THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Zhong Ao Home Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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)

MAJOR TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 26 of this circular.

A notice convening the Extraordinary General Meeting of the Company to be held at Suite Nos. 5 and 6, 9th Floor, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Hong Kong on Thursday, 15 September 2016 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use in connection with the Extraordinary General Meeting is enclosed with the circular. Whether or not you are able to attend the Extraordinary General Meeting in person, you are requested to complete and return the accompanying form of proxy enclosed with this circular in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should they so wish.

26 August 2016

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Shares pursuant to the terms and conditions of the Agreement;
"Agreement"	the sale and purchase agreement dated 26 July 2016 entered into between the Vendors and the Purchaser in relation to the Acquisition;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of directors of the Company;
"Business Day(s)"	a day(s) on which banks are open for business in Hong Kong (excluding Saturdays, Sundays and public holidays);
"Commerce Department"	Commerce Department of Ningbo City, Zhejing Province;
"Company"	Zhong Ao Home Group Limited (中奧到家集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1538);
"Completion"	completion of the Agreement and the transactions contemplated thereunder in accordance with the terms and conditions of the Agreement;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Deposit"	RMB15,000,000 to be paid by the Company to the Vendors on the date of the signing of the Agreement;
"Director(s)"	the director(s) of the Company;
"Dongyi Sales"	寧波東逸房產銷有限公司 (Ningbo Dongyi Property Sales Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
"Enlarged Group"	the Group and the Target Group upon Completion;
"Extraordinary General Meeting"	the extraordinary general meeting of the Company to be convened to approve the Acquisition and the transactions contemplated thereunder;
"GFA"	gross floor area;

"Group"	the Company and its subsidiaries from time to time;
"Guochen Decoration"	寧波國晨裝飾工程有限公司 (Ningbo Guochen Decoration Engineering Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Jingjing Advertising"	寧波永都菁菁廣告有限公司 (Ningbo Yongdu Jingjing Advertising Company Limited*), a company incorporated in the PRC, of which 29% of its registered capital is held by the Target Company;
"Joint Venture Agreement"	the joint venture agreement dated 26 July 2016 between the Purchaser and the Vendors in relation to the governance of the Target Company;
"Latest Practicable Date"	24 August 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Ningbo Reston"	寧波雷斯頓酒店物業服務有限公司 (Ningbo Reston Hotel Property Management Services Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
"Ningbo Yongxing"	寧波市甬興物業管理有限公司 (Ningbo Yongxing Property Management Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;
"PRC"	the People's Republic of China, which, for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of China and Taiwan;
"Purchaser"	Zhong Ao Home Investment Company Limited (中奧到家投資有限公司), a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;

"Sale Shares"	RMB7,700,000 in the registered capital of the Target, representing 70% of the existing registered capital of the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	浙江永成物業管理有限公司 (Zhejiang Yongcheng Property Management Company Limited*), a company incorporated in the PRC with limited liability;
"Target Group"	the Target and its subsidiaries from time to time;
"Vendors"	He Xiaoyong, Cen Wei, Zhang Aiguo, Cui Guofu, Qi Kangning, Wang Chenliang, Lv Yikang, Gui Chenyi, He Guodong and Li Cuiyue, collectively holding 100% of the registered capital of the Target Company;
"Yongcheng Catering"	寧波高新區永成餐飲服務有限公司 (Ningbo High-tech Zone Yongcheng Catering Services Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
"Yongdu Advertising"	寧波江北區永都廣告傳媒有限公司 (Ningbo Jiangbei District Yongdu Advertising Media Company Limited*), a company incorporated in the PRC, of which 20% of its registered capital is held by the Target Company;
"Yongduo Commerce"	寧波永鐸電子商務有限公司 (Ningbo Yongduo Electronic Commerce Company Limited*), a company incorporated in the PRC, a wholly-owned subsidiary of the Target Company;
"Yongdu Decoration"	寧波永都裝飾工程有限公司 (Ningbo Yongdu Decoration Engineering Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;

"Yongdu Elevator"	寧波永都電梯工程有限公司 (Ningbo Yongdu Elevator Engineering Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;
"Yongdu Property"	寧波永都置業有限公司 (Ningbo Yongdu Property Company Limited*), a company incorporated in the PRC, of which 20% of its registered capital is held by the Target Company;
"Yongdu Sales"	寧波永都房產銷售有限公司 (Ningbo Yongdu Property Sales Company Limited*), a company incorporated in the PRC, of which 35% of its registered capital is held by the Target Company;
"Yongdu Weak Current"	寧波江北永都弱電工程有限公司 (Ningbo Jiangbei Yongdu Weak Current Engineering Company Limited*), a company incorporated in the PRC, a non wholly-owned subsidiary of the Target Company;
"%"	per cent.

* *for identification purpose only*

For illustration purpose, RMB in this circular have been translated into HK$ at RMB 1.00 = HK$1.179.

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)

Executive Directors:
Mr. Liu Jian *(Chairman and Chief Executive Officer)*
Ms. Chen Zhuo
Mr. Liang Bing
Mr. Long Weimin

Non-executive Directors:
Mr. Wei Zhe
Ms. Wu Qimin
Mr. Lam Yiu Por

Independent Non-executive Directors:
Mr. Lee Kwok Tung Louis
Mr. Yuan Boyin
Mr. Wu Haibing
Mr. Zhang Weilun

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the PRC:
1–2/F, Block 5,
Southern Olympic Garden,
Han Xi Avenue, Zhong Cun,
Panyu, Guangzhou, Guangdong,
the PRC

Principal place of business in Hong Kong:
Suite Nos. 5 and 6, 9th Floor, Tower 2,
China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

26 August 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 26 July 2016, the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the Agreement with the Vendors pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at a total consideration of RMB210.0 million. The Sale Shares represent 70% of the registered capital of the Target Company.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with information in respect of, among other things, the details of the Agreement, the financial information of the Target Group, the financial information of the Group, the unaudited pro forma financial information of the Enlarged Group, and the notice convening the Extraordinary General Meeting to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

THE ACQUISITION

Date of the Agreement

26 July 2016

Parties:

Purchaser : Zhong Ao Home Investment Company Limited (中奧到家投資有限公司), an indirect wholly-owned subsidiary of the Company; and

Seller : the Vendors, who are ten individuals.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors and the Target Company is a third party independent of the Company and its connected persons of the Company.

Details of the Vendors and their respective holdings in the Target Company are set out below:

Name of shareholder	Existing interest in the Target Company	Interest in the Target Company to be transferred	Interest in the Target Company after Completion
何曉勇 (He Xiaoyong)	40.36%	28.25%	12.11%
岑娓 (Cen Wei)	1.67%	1.17%	0.50%
張愛國 (Zhang Aiguo)	7.00%	4.90%	2.10%
崔國富 (Cui Guofu)	3.64%	2.55%	1.09%
齊康寧 (Qi Kangning)	3.50%	2.45%	1.05%
王晨良 (Wang Chenliang)	3.50%	2.45%	1.05%
呂鎰康 (Lv Yikang)	3.33%	2.33%	1.00%
桂晨軼 (Gui Chenyi)	10.00%	7.00%	3.00%
何國棟 (He Guodong)	20.00%	14.00%	6.00%
李翠月 (Li Cuiyue)	7.00%	4.90%	2.10%
Total	100.00%	70.00%	30.00%

Subject matter

The Purchaser has conditionally agreed to acquire from the Vendors the Sale Shares free from all encumbrances. The Sale Shares represent 70% of the existing registered capital of the Target Company.

Further information regarding the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The Target Company, being a property management company, is light on assets. The consideration for the acquisition of the Sale Shares is RMB210 million. The consideration was determined by the parties after arm's length negotiation with reference to the portfolio of property management contracts of the Target Group, the prospect of the Target Group and the prospective synergy that maybe created by the Acquisition, the additional footprint of the Group as created by the Acquisition which provides a better platform for the Group in expanding its scope of operation, in addition to the net asset value of the Target Group as at 31 March 2015 with a sum of RMB76.5 million. The Consideration is payable by the Purchaser to Vendors as follows:

(i) a deposit in the sum of RMB15 million has been paid to the Vendors upon the signing of the Agreement;

(ii) the Purchaser will pay the Vendors the consideration in full within five Business Days following the date on which (i) conditions (a), (b) and (e) set out below have been satisfied; and (ii) the Deposit has been in full returned.

The consideration is to be settled by cash through internal financial resources of the Company and the listing proceeds, of which approximately RMB132.8 million will be settled by the listing proceeds and the balance of the consideration of approximately RMB77.2 million will be settled through the internal resources of the Group. As disclose in the prospectus of the Company dated 13 November 2015, approximately 60% of the listing proceeds in the sum of RMB145.3 million was intended to be applied towards acquisition of property management company. Up to the Latest Practicable Date, approximately RMB12.5 million was applied towards the acquisitions of property management companies including 70% of the equity interest in Eastern Harbour Engineering Management Limited as disclosed in the Company's announcement dated 5 February 2016, and upon settlement of the consideration for the Acquisition, all of the listing proceeds allocated for acquisition would be used as intended.

Conditions precedent

Completion of the Agreement will be conditional upon the satisfaction of the following conditions:

(a) the Shareholders approving the Agreement and the transactions contemplated thereunder in a general meeting of the Company held in compliance with the Listing Rules;

(b) the PRC examination and approval authorities having approved the Acquisition, the Agreement, the Joint Venture Agreement and the revised articles of association of the Target Company and the PRC examination and approval authorities have not imposed any changes to the transaction documents;

(c) the PRC administrative department for industry and commerce having registered the revised articles of association of the Target Company pertaining to the Acquisition, the Agreement and the Joint Venture Agreement and has issued the amended business license of the Target Company;

(d) the Target Company having completed foreign exchange registration in connection with the transaction;

(e) each of the Vendors having opened personal RMB settlement bank account with a PRC bank in accordance with the Administrative Measures for Foreign Direct Investments in RMB Settlement Business (外商直接投資人民幣結算業務管理辦法) for the receipt of the consideration and such banking information has been provided to the Purchaser;

(f) the Vendors having discharged their obligations under the Agreement;

(g) the warranties provided by the Vendors remaining true, accurate and not misleading in all material respect; and

(h) there has not been any material adverse change to the Target Group.

