98.9 million as at 30 June 2015 to RMB71.2 million as at 31 December 2015.

Other receivables increased from approximately RMB34.9 million as at 31 December 2015 to approximately RMB43.7 million as at 30 June 2016, primarily attributable to (i) an increase of RMB2.0 million in deposits; (ii) an increase of RMB4.2 million in advance to staffs; and (iii) an increase of RMB3.4 million in payment on behalf of residents due to the Group's growing revenue-bearing GFA.

Trade and Other Payables

Trade payables primarily comprise payables to sub-contractors of the Group's property management services. Trade payables increased from approximately RMB25.1 million as at 31 December 2015 to approximately RMB34.8 million as at 30 June 2016. This was primarily due to the growth of the Group's property management services business.

Other payables primarily comprise items such a receipts on behalf of residents for residential communities, receipts in advances, deposits received, accrued staff costs, dividend payable, other tax payables, and other payable and accruals. Other payables increased from approximately RMB129.6 million as at 31 December 2015 to approximately RMB185.8 million as at 30 June 2016, primarily attributable to (i) an increase of RMB28.5 million in receipts in advances from customers for payment of management services fees; and (ii) an increase of RMB31.1 million in final and special dividend declared in respect of the year ended 31 December 2015.

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 2016, net working capital (calculated as current assets less current liabilities) was RMB389.8 million, representing a decrease of RMB31.9 million as compared with RMB421.7 million as at 31 December 2015. The current ratios (calculated as current assets/current liabilities) are 2.3 times and 3.1 times as at 30 June 2016 and 31 December 2015 respectively.

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

	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(38,304)**	(164)
Net cash from (used in) investing activities	**2,988**	(4,957)
Net cash from financing activities	**13,159**	159,098

As at 30 June 2016, the Group's total cash including pledged bank deposits decreased by 2.8% to RMB498.0 million from RMB511.9 million as at 31 December 2015. Among the total cash, RMB64.3 million (31 December 2015: RMB62.8 million) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's cash from offshore to onshore entities. As at 30 June 2016, the Group had total bank borrowings of RMB43.5 million which were variable rate borrowings and denominated in RMB, among which, RMB35.0 million (31 December 2015: RMB20.0 million) was secured by the Group's bank deposit.

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

Gearing Ratio

The gearing ratio is defined as total borrowings net of pledged bank deposits and bank balances and cash divided by total equity. As at 30 June 2016, the Group was in a strong financial position with a net cash position amounting to RMB454.5 million (31 December 2015: RMB482.3 million). Accordingly, no gearing ratio is presented.

Pledge of Assets

As at 30 June 2016, an amount of RMB64.3 million (31 December 2015: RMB62.8 million) of restricted bank deposits was pledged to guarantee the drawdown of loans by the Group in order to transfer the Group's cash from offshore to onshore entities.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2016.

Employees and Remuneration Policies

As at 30 June 2016, excluding the employees under commission basis, the Group had approximately 1,630 (31 December 2015: 1,488) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in April 2015 which allows the Directors to grant share options to, among other persons, Directors and employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

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 had resolved that no interim dividend shall be paid for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

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 2016, except as noted hereunder.

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 light 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.

EVENTS AFTER THE REPORTING PERIOD

On 26 July 2016, the Group announced that it has entered into an agreement with vendors of Yongcheng conditionally to acquire a 70% equity interest in Yongcheng at a total consideration of RMB210.0 million.

Yongcheng is a property management company located in Zhejiang Province of the PRC. As at the date of the announcement, Yongcheng has 234 projects and properties with total contracted GFA of approximately 18.0 million square meters under its management.

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 2016.

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 four members, namely Mr. Lee, Kwok Tung Louis, Mr. Zhang Weilun, Mr. Yuan Boyin and Mr. Wu Haibing, all being independent non-executive directors. Mr. Lee, Kwok Tung Louis is the chairman of the audit committee and is the independent non-executive director with the appropriate professional qualifications. The unaudited consolidated interim results of the Group for the six months ended 30 June 2016 have been reviewed by the audit committee of the Board. The audit committee has reviewed with management the accounting principals and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited consolidated interim results of the Group for the six months ended 30 June 2016.

The Company's independent auditor, Deloitte Touche Tohmatsu, has conducted a review of the interim financial information of the Group for the six months ended 30 June 2016 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 HKICPA.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 5 February 2016, the Group successfully acquired a 70% equity interest in Eastern Harbour at a cash consideration of RMB12.1 million from independent third parties. Eastern Harbour is primarily engaged in property management services in Shanghai where it manages over 11 properties.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2016. In addition, the Group had no significant investments held during the six months ended 30 June 2016.

SHARE OPTION SCHEME

Pursuant to the written resolution of the Shareholders passed on 20 April 2015, the Company granted the Pre-IPO Share Option to 380 eligible participants to subscribe for 80,000,000 shares as incentives or rewards for their contribution to the Group. Further details of the Pre-IPO Share Option Scheme and the share options granted are disclosed in note 13 to the condensed consolidated financial statements.

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

During the six months ended 30 June 2016, 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 2016 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, 22 August 2016

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. Lam Yiu Por; the Independent Non-Executive Directors are Mr. Lee Kwok Tung Louis, Mr. Yuan Boyin, Mr. Wu Haibing and Mr. Zhang Weilun.