The Company may at its discretion waive conditions (f), (g) and (h). If the conditions above have not been fulfilled or waived (as the case may be) by 30 September 2016 (or such later date as may be agreed between the parties), the Purchaser shall have the right to terminate the Agreement by giving notice to the Vendors. Conditions (f), (g) and (h) concern the Vendors having discharged their obligations under the Agreement, the warranties given under the Agreement remaining true, accurate and not misleading, and there has not been any material adverse effects to the Target Company, respectively. It is customary and normal commercial practice to provide certain flexibility to the purchaser of a contract of this nature to enable it to exercise its discretion on waiving certain conditions to the agreement in completing the transaction.

In exercising such discretion, the Company will assess the circumstances surrounding the non-fulfilment of the relevant condition and determine the risk involved if the condition is waived. The condition will only be waived if the benefits for proceeding to completion outweighs the non-fulfilment of the particular condition and that it makes commercial sense and is reasonable under the circumstances to do so. The Company has no present intention in waiving any of the conditions. Accordingly, in the absence of a waiver from the Company, conditions (f), (g) and (h) would need to be satisfied before completion could take place.

As at the Latest Practicable Date, none of the conditions to the Agreement has been satisfied.

Completion

Completion shall take place on the fifth business day following the date on which all the conditions precedent as set out above have been fully satisfied or waived by the Purchaser.

Vendors' Post-Completion Obligation and Indemnification

Upon signing of the Agreement, the Vendors shall liquidate and deregister Yongdu Property as early as possible. Each of the Vendors individually and collectively agrees to jointly and severally indemnify the Purchaser and/or the Target Group for any losses arising from the deregistration following the Completion.

INFORMATION ON THE PURCHASER

The Company is an independent property management company which provides property management services to both residential and non-residential properties and sales assistance services to property developers.

The Purchaser is a company incorporated in Hong Kong and is an indirectly wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET GROUP

Information on the Target Company

The Target Company is a limited liability company incorporated in the PRC in February of 1999 and is wholly-owned by the Vendors. As at 31 May 2016, the Target Company had nine subsidiaries, two associates and two joint ventures.

The Target Company is principally engaged in (i) provision of property management services; (ii) provision of engineering services and catering services; (iii) provision of sales assistance services; (iv) sales of engineering spare parts; and (v) provision of ancillary services in relation to common areas such as visitor parking lots, swimming pools, advertisement bulletin boards and club houses.

As at 31 May 2016, the Target Company has 234 projects and properties with total contracted GFA of approximately 18.0 million square meters under its management.

Financial Information of the Target Group

Set out below is a summary of the financial information of the Target Group for the two years ended 31 December 2014 and 2015 and five months ended 31 May 2016:

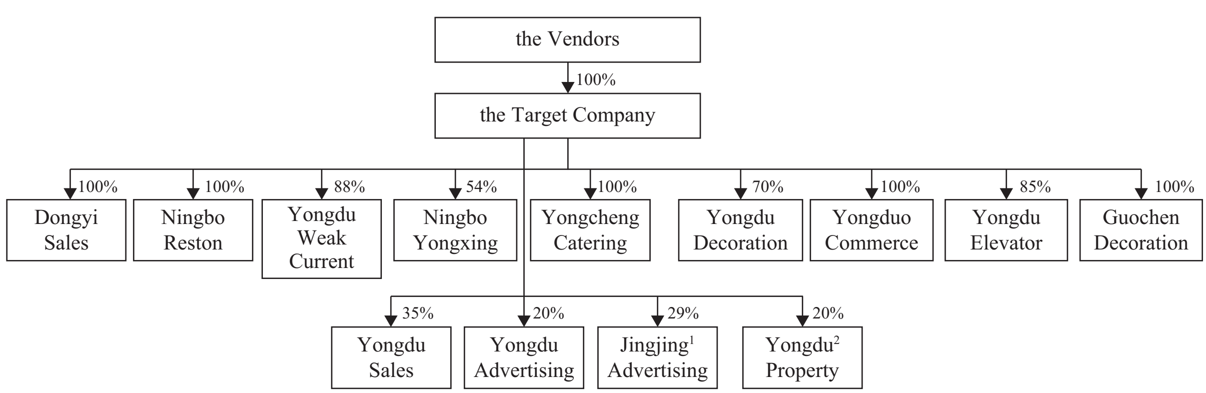
	For the year ended 31 December 2014 *Approximately RMB'000*	For the year ended 31 December 2015 *Approximately RMB'000*	For the five months ended 31 May 2016 *Approximately RMB'000*
Profit before tax	17,904	30,462	19,304
Profit after tax	11,083	20,217	12,476

The net asset value of the Target Company as at 31 May 2016 was approximately RMB89.0 million.

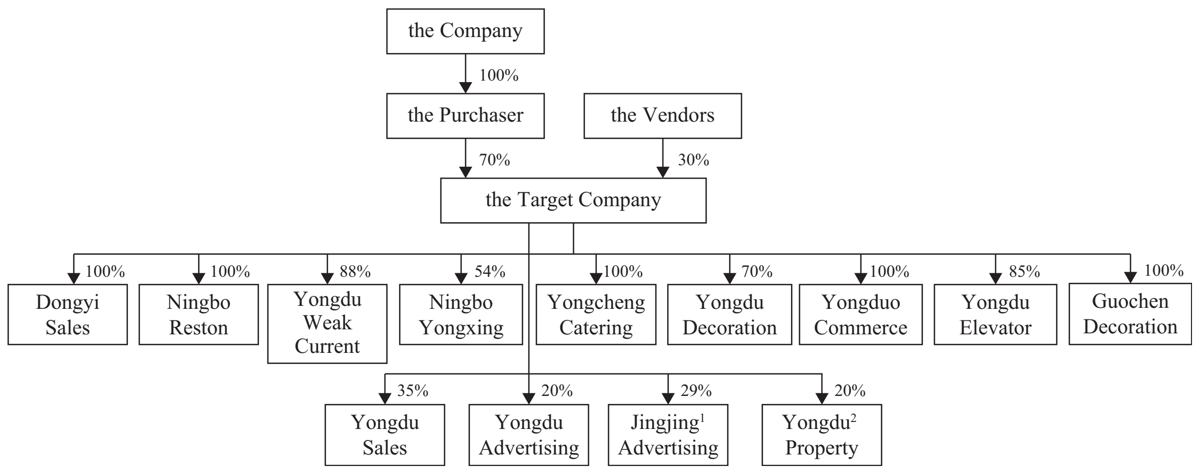
The financial information on the Target Company disclosed above is subject to audit and an accountants' report on the Target Group prepared in compliance with the requirements of the Listing Rules will be included in the circular to be despatched to the Shareholders.

Shareholding structure of the Target Group

(a) Shareholding structure of the Target Group as at the date of this circular:



(b) Group structure of the Target Group upon the Completion:



Notes:

1. The registered capital of Jingjing Advertising was RMB1,000,000 and was owned as to 29% by the Target Company. Jingjing Advertising had not commenced business operation since establishment. As Jingjing Advertising was dormant, the shareholders of Jingjing Advertising agreed to voluntarily liquidate Jingjing Advertising. The liquidation and deregistration process of Jingjing Advertising was still on-going as at the Latest Practicable Date. The Directors are of the view that the liquidation of Jingjing Advertising will not have any material adverse effect on the financial position of the Target Group.

2. The registered capital of Yongdu Property was RMB30,000,000 and the Target Company is interested in 20% (RMB6,000,000) of the registered capital of Yongdu Property. Yongdu Property was involved in the development of a residential property project in the PRC. As the development of the property project has been completed and most of the properties of the project have already been sold, the shareholders of Yongdu Property agreed to liquidate Yongdu Property. As the operation of Yongdu Property is being wind-down, the other shareholders of Yongdu Property are not willing to provide additional resources to enabling Yongdu Property to assist the Group with its auditing work and have declined the Target Company's request to provide historic financial information of Yongdu Property. The liquidation and deregistration process of Yongdu Property was still on-going as at the Latest Practicable Date. Given that the Vendors have agreed to provide an indemnity of up to RMB6 million to cover any liquidation losses that may be associated with the liquidation of Yongdu Property, the Directors are of the view that the liquidation of Yongdu Property will not have any material adverse effect on the financial position of the Target Company.

Upon Completion, the Purchaser will hold 70% of the registered capital of the Target Company and will have the right to appoint two out of the three directors of the board of directors of the Target Company. Accordingly, the Target Group will become a non wholly-owned subsidiary of the Company and the Target Group's financial results will be consolidated into the consolidated financial statements of the Company.

JOINT VENTURE AGREEMENT

The Purchaser and the Vendors have also entered into the Joint Venture Agreement on the governance of the Target Company. The Joint Venture Agreement will only take effect upon approval of the Acquisition by the PRC examination and approval authorities and will cease to be of any effect if the Target Company is wholly-owned by the Purchaser. A summary of the terms of the Joint Venture Agreement is set out below:

Date: 26 July 2016

Parties: the Purchaser; and

The Vendors.

Board of directors of the Target Company

The board of directors of the Target Company will comprise of three directors, the Purchaser will have the right to nominate two of the directors, including the chairman of the board, and the Vendors will have the right to nominate one director.

Supervisor

The Target Company will not set up a supervisory board and will only have one supervisor to be nominated by the Purchaser.

Guarantees and further acquisitions

Pursuant to the terms of the Joint Venture Agreement, the Vendors have provided a guarantee to the Purchaser that the adjusted net profit of the Target Company for each of the four financial years ending 31 December 2016, 2017, 2018 and 2019 will not be less than RMB32 million. If the adjusted net profit of the Target Company for any of the guaranteed period has fallen short of the profit target, the consideration for the subsequent acquisitions (as described below) will be adjusted accordingly. If the net profit of the Target Company for the financial year of 2016, based on the consolidated financial statements of the Target Company audited under the People's Republic of China Generally Accepted Accounting Principles by a certified public accountant nominated by the Company, is greater than or equal to RMB32 million, the net profit of the Target Company as recorded on its audited financial statements for each of the financial years of 2016, 2017, 2018 and 2019 shall be deemed to be its adjusted net profit for the relevant financial year. If the net profit of the Target Company for the financial year 2016, based on the consolidated financial statements of the Target Company audited under the People's Republic of China Generally Accepted Accounting Principles by a certified public accountant nominated by the Company, is less than RMB32 million, the adjusted net profit shall be calculated by using the net profit of the Target Company, as recorded on its audited financial statements for the relevant financial year, less any management fees accrued but not received (excluding those generated from property management contracts entered into with government entities or paid from government funds) during the year; and add back any management fees received during the year but belonging to previous years, any allowance on trade and other receivables recognised for the relevant financial year, any provision for value added tax and income tax accrued but not paid during the relevant financial year; and less any management fees generated from property management contracts entered into with government entities or paid from government funds, to the extent such fees have remained unpaid for 60 days since the date on which they were recognized as revenue. Such calculation was put in place after arm's length negotiations between the parties to ensure that certain items that do not affect the profit or performance of the Target Company will be excluded from the calculation of the adjustment.

Subject to completion of the Acquisition, the Purchaser will be obliged to, under the terms of the Joint Venture Agreement and commencing in 2017, acquire from the Vendors further interests in the Target Company in four tranches of 7.5% each at a price of RMB22.5 million for each of the acquisition. The acquisition will be made within 30 days upon determination of the adjusted net profit of the Target Company in accordance with the Joint Venture Agreement (subject to extension of such periods as may be required to obtain the requisite governmental approvals required for the subsequent acquisitions, if any), respectively, which is expected to be in April/May for each of the years from 2017 to 2020.

Consideration for the future acquisition

According to the Joint Venture Agreement, the Purchaser will pay the Vendors in respect of each of the subsequent acquisitions the relevant consideration within three days following the date on which (i) the PRC examination and approval authorities having approved the subsequent acquisition; and (ii) each of the vendors having opened personal RMB settlement bank account with a PRC bank in accordance with the Administrative Measures for Foreign Direct Investments in RMB Settlement Business for the receipt of the consideration and such banking information has been provided to the Purchaser. If necessary, the parties will postpone the date of the subsequent acquisitions in order to obtain the approval from the PRC examination and approval authorities. If the subsequent acquisitions are not approved by the PRC examination and approval authorities or prohibited by the then applicable PRC laws resulting in the subsequent acquisition cannot be completed within 30 days (or such longer period as may be agreed between the parties) after the determination of the adjusted net profit of the Target Company, the subsequent acquisition will lapse and of no further effect. In such case, the Purchaser will not be liable to the Vendors for not acquiring the relevant further interest in the Target Company and the Vendors will remain the shareholders of the unsold interests in the Target Company. The Purchaser also has the right to designate its appointee(s) to complete the subsequent acquisitions in accordance with the Joint Venture Agreement within the scope of the then applicable PRC laws.

Adjustment to the consideration for subsequent acquisition

If the adjusted net profit of the Target Company has fallen short of the profit target in any of the guaranteed financial year, the consideration will be adjusted in accordance with the following formulas. For the avoidance of doubt, no adjustment will be made if the adjusted net profit is at or exceeded the guaranteed amount.

(a) if the adjusted net profit of the Target Company for the relevant financial year immediately preceeding the year during which the subsequent acquisition occurs has fallen short of the profit target and the shortfall is equal to or less than 10%, the consideration to be paid for the acquisition will be adjusted downwards as follows:

(1) if the subsequent acquisition occurs in 2017,

Final consideration = RMB300 million × 90% × 7.5%

(2) if the subsequent acquisition occurs in 2018 or after and the adjusted net profit of the Target Company for the year that is two years preceding the year during which such subsequent acquisition occurs has exceeded the profit target and the excess is equal or greater than the shortfall,

Final consideration = RMB22.5 million

(3) if the subsequent acquisition occurs in 2018 or after and the adjusted net profit of the Target Company for the year that is two years preceding the year during which such subsequent acquisition occurs has exceeded the profit target but the excess is less than the shortfall,

Final consideration = RMB300 million × 90% × 7.5%

(b) if the adjusted net profit of the Target Company for the relevant financial year immediately preceeding the year during which the subsequent acquisition occurs is greater than zero but has fallen short of the profit target and the shortfall is greater than 10%, the consideration to be paid for the acquisition will be adjusted as follows:

Final consideration = (adjusted net profit for the relevant financial year x 6.5) + RMB72 million x 7.5%

The basis of using RMB72,000,000 for calculating the adjustment was the result of arm's length negotiations between Purchase and the Vendors by reference to the estimated net asset value of the Target Company when the parties initiated negotiations, which the Directors consider to be fair and reasonable for use in calculating the adjustment under the circumstances. The multiple of 6.5 used for calculating the adjustment was the result of arm's length negotiations between the Purchaser and the Vendors and fall within the range of 5 to 10 times which the Directors found through their investigations in various acquisition opportunities to be the generally acceptable range for acquisitions of this nature. The Directors are therefore of the view that the use of 6.5 times for calculating the adjustment is fair and reasonable under the circumstances.

(c) if the Target Company has suffered net losses for the relevant financial year immediately preceeding the year during which the subsequent acquisition occurs, the consideration to be paid will be adjusted as follows:

Final consideration = RMB72 million – Adjustment Amount x 7.5%

As used in the formulas above, the "Adjustment Amount" is the sum of the absolute value of net loss of the Target Company (if any) for financial years starting from 2016 (inclusive) up to the year (including) immediately preceding the year during which the subsequent acquisition occurs.

The abovementioned scenarios for the calculation of the consideration payable for the further acquisitions are further illustrated in the table below.

	Amount of Consideration			
	Adjusted net profit for the relevant Financial Year[1] meets the profit target of RMB32,000,000	**Adjusted net profit for the relevant Financial Year fallen short of profit target of RMB32,000,000 but shortfall is equal or less than 10% of profit target**	**Adjusted net profit for the relevant Financial Year greater than zero but has fallen short of profit target and shortfall is greater than 10% of profit target**	**Target Company has suffered net losses for the relevant Financial Year**
Subsequent Acquisition #1[2] (To occur in 2017 within 30 days upon determination of the adjusted net profit of the Target Company for Financial Year 2016)	RMB22,500,000	RMB300,000,000 × 90% × 7.5%	(adjusted net profit for Financial Year 2016 x 6.5) + RMB72,000,000 x 7.5%	RMB72,000,000 – Adjustment Amount[3] x 7.5%
Subsequent Acquisition #2 (To occur in 2018 within 30 days upon determination of the adjusted net profit of the Target Company for Financial Year 2017)	RMB22,500,000	If the adjusted net profit of the Target Company for Financial Year 2016 has exceeded the profit target of that year and the excess is equal or greater than the shortfall for Financial Year 2017: RMB22,500,000 If the adjusted net profit of the Target Company for Financial Year 2016 has exceeded the profit target of that year and the excess is less than the shortfall for Financial Year 2017: RMB300,000,000 × 90% × 7.5% If the adjusted net profit of the Target Company for Financial Year 2016 does not meet profit target of that year: RMB300,000,000 × 90%× 7.5%	(adjusted net profit for Financial Year 2017 x 6.5) + RMB72,000,000 x 7.5%	RMB72,000,000 – Adjustment Amount x 7.5%

1 Relevant Financial Year refers to the Financial Year immediately preceding the year during which the subsequent acquisition occurs (e.g. in the case of Subsequent Acquisition #1, it means the Financial Year 2016).

2 Each tranche of the subsequent acquisition is for 7.5% of the equity interest of the Target Company.

3 Adjustment Amount is the sum of the absolute value of net loss of the Target Company (if any) for financial years starting from 2016 (inclusive) up to the year (including) immediately preceding the year during which the subsequent acquisition occurs (e.g. in the case of Subsequent Acquisition #2, it means the sum of net loss for Financial Year 2016 and 2017 (if any)).

	Amount of Consideration			
	Adjusted net profit for the relevant Financial Year[1] meets the profit target of RMB32,000,000	**Adjusted net profit for the relevant Financial Year fallen short of profit target of RMB32,000,000 but shortfall is equal or less than 10% of profit target**	**Adjusted net profit for the relevant Financial Year greater than zero but has fallen short of profit target and shortfall is greater than 10% of profit target**	**Target Company has suffered net losses for the relevant Financial Year**
Subsequent Acquisition #3 (To occur in 2019 within 30 days upon determination of the adjusted net profit of the Target Company for Financial Year 2018)	RMB22,500,000	If the adjusted net profit of the Target Company for Financial Year 2017 has exceeded the profit target of that year and the excess is equal or greater than the shortfall for Financial Year 2018: RMB22,500,000 If the adjusted net profit of the Target Company for Financial Year 2017 has exceeded the profit target of that year and the excess is less than the shortfall for Financial Year 2018: RMB300,000,000 × 90% × 7.5% If the adjusted net profit of the Target Company for Financial Year 2017 does not meet profit target of that year: RMB300,000,000 × 90%× 7.5%	(adjusted net profit for Financial Year 2018 x 6.5) + RMB72,000,000 x 7.5%	RMB72,000,000 – Adjustment Amount x 7.5%
Subsequent Acquisition #4 (To occur in 2020 within 30 days upon determination of the adjusted net profit of the Target Company for Financial Year 2019)	RMB22,500,000	If the adjusted net profit of the Target Company for Financial Year 2018 has exceeded the profit target of that year and the excess is equal or greater than the shortfall for Financial Year 2019: RMB22,500,000 If the adjusted net profit of the Target Company for Financial Year 2018 has exceeded the profit target of that year and the excess is less than the shortfall for Financial Year 2019: RMB300,000,000 × 90% × 7.5% If the adjusted net profit of the Target Company for Financial Year 2018 does not meet profit target of that year: RMB300,000,000 × 90%× 7.5%	(adjusted net profit for Financial Year 2019 x 6.5) + RMB72,000,000 x 7.5%	RMB72,000,000 – Adjustment Amount x 7.5%

REASONS FOR THE ACQUISITION

The Group is principally engaged in property management and sales assistance in the PRC. The Target Group is principally engaged in (i) provision of property management services; (ii) provision of engineering services and catering services; (iii) provision of sales assistance services; (iv) sales of engineering spare parts; and (v) provision of ancillary services in relation to common areas such as visitor parking lots, swimming pools, advertisement bulletin boards and club houses. The Acquisition will enable the Group to expand the Group's market share in the property management market in the PRC.

As mentioned in the 2015 annual report of the Group and the prospectus of the Company dated 13 November 2015, the property management market is currently quite fragmented, where a trend of industry consolidation is expected. Though 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. As the Target Group's projects and properties under management are mainly located in the prime business district of Ningbo City, Zhejiang Province, covered by convenient transportation networks, the Board believes that upon Completion, the Group will be able to enlarge its portfolio of projects and properties under management and provide additional income to the Group.

The Directors consider that the Agreement has been entered into on normal commercial terms and that such terms are fair and reasonable so far as the Group and the Shareholders are concerned and that the entering into of the Agreement is in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECTS TO THE GROUP AS A RESULT OF THE ACQUISITION

Immediately upon Completion, the Target Group will become a 70% owned subsidiary of the Group and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Based on the audited financial results of the Group for the year ended 31 December 2015 and the audited financial results of the Target Group as at 31 December 2015 and assuming Completion had taken place on 1 January 2015, the revenue of the Group is expected to increase from approximately RMB420.2 million to approximately RMB690.3 million, while the profit attributable to owners of the Group is expected to increase from approximately RMB10.9 million to approximately RMB18.2 million.

Assuming that the Acquisition has been completed on 31 December 2015, the consolidated total assets of the Group would increase from approximately RMB710.8 million to approximately RMB922.0 million as a result of the consolidation of the assets of the Target Group with those of the Group. The consolidated total liability of the Group would increase from approximately RMB209.1 million to approximately RMB400.1 million due to the consolidation of the liabilities of the Target Group with those of the Group. As a result, the consolidated net assets of the Group would increase from approximately RMB501.7 million to approximately RMB521.9 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

RISKS ASSOCIATED WITH THE ACQUISITION

Set out below are certain risks associated with the Acquisition:

Completion of the Acquisition is subject to the fulfilment of the conditions precedent

As set out in the Agreement, completion of the Acquisition is subject to the fulfilment of the conditions precedent contained therein. Such conditions including, among others, the obtaining of all necessary approvals and consents in relation to the Acquisition and that there is no assurance that all such conditions precedent could be fulfilled or satisfied. In the event that any of the conditions precedent cannot be fulfilled and that it is not capable of being waived by the parties, the Acquisition will not proceed to Completion, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

Event of force majeure may affect the Target Group

The business of the Target Group is subject to general market conditions in the PRC. Natural disasters, epidemics, disasters and other events of force majeure that are beyond the control of the Target Group may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. The business, financial condition and operating results of the Target Group may be materially and adversely affected if any of these events of force majeure occurs in the areas in which the Target Group operates.

Increasing competition in the property management market may adversely affect the business and financial condition of the Target Group

The property management market in the PRC is highly fragmented with the barrier to entry low. As the property market in the PRC is becoming mature, there are more participants springing up in the market and the market is increasingly competitive. Potential competitors may include major property developers in the PRC and property management focused companies. Potential competitors may have greater marketing, financial and technical resources, greater economies of scale, broader name recognition, and more established track records and relationships in certain markets. If the Target Group fails to respond to changes in market conditions quickly and effectively than its competitors, the business, results of operations and financial condition of the Target Group could be adversely affected.

Changes in PRC laws and regulations may materially and adversely affect business performance of the Target Group

There is no assurance that the PRC Government will maintain the existing laws and regulations with respect to the business operation of the Target Group. Any changes in the relevant laws or regulations may materially and adversely affect the business or financial positions of the Target Group.

External factors could affect the financial condition and results of the Target Group

Financial condition and results of the Target Group can be impacted by external factors, such as the economy growth rate or interest rate. During periods of lagging economy growth or rising interest rates, the property industry will underperform in general. It is unable to predict the future economy or interest rate fluctuations, any of which could materially and adversely affect our financial condition and results of the Target Group.

A significant decrease in liquidity of the Target Group could negatively affect its business

Although the Company does not expect that significant fund injection is required by the Target Group, maintaining adequate liquidity remains essential to a smooth operation of the Target Group. When cash generated from the Target Group is not sufficient to meet its daily operation and liquidity requirements, its business, financial condition and results of operation could be materially and adversely affected.

The Company may encounter difficulties in effectively implementing management and supervision of its investment in the Target Group

The Target Group as a whole is self-operated entity in the PRC. The Company as a new shareholder may encounter difficulties in ensuring that the Target Group is effectively and consistently managed within each subsidiary. The Company is not always able to effectively detect or prevent on a timely basis operational or management problems, including fraud, bribery and other misconduct, or ensure that information received is accurate, timely or sufficient. If the Company is unable to effectively implement management and supervision of the operation of the Target Group, its business, results of operations, financial condition and prospects could be materially and adversely affected.

LEGAL AND REGULATORY ENVIRONMENT OF THE TARGET GROUP

This section sets forth a summary of the most significant PRC laws and regulations that affect the property management industry in which the Target Group operates.

The Qualification of Property Management Enterprises

According to the Regulation on Property Management (《物業管理條例》) (Order No. 379 of the State Council), which was promulgated by the State Council on 8 June 2003, and came into effect on 1 September 2003 and was amended on 26 August 2007 and further on 6 February 2016, a qualification system for enterprises engaging in property management activities has been adopted. According to the Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》) (Order No. 125 of the MOHURD) (the "Property Management Enterprises Qualification Measure"), which was promulgated by the MOHURD on 17 March 2004, came into effect on 1 May 2004 and was amended on 26 November 2007 and further on 4 May 2015, a newly established property management enterprise shall, within 30 days from the date of the receipt of its business license, apply for the property management qualification to the competent real estate administration department of the people's government of the municipalities directly under the PRC government or cities divided into districts in the locality of its industry and commerce registration. The competent departments of qualification examination and approval shall review the qualification and issue property management qualification certificates to the property management enterprises which meet the conditions for the corresponding qualification class.

According to the Property Management Enterprises Qualification Measure, the qualifications of a property management enterprise shall be classified into first, second and third classes. For the different classes of the qualification, the Property Management Enterprises Qualification Measure has laid out specific criteria for each class. Applicants have to meet detailed requirements in relation to their (i) registered capital; (ii) number of professional employees; (iii) types of properties managed; and (iv) areas of different types of properties managed. The competent construction administration department of the State Council shall be responsible for the issuance and administration of the first class qualification certificate of the property management enterprises. The competent construction administration departments of the people's government of provinces and autonomous regions shall be responsible for the issuance and administration of the second class qualification certificate of the property management enterprises, and the competent construction administration departments of the people's governments of municipalities directly under the central government shall be responsible for the issuance and administration of the second and the third class qualification certificate of the property management enterprises. The competent construction administration departments of the people's government of the cities divided into districts shall be responsible for the issuance and administration of the third class qualification certificate of the property management enterprises.

Property management enterprises with the first class qualification are permitted to undertake any real estate management projects. The property management enterprises with the second class qualification are permitted to undertake the real estate management of residential projects under 300,000 sq. m. and non-residential projects under 80,000 sq. m. The property management enterprises with the third class qualification are permitted to undertake the real estate management of residential projects under 200,000 sq. m. and non-residential projects under 50,000 sq. m. Property management enterprises must undergo annual inspections to maintain qualifications.

If property management enterprises do not obtain the qualification certificates for property management enterprises, or if the projects they undertake exceed the operation scope of their qualification grade, the property management enterprises may be ordered to surrender any income unlawfully earned from such activities and pay a fine.

The Qualification of Personnel Engaged in Property Management

According to the Regulation on Property Management (《物業管理條例》) (Order No. 379 of the State Council), which was promulgated by the State Council on 8 June 2003, and came into effect on 1 September 2003 and was amended on 26 August 2007 and further on 6 February 2016, personnel which engage in property management shall obtain the relevant professional license pursuant to relevant national regulations. However, there are different local interpretations of the relevant professional license for personnel engage in property management.

Pursuant to Interim Provisions on the Certified Property Manager System (物業管理師制度暫行規定), which took effect from 16 November 2005, the professional manager engages in real property management work shall pass the national uniform examination, obtain the "Certified Property Manager's Qualification Certificate of the People's Republic of China" (hereinafter referred to as "Qualification Certificate"), and the "Certified Property Manager's Registration Certificate of the People's Republic of China" after lawful registration (hereinafter referred to as "Registration Certificate"). However, according to Decision of the State Council on Issues concerning Cancelling and Adjusting a Batch of Administrative Examination and Approval Items (國務院關於取消和調整一批行政審批項目等事項的決定) (Guo Fa (2015) No. 11), which took effect from February 2015, the system of registration of certified property manager has been cancelled and no Registration Certificate is required for managers engaged in the business of property management.

According to the Notice on Issues about the standards of personnel certificate in the Qualification License Practice of Property Management Enterprise (關於物業服務企業資質許可中人員崗位證書標準等有關問題的通知) (Yue Jian Fang Han (2010) No. 700) promulgated by The Housing and Construction Department of Guangdong Province (廣東省住房和城鄉建設廳), which took effect from 24 December 2010, "personnel which engage in property management shall obtain the relevant professional license" means the managers of the property management services shall obtain the "Certified Property Manager's Qualification Certificate of the People's Republic of China" which is issued by the Ministry of Personnel and the Ministry of Construction, or the property management enterprise manager certificate, the property management department manager certificate, the property management project manager certificate which are issued by the Construction Ministry or its counterpart in Guangdong Province, or the property management administer post certificate issued by the property management industry association of Guangdong Province (廣東省物業管理行業協會). Pursuant to regulatory documents issued by the Housing and Urban-Rural Department of the PRC on 26 January 2011, the requirement for property management enterprise manager, department manager and project manager to be trained and certified has been cancelled.

Appointment of the Property Management Enterprise

According to the Law on Property (《物權法》) (Order No. 62 of the President of the PRC), which was promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 October 2007, property owners can either manage the buildings and the ancillary facilities by themselves, or entrust the matter to a property management enterprise or other custodians. Property owners are entitled, according to the laws, to replace the property management enterprise or other custodians employed by the developer. Property management enterprises or other custodians shall manage the buildings and the ancillary facilities within the district of the building as entrusted by the owners, and shall be subject to the supervision by the owners.

According to the Regulation on Property Management (《物業管理條例》), a general meeting of the property owners in a property can engage or dismiss the property management enterprise with affirmative votes of owners who exclusively own more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners. Before the formal engagement with a property management enterprise by a general meeting of the owners, a written initial service contract shall be signed between the construction institutions (for example, a property development enterprise) and a property management enterprise. The property management contract sets out the terms according to which the property management enterprise undertakes to repair, maintain and manage of all installations and equipment within the relevant buildings and ancillary areas. The initial service contract shall be terminated once a property management contract is signed between the property owners' associations and the property management enterprise.

According to the Temporary Measures on the Tendering and Bidding for Initial Property Management Services (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang 2003 No. 130), which was promulgated by the MOHURD on 26 June 2003 and came into effect on 1 September 2003, initial property management services shall be conducted by the property management enterprise employed by the developer before any property management enterprise has been engaged by the property owners and owners' association. The developer of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of the same and corresponding qualification through the process of tendering and bidding. Developers shall establish a bid evaluation committee consisting of an odd number of five or more members, at least two thirds of whom shall be property management experts who are not representatives of the developer issuing the tender. The property management experts shall be selected on a random basis from a list of experts compiled by the local real estate administrative department. In cases where there are less than three bidders or the property is of minor scale, upon the approval of the competent real estate administration department of people's government of the district and county in the locality of the property, the developer of the property may engage a property management enterprise directly through a contract.

Fees Charged by Property Management Enterprises

According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) (Fa Gai Jia Ge 2003 No. 1864), which was jointly promulgated by the NDRC and the MOHURD on 13 November 2003 and came into effect on 1 January 2004, property management enterprises are permitted to charge fees from property owners for the maintenance, conservation and management of properties, ancillary facilities and related grounds, and the maintenance of the environmental sanitation and public order of relevant areas according to relevant property management contracts.

The relevant price administration department and construction administration department of the State Council shall be jointly responsible for the supervision over and administration of the fees charged by property management enterprises nationwide. The relevant price administration departments of the local government above county level and the relevant property administration departments of the same level shall be jointly responsible for the supervision over and administration of the fees charged by property management enterprises in their respective administrative regions.

The fees charged by property management enterprises shall be based on government guidance prices or market-regulated prices in accordance with the different nature and features of properties of various kinds. The specific pricing principles shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality directly under the central government.

As agreed between the property owners and property management enterprise, the fees for the property management services can be charged either as a lump sum of all property management fees collected, in which case the property owners pay fixed property management fees to the property management enterprise who shall enjoy or assume all the profits or losses as its own risk, or a fixed percentage of the property management fees collected, in which case the property management enterprise may collect its service fees in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management contract, and property owners shall enjoy or assume the surplus or shortage.

Property management enterprises shall charge service fees at an expressly marked price in accordance with the regulations of the competent price administration departments of the people's government, and display its service items and standards, charged items and standards and other related contents on the noticeable positions in the management areas publicly.

According to the Regulation on Property Management Service Fee with Clear Price Tag (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian 2004 No. 1428), which was promulgated by the NDRC and the MOHURD on 19 July 2004 and came into effect on 1 October 2004, property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property management contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there is any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

If property management enterprises fail to adopt the government guidance prices according to the regional regulations, they may be ordered to surrender any income unlawfully earned from such activity, pay a fine, or in more serious cases may be ordered to cease their business operations until their noncompliance has been rectified.

Regulations on Parking Service Fees

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (《關於城市停車設施規劃建設及管理的指導意見》) (Jian Cheng 2010 No. 74), which was jointly promulgated by the MOHURD, the MPS and the NDRC and came into effect on 19 May 2010, a licensed management system shall be adopted with market access and exit standards and the open, fair and equitable selection of professional urban parking service enterprises. According to the Measures on Parking Service Fees for Vehicles (《機動車停放服務收費管理辦法》) (Ji Jia Ge 2000 No. 933), which was promulgated by the NDRC on 14 July 2000 and came into effect on 1 September 2000, the competent price administration departments of the local government above the county level shall be responsible for the management of the charges for parking service fees for vehicles.

Parking service fees for vehicles are determined under three basic pricing principles including market-regulated pricing, government guided pricing and government pricing. The specific pricing shall be determined by the price administration departments of the people's government of each province, autonomous region and municipality directly under the central government on the basis of the number of vehicles and the supply-demand relationship of parking service in their respective administrative regions. Open parking lots and underground parking lots in residential areas shall follow the government guided pricing and government pricing, while parking lots of hotels and office buildings shall follow market-regulated prices.

The formulation or adjustment of standards for parking service fees adopting government guided pricing or government pricing shall be applied by the operators of the parking lots and approved by the relevant price administration department of the local government.

Parking service fees shall be charged at expressly marked prices. The operator shall display the price notice in a noticeable position in the parking lot and toll gates, indicating the type of vehicles, service items, charging units and standards and telephone numbers for complaints and information in order to be supervised by members of the public.

EXTRAORDINARY GENERAL MEETING

The Company will convene the Extraordinary General Meeting at Suite Nos. 5 and 6, 9th Floor, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Hong Kong, on Thursday, 15 September 2016 at 2:00 p.m. to consider and if thought fit, approve the Agreement and the transactions contemplated thereunder. A notice of the Extraordinary General

Meeting is set out on pages EGM-1 to EGM-2 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the Extraordinary General Meeting will be by poll.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is interested in the Acquisition and the acquisition of the remaining 30% interests in the Target Company and will be required to abstain from voting in relation to the resolutions to be proposed at the Extraordinary General Meeting to approve the Agreement, the further acquisitions, and the transactions contemplated thereunder.

A form of proxy for use in connection with the Extraordinary General Meeting is enclosed with this circular. Whether or not you intend to attend the Extraordinary General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed hereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event by not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjourned meeting thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting (or any adjourned meeting thereof) should they so wish.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from Tuesday, 13 September, 2016 to Thursday, 15 September, 2016 (both days inclusive). No transfer of Shares will be registered during that period. In order to qualify to attend and vote at the Extraordinary General Meeting, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 September, 2016.

RECOMMENDATION

The Directors consider that the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and accordingly recommend that all Shareholders should vote in favour of the ordinary resolution set out in the notice of Extraordinary General Meeting.

FURTHER INFORMATION

Your attention is drawn to the other sections and appendices in this circular, which contain further information about the Target Group, the Enlarged Group and other information that need to be disclosed in accordance with the Listing Rules. You should consider carefully all the information set out in the circular before making a decision about the Agreement and the transactions contemplated thereunder at the Extraordinary General Meeting or dealing in the securities of the Company.

By Order of the Board
Zhong Ao Home Group Limited
Liu Jian
Chairman

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

26 August 2016

The Directors
Zhong Ao Home Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 浙江永成物業管理有限公司 Zhejiang Yongcheng Property Management Company Limited* (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") for each of the three years ended 31 December 2015 and the five months ended 31 May 2016 (the "Relevant Periods") for inclusion in a circular issued by Zhong Ao Home Group Limited ("Zhong Ao") dated 26 August 2016 in connection with the proposed acquisition of 70% equity interest in the Target Company (the "Circular") by Zhong Ao.

The Target Company is a private limited liability company established in the People's Republic of China (the "PRC") on 9 February 1999. It is engaged in the provision of property management services and other related services.

At the end of each reporting period and at the date of this report, the Target Company has direct and indirect interests in the following subsidiaries:

				Equity interest attributable to the Target Company						
				At 31 December			At 31 May	At the date of		
Name of company	Place of establishment	Date of establishment	Registered capital	2013	2014	2015	2016	this report	Principal activities	Legal form
			RMB	*%*	*%*	*%*	*%*	*%*		
Directly held:										
寧波雷斯頓酒店物業服務有限公司 Ningbo Reston Hotel Property Management Services Co., Ltd.* ("Ningbo Reston")	PRC	27 July 2001	5,000,000	100	100	100	100	100	Provision of property management services	Limited liability company
寧波甬興物業管理有限公司 Ningbo Yongxing Property Management Co., Ltd.* ("Ningbo Yongxing")	PRC	26 March 1996	1,000,000	54	54	54	54	54	Provision of property management services	Limited liability company

Name of company	Place of establishment	Date of establishment	Registered capital	Equity interest attributable to the Target Company At 31 December 2013	2014	2015	At 31 May 2016	At the date of this report	Principal activities	Legal form
			RMB	*%*	*%*	*%*	*%*	*%*		
寧波國晨裝飾工程有限公司 Ningbo Guochen Decoration Engineering Co., Ltd.* ("Guochen Decoration")	PRC	7 August 2015	2,000,000	—	—	100	100	100	Inactive	Limited liability company
寧波永都電梯工程有限公司 Ningbo Yongdu Elevator Engineering Co., Ltd.* ("Yongdu Elevator")	PRC	22 August 2011	1,500,000	65	65	85	85	85	Provision of engineering services and sales of engineering spare parts	Limited liability company
寧波永都裝飾工程有限公司 Ningbo Yongdu Decoration Engineering Co., Ltd.* ("Yongdu Decoration")	PRC	23 December 2013	1,000,000	70	70	70	70	70	Provision of engineering services	Limited liability company
寧波永鐸電子商務有限公司 Ningbo Yongduo Electronic Commerce Co., Ltd.* ("Yongduo Commerce")	PRC	6 May 2015	5,000,000	—	—	100	100	100	Sales of engineering spare parts	Limited liability company
寧波東逸房產銷售有限公司 Ningbo Dongyi Property Sales Co., Ltd.* ("Dongyi Sales")	PRC	25 August 2015	2,000,000	—	—	100	100	100	Inactive	Limited liability company
寧波高新區永成餐飲服務有限公司 Ningbo Hign-tech Zone Yongcheng Catering Services Co., Ltd.* ("Yongcheng Catering")	PRC	24 March 2009	100,000	100	100	100	100	100	Provision of catering services	Limited liability company
Indirectly held:										
寧波江北永都弱電工程有限公司 Ningbo Jiangbei Yongdu Weak Current Engineering Co., Ltd.* ("Yongdu Weak Current")	PRC	14 May 2014	200,000	—	88	88	88	88	Provision of engineering services and sales of engineering spare parts	Limited liability company

At the end of each reporting period and at the date of this report, the Target Group has direct interests in the following associates:

Name of company	Place of establishment	Date of establishment	Registered capital	Equity interest attributable to the Target Group					Principal activities	Legal Form
				At 31 December			At 31 May	At the date of this report		
				2013	2014	2015	2016			
			RMB	*%*	*%*	*%*	*%*	*%*		
寧波永都置業有限公司 Ningbo Yongdu Property Co., Ltd.* ("Yongdu Property")	PRC	29 July 2009	30,000,000	20	20	20	20	20	Property development	Limited liability company
寧波江北區永都廣告傳媒有限公司 Ningbo Jiangbei District Yongdu Advertising Media Co., Ltd.* ("Yongdu Advertising")	PRC	30 August 2012	100,000	20	20	20	20	20	Provision of advertising services	Limited liability company

At the end of each reporting period and at the date of this report, the Target Group has direct interests in the following joint ventures:

Name of company	Place of establishment	Date of establishment	Registered capital	Equity interest attributable to the Target Group					Principal activities	Legal Form
				At 31 December			At 31 May	At the date of this report		
				2013	2014	2015	2016			
			RMB	*%*	*%*	*%*	*%*	*%*		
寧波永都房產銷售有限公司 Ningbo Yongdu Property Sales Co., Ltd.* ("Yongdu Sales")	PRC	15 March 2012	1,000,000	35	35	35	35	35	Provision of real estate agency services	Limited liability company
寧波永都菁菁廣告有限公司 Ningbo Yongdu Jingjing Advertising Co., Ltd.* ("Jingjing Advertising")	PRC	15 March 2012	1,000,000	29	29	29	29	29	Inactive	Limited liability company

* *The English name is for identification purpose only.*

The financial year end date of the Target Company and its subsidiaries is 31 December.

No audited statutory financial statements have been prepared for Ningbo Reston, Ningbo Yongxing, Guochen Decoration, Yongdu Elevator, Yongdu Decoration, Yongdu Weak Current, Yongduo Commerce, Dongyi Sales and Yongcheng Catering, since their respective date of establishment as there is no statutory audit requirement in the jurisdiction where they were established.

The statutory financial statements of the Target Company were prepared in accordance with the relevant accounting principles and financial regulations for enterprises established in the PRC (the "PRC GAAP") and was audited by the following certified public accountant registered in the PRC.

Name of company	Periods covered	Name of auditor
Target Company	For the years ended 31 December 2013, 2014 and 2015	寧波世明會計師事務所有限公司

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with the accounting policies conforming with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Target Company who approved their issue. The directors of Zhong Ao are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

As set out in note 17 to the Financial Information, the Target Group's investment in Yongdu Property, an associate of the Target Group, is carried at its investment cost of RMB6,000,000 on the consolidated statements of financial position as at 31 December 2013, 2014 and 2015 and 31 May 2016, and the Target Group has not (i) equity accounted for its share of the net assets of Yongdu Property as at 31 December 2013, 2014 and 2015 and 31 May 2016 and share of the result of Yongdu Property for the Relevant Periods; (ii) assessed whether any impairment of its interest in Yongdu Property is necessary; and (iii) disclosed the summarised financial information of Yongdu Property and any other relevant disclosure, as required by Hong Kong Accounting Standard 28 (as revised in 2011) "Investments in Associates and Joint Ventures" and HKFRS 12 "Disclosure of Interests in Other Entities" issued by the HKICPA. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the carrying amount of the Target Group's investment in Yongdu Property as at 31 December 2013, 2014 and 2015 and 31 May 2016 and the Target Group's share of results and other comprehensive income and expenses of Yongdu Property for the Relevant Periods as we were denied access to the financial information, auditor and management of Yongdu Property. We were therefore unable to determine whether any adjustments to these amounts were necessary.

In our opinion, except for the possible effects of the matter described in the above paragraph, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 31 May 2016, and of the financial performance and cash flows of the Target Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Target Group for the five months ended 31 May 2015 together with the notes thereon have been extracted from the Target Group's unaudited consolidated financial information for the same period (the "May 2015 Financial Information") which was prepared by the directors of the Target Company solely for the purpose of this report. We conducted our review on the May 2015 Financial Information 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. Our review of the May 2015 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the May 2015 Financial Information. We were unable to obtain sufficient appropriate evidence to satisfy ourselves about the carrying amount of the Target Group's investment in Yongdu Property as at 31 May 2015 and the Target Group's share of results and other comprehensive income and expenses of Yongdu Property for the five months ended 31 May 2015 as we were denied access to the financial information, auditor and management of Yongdu Property. We were therefore unable to determine whether any adjustments to these amounts were necessary. Based on our review, except the Target Group has not (i) equity accounted for its share of the net assets of Yongdu Property as at 31 May 2015 and share of the result of Yongdu Property for the five months ended 31 May 2015; and (ii) assessed whether any impairment of its interest in Yongdu Property is necessary, as required by Hong Kong Accounting Standard 28 (as revised in 2011) "Investments in Associates and Joint Ventures" issued by the HKICPA, in the May 2015 Financial Information, nothing has come to our attention that causes us to believe that the May 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Period ended 31 May	
		2013	2014	2015	2015	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*8*	191,661	226,935	270,124	101,766	122,352
Cost of sales and services		(154,715)	(183,373)	(213,321)	(81,213)	(95,714)
Gross profit		36,946	43,562	56,803	20,553	26,638
Other income	*9*	9,627	10,804	10,800	5,315	10,411
Other gains and losses	*10*	(3,982)	(2,693)	(5,549)	(2,414)	(4,260)
Change in fair value of investment properties	*16*	—	(2,990)	(632)	(2,600)	1,300
Administrative expenses		(22,435)	(24,345)	(24,963)	(10,151)	(11,789)
Selling and distribution expenses		(2,980)	(3,724)	(4,096)	(1,638)	(2,237)
Share of result of an associate		28	(6)	(26)	(26)	—
Share of results of joint ventures		144	262	385	144	50
Finance costs	*11*	(2,437)	(2,966)	(2,260)	(1,060)	(809)
Profit before tax		14,911	17,904	30,462	8,123	19,304
Income tax expense	*12*	(6,098)	(6,821)	(10,245)	(3,519)	(6,828)
Profit for the year/period	*14*	8,813	11,083	20,217	4,604	12,476
Profit and total comprehensive income for the year/period attributable to:						
— Owners of the Target Company		9,122	11,324	19,709	4,466	11,200
— Non-controlling interests		(309)	(241)	508	138	1,276
		8,813	11,083	20,217	4,604	12,476

Consolidated Statements of Financial Position

	Notes	At 31 December			At 31 May
		2013	2014	2015	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current Assets					
Property, plant and equipment	*15*	11,937	11,189	12,666	12,050
Investment properties	*16*	—	38,700	86,340	87,640
Interests in associates	*17*	6,032	6,026	6,000	6,000
Interests in joint ventures	*18*	769	1,031	1,416	1,466
Amounts due from non-controlling equity holders of the subsidiaries	*25*	4,300	4,298	4,298	4,298
Deferred tax assets	*19*	1,893	3,466	4,769	5,456
		24,931	64,710	115,489	116,910
Current Assets					
Inventories		936	1,763	880	1,715
Trade and other receivables	*20*	56,605	77,290	95,336	121,681
Amounts due from directors	*21*	4,899	6,729	7,323	8,254
Amount due from an associate	*22*	55,549	44,977	12,410	3,401
Amount due from a joint venture	*23*	—	19	—	—
Amounts due from equity holders of the Target Company	*24*	137	50	468	618
Amount due from a non-controlling equity holder of a subsidiary	*25*	350	—	—	—
Financial assets designated at fair value through profit or loss	*26*	4,500	—	—	—
Bank balances and cash	*27*	21,787	22,321	29,545	26,417
		144,763	153,149	145,962	162,086

	Notes	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 31 May 2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current Liabilities					
Trade and other payables	*28*	85,820	105,426	120,552	132,832
Amounts due to associates	*29*	1	1	9,960	1
Amounts due to joint ventures	*30*	440	1,584	1,240	1,989
Amounts due to equity holders of the Target Company	*31*	—	150	10	12
Amounts due to non-controlling equity holders of the subsidiaries	*32*	—	1,550	1,310	1,310
Tax liabilities		6,640	13,249	18,323	21,280
Borrowings	*33*	31,290	39,290	33,530	32,570
		124,191	161,250	184,925	189,994
Net Current Assets (Liabilities)		20,572	(8,101)	(38,963)	(27,908)
Total Assets less Current Liabilities		45,503	56,609	76,526	89,002
Capital and Reserves					
Paid-in capital	*34*	5,000	5,000	5,000	5,000
Reserves		37,106	48,430	68,482	79,682
Equity attributable to:					
Owners of the Target Company		42,106	53,430	73,482	84,682
Non-controlling interests		3,397	3,179	3,044	4,320
Total Equity		45,503	56,609	76,526	89,002

Consolidated Statements of Changes in Equity

	Attributable to owners of the Target Company						
	Paid-in capital	Statutory reserve	Special reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000* *(note a)*	*RMB'000* *(note b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	5,000	2,911	—	25,073	32,984	3,406	36,390
Profit and total comprehensive income for the year	—	—	—	9,122	9,122	(309)	8,813
Capital contribution by a non-controlling equity holder of a subsidiary	—	—	—	—	—	300	300
Transfer	—	64	—	(64)	—	—	—
At 31 December 2013	5,000	2,975	—	34,131	42,106	3,397	45,503
Profit and total comprehensive income for the year	—	—	—	11,324	11,324	(241)	11,083
Capital contribution by a non-controlling equity holder of a subsidiary	—	—	—	—	—	23	23
Transfer	—	174	—	(174)	—	—	—
At 31 December 2014	5,000	3,149	—	45,281	53,430	3,179	56,609
Profit and total comprehensive income for the year	—	—	—	19,709	19,709	508	20,217
Acquisition of additional interests in a subsidiary from a non-controlling equity holder	—	—	343	—	343	(643)	(300)
Transfer	—	747	—	(747)	—	—	—
At 31 December 2015	5,000	3,896	343	64,243	73,482	3,044	76,526
Profit and total comprehensive income for the period	—	—	—	11,200	11,200	1,276	12,476
Transfer	—	414	—	(414)	—	—	—
At 31 May 2016	5,000	4,310	343	75,029	84,682	4,320	89,002
Unaudited							
At 1 January 2015	5,000	3,149	—	45,281	53,430	3,179	56,609
Profit and total comprehensive income for the period	—	—	—	4,466	4,466	138	4,604
Transfer	—	240	—	(240)	—	—	—
At 31 May 2015	5,000	3,389	—	49,507	57,896	3,317	61,213

Notes:

(a) According to the relevant laws in the PRC, the PRC subsidiaries are required to transfer at least 10% of their net profit after taxation to a statutory reserve until the reserve balance reaches 50% of the register capital. The transfer to this reserve must be made before distribution of a dividend to equity owners. The statutory reserve can be used to offset previous years' losses, if any. The statutory reserve may also be used to increase capital or to meet unexpected or future losses. The statutory reserve is non-distributable other than upon liquidation.

(b) Special reserve arising from the acquisition of additional interests in a subsidiary from a non-controlling equity holder. It represents the difference between the consideration paid and the adjustment to the non-controlling interests in the subsidiary. Details are disclosed in note 35.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	14,911	17,904	30,462	8,123	19,304
Adjustments for:					
Change in fair value of investment properties	—	2,990	632	2,600	(1,300)
Depreciation of property, plant and equipment	2,131	2,361	2,411	687	995
Impairment losses recognised on receivables	4,159	3,301	5,616	2,577	4,049
Share of result of an associate	(28)	6	26	26	—
Share of results of joint ventures	(144)	(262)	(385)	(144)	(50)
Loss on disposal of property, plant and equipment	—	—	86	—	—
Investment income on financial assets designated as fair value through profit or loss	—	(14)	—	—	—
Bank interest income	(10)	(9)	(32)	(8)	(13)
Interest income on amounts due from an associate	(2,437)	(2,966)	(1,199)	(1,060)	(58)
Finance costs	2,437	2,966	2,260	1,060	809
Operating cash flows before movements in working capital	21,019	26,277	39,877	13,861	23,736
(Increase) decrease in inventories	(500)	(827)	883	478	(835)
Increase in trade and other receivables	(38,669)	(23,986)	(23,662)	(20,547)	(30,394)
Increase in trade and other payables	35,256	19,606	15,126	6,552	12,280
Cash generated from operations	17,106	21,070	32,224	344	4,787
Income taxes paid	(952)	(1,785)	(6,474)	(3,895)	(4,558)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	16,154	19,285	25,750	(3,551)	229

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES					
Advances to directors	(4,197)	(7,399)	(7,531)	(3,594)	(2,114)
Advance to an associate	(5,000)	(72,105)	(47,808)	(30,735)	(17,852)
Advance to a joint venture	—	(19)	—	—	—
Advance to equity holders of the Target Company	(50)	—	(800)	—	(150)
Advances to non-controlling equity holders of a subsidiary	(300)	—	—	—	—
Purchase of property, plant and equipment	(1,767)	(1,613)	(4,204)	(1,056)	(379)
Purchase of financial assets designated as fair value through profit or loss	(4,500)	—	—	—	—
Repayments from directors	2,432	5,569	6,937	2,590	1,183
Repayment from an associate	5,800	43,953	33,302	33,052	26,919
Repayment from a joint venture	—	—	19	19	—
Repayments from equity holders of the Target Company	13	87	382	—	—
Repayments to non-controlling equity holders of the subsidiaries	5	352	—	—	—
Redemption of financial assets designated as fair value through profit or loss	—	4,500	—	—	—
Investment income from financial assets designated as fair value through profit or loss	—	14	—	—	—
Interest received	10	9	32	8	13
Proceeds from disposal of property, plant and equipment	—	—	230	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(7,554)	(26,652)	(19,441)	284	7,620

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCING ACTIVITIES					
Advances from associates	27	—	28,740	4,288	2,800
Advances from joint ventures	—	1,900	800	800	2,105
Advances from equity holders of the Target Company	—	150	35	232	2
Advances from non-controlling equity holders of the subsidiaries	—	1,550	1,660	—	—
New bank borrowings raised	31,290	49,290	62,530	27,290	2,330
Repayments to associates	(70)	—	(18,781)	(1,965)	(12,759)
Repayments to joint ventures	150	(756)	(1,144)	(106)	(1,356)
Repayments to equity holders of the Target Company	—	—	(175)	(200)	—
Repayment to a non-controlling equity holder of a subsidiary	—	—	(1,900)	—	—
Capital contribution from non-controlling equity holders of a subsidiary	300	23	—	—	—
Acquisition of additional interests in a subsidiary from a non-controlling equity holder	—	—	(300)	—	—
Repayments of bank borrowings	(34,300)	(41,290)	(68,290)	(39,290)	(3,290)
Interest paid	(2,437)	(2,966)	(2,260)	(1,060)	(809)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(5,040)	7,901	915	(10,011)	(10,977)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,560	534	7,224	(13,278)	(3,128)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	18,227	21,787	22,321	22,321	29,545
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD AND REPRESENTED BY					
Bank balances and cash	21,787	22,321	29,545	9,043	26,417

Notes to the Financial Information

1. GENERAL

The Target Company was established as a limited liability company in the PRC. Its ultimate controlling equity holder is Mr. He Xiaoyong, who is also a director of the Target Company. The address of its registered office and principal place of business is Suite No. 703, Block 3, International Village, Lane No.198, Fanjiang'an Road, Jiang Bei District, Ningbo, Zhejiang, the PRC. The principal activities of the Target Group are the provision of property management services and other related services.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company. The Financial Information for the Relevant Periods is prepared solely for the purpose of including the financial information of the Target Group in the circular of Zhong Ao in connection with the proposed acquisition of 70% equity interest in the Target Company by Zhong Ao.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because the equity owners of the Target Company has agreed to provide adequate funds to the Target Group to meet its obligations as they fall due in the foreseeable future including at least the next twelve months from the date of the Circular should the Acquisition be incomplete, and, Zhong Ao has agreed to provide adequate funds to the Target Group to meet its obligations as they fall due in the foreseeable future including at least the next twelve months from the date of the Circular should the Acquisition be completed.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied all the HKFRSs which are applicable to the financial period beginning on 1 January 2016 throughout the Relevant Periods.

The HKICPA has issued the following new standards and amendments, which are not yet effective for the Relevant Periods. The Target Group has not early applied these new standards and amendments.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 "Financial Instruments"

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

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

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

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

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

HKFRS 15 "Revenue from Contracts with Customers"

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

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

Except for the above impact, the management of the Target Group do not anticipate that the application of other new standards and amendments will have significant impact on the Target Group's Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial information of the Target Company and entities controlled by the Target Company and/or its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Target Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains controls until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the Financial Information of subsidiaries to bring their accounting policies in line with those used by other members of the Target Group.

All intra-group assets and liabilities, equity, income and expenses, and cash flows relating to the transactions among the members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein.

Changes in the Target Group's ownership interests in existing subsidiaries

Changes in the Target Group's ownership interests in existing subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

Interests in associates and joint ventures

An associate is an entity over which the Target Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and joint ventures are incorporated in this Financial Information using the equity method of accounting. The financial statements of an associate and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Under the equity method, investments in an associate or joint ventures are initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the an associate and joint ventures. When the Target Group's share of losses of an associate or joint venture exceeds the Target Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate or joint venture), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Target Group's investments in associates an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Target Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Target Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Target Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Target Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Target Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or joint venture of the Target Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Financial Information only to the extent of interests in an associate and joint ventures that are not related to the Target Group.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Target Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Target Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Target Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Property management services income under lump sum basis and property management services income under commission basis

The Target Group charged property management fees in respect of the property management services on a lump sum basis and on a commission basis. Revenue is recognised when services are provided.

On a lump sum basis, the Target Group are entitled to retain the full amount of received property management fees. By receiving such property management fees, the Target Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Target Group collected is not sufficient to cover all the expenses incurred, the Target Group is not entitled to request the property owners to pay the shortfall.

Accordingly, on a lump sum basis, the Target Group recognises as revenue the full amount of property management fees the Target Group charged to the property owners and property developers when services are provided, and recognises the expenses as costs of services the Target Group incurred in connection with performing our services.

On a commission basis, the Target Group is entitled to only a pre-determined percentage of the property management fees the property owners and property developers are obligated to pay. The remainder of the management fee is used as property management working capital to cover the property management expenses associated with the property management work. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally rolled over to the next annual period, and the balance is added to receipts on behalf of residents on the statement of financial position. In the event of a shortfall of working capital to pay for the relevant property management expenses, the Target Group may need to make up for the shortfall and pay on behalf of the community management offices first, with a right to recovering from the residents subsequently.

On a commission basis, the Target Group essentially acts as an agent of the property owners and property developers and accordingly, the Target Group only recognises as its revenue the pre-determined percentage of property management fees when services are provided.

Ancillary services income, sales assistance services income under lump sum basis, engineering service income and catering services income

Related services income are recognised when related services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily taken a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit during the year/period. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from Goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangement except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than those classified as fair value through profit and loss ("FVTPL"), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are generally classified as loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL of the Target Group represent those designated as at FVTPL on initial recognition. A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss do not includes the investment income earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors, an associate, a joint venture, equity holders of the Target Company and non-controlling equity holders of the subsidiaries and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment loss of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and other payables, amounts due to associates, joint ventures, equity holders of the Target Company and non-controlling equity holders of the subsidiaries and borrowings are measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire and when it substantially transfers all the risks and rewards of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4, the management of the Target Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Target Company have reviewed the Target Group's investment property portfolios and concluded that the Target Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Target Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Target Group has recognised the deferred taxes on changes in fair value of investment properties as the Target Group is subject to enterprise income tax. The carrying amounts of deferred taxation on investment properties at 31 December 2013, 2014 and 2015 and 31 May 2016 were nil, RMB748,000, RMB906,000 and RMB581,000, respectively.

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

When there is an objective evidence of impairment loss, the Target Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, 2014 and 2015 and 31 May 2016, the carrying amounts of the Target Group's trade receivables are RMB45,885,000, RMB61,519,000, RMB70,701,000 and RMB91,928,000, respectively net of allowance of RMB7,572,000, RMB10,873,000, RMB15,453,000 and RMB19,502,000, respectively.

Useful lives of property, plant and equipment

The Target Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. These estimates may change in the future that may increase depreciation change where useful lives are less than previously estimates. The carrying amounts of property, plant and equipment at 31 December 2013, 2014 and 2015 and 31 May 2016 were RMB11,937,000, RMB11,189,000, RMB12,666,000 and RMB12,050,000, respectively.

Fair value measurements and valuation processes

The investment properties of the Target Group are measured at fair value for financial reporting purposes. The Chief Financial Officer of the Target Company has set up a valuation team, which is headed up by the Chief Financial Officer of the Target Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an investment property, the Target Group uses market-observable data to the extent it is available. The Target Group engages a third party qualified valuer to perform the valuation. The valuation team works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Target Company periodically to explain the cause of fluctuations in the fair value of the investment properties.

6. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of amounts due to associates, joint ventures, equity holders of the Target Company and non-controlling equity holders of the subsidiaries, borrowings, net of bank balances and cash and equity attributable to owners of the Target Company comprising paid-in capital and reserves as disclosed in the Financial Information.

The management of the Target Group reviews the capital structure regularly. The Target Group considers the cost of capital and the risks associated with each class of capital, will balance its overall capital structure through raising new capital and distributions paid as well as the issue of new debts or the repayment of existing debts.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	140,862	153,582	147,482	162,342
Financial assets designated as at FVTPL	4,500	—	—	—
	145,362	153,582	147,482	162,342
Financial liabilities				
Amortised cost	102,514	130,302	150,254	150,284

b. Financial risk management objectives and policies

The Target Group's financial instruments include trade and other receivables, financial assets designated as at FVTPL, amounts due from directors, an associate, a joint venture, equity holders of the Target Company and non-controlling equity holders of the subsidiaries, bank balances and cash, trade and other payables, amounts due to associates, joint ventures, equity holders of the Target Company and non-controlling equity holders of the subsidiaries and borrowings. Details of these financial instruments are disclosed in respective notes.

The management of the Target Group monitors and manages the financial risks relating to the operations of the Target Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below and remained unchanged during the Relevant Periods. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank borrowings. The Target Group is also exposed to fair value interest rate risk related to interest bearing portion of amount due from an associate.

The Target Group currently does not use any derivative contracts to hedge its exposure to cash flow or fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Target Group's cash flow interest rate risk is concentrated on the fluctuation of the Benchmark Borrowing Rate of the People's Bank of China ("Benchmark Rate").

Sensitivity analysis

Bank balances

The management of the Target Group considered that interest rate risk of bank balances is insignificant.

Variable-rate bank borrowings

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable-rate bank borrowings at the end of the reporting period. A 50 basis points increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change of interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's post-tax profit for the years ended 31 December 2013, 2014 and 2015 and five months ended 31 May 2016 would decrease/increase by approximately RMB110,000, RMB54,000, RMB87,000 and RMB31,000.

Credit risk

At the end of each reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

In order to minimise the credit risk, the management of the Target Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade and other debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Target Group consider that the Target Group's credit risk is significantly reduced.

The Target Group had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of customers, who are residents in the residential communities managed by the Target Group under lump sum basis. However, the Target Group had concentration of credit risk in respective of amounts due from directors, an associate, a joint venture, equity holders of the Target Company and non-controlling equity holders of the subsidiaries. The details are disclosed in respective notes. The management of the Target Group considered that the credit risk of amounts due from directors, an associate, a joint venture, equity holders of the Target Company and non-controlling equity holders of the subsidiaries is insignificant after considering the credit quality and financial resources of these counterparties.

The Target Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

Liquidity risk

The Target Group has net current liabilities of RMB8,101,000, RMB38,963,000 and RMB27,908,000 as at 31 December 2014, 31 December 2015 and 31 May 2016, respectively. It is currently dependent upon the continuing financial support from its equity owners, who have agreed to provide adequate funds to enable the Target Group to meet its financial obligations in full as they fall due in the foreseeable future including at least the next twelve months from the date of the Circular should the Acquisition be incomplete, and, Zhong Ao has agreed to provide adequate funds to the Target Group to meet its financial obligations as they fall due in the foreseeable future including at least the next twelve months from the date of the Circular should the Acquisition be completed. In this regard, the directors of the Target Company consider that the Target Group's liquidity risk has been reduced.

Liquidity and interest risk tables

The following tables detail the Target Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The Target Group

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013						
Trade and other payables	—	11,252	59,531	—	70,783	70,783
Amounts due to associates	—	1	—	—	1	1
Amounts due to joint ventures	—	440	—	—	440	440
Borrowings						
— fixed rates	7.20%	—	36	2,016	2,052	2,000
— variable rates	8.07%	—	14,766	15,003	29,769	29,290
		11,693	74,333	17,019	103,045	102,514
As at 31 December 2014						
Trade and other payables	—	15,601	72,126	—	87,727	87,727
Amounts due to associates	—	1	—	—	1	1
Amounts due to joint ventures	—	1,584	—	—	1,584	1,584
Amounts due to equity holders of the Target Company	—	150	—	—	150	150
Amounts due to non-controlling equity holders of the subsidiaries	—	1,550	—	—	1,550	1,550
Borrowings						
— fixed rates	7.20%	—	450	25,088	25,538	25,000
— variable rates	7.28%	—	6,508	8,057	14,565	14,290
		18,886	79,084	33,145	131,115	130,302

	Weighted average effective interest rate	Repayable on demand	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015						
Trade and other payables	—	22,836	81,368	—	104,204	104,204
Amounts due to associate	—	9,960	—	—	9,960	9,960
Amounts due to joint ventures	—	1,240	—	—	1,240	1,240
Amounts due to equity holders of the Target Company	—	10	—	—	10	10
Amounts due to non-controlling equity holders of the subsidiaries	—	1,310	—	—	1,310	1,310
Borrowings						
— fixed rates	5.85%	—	151	10,525	10,676	10,240
— variable rates	5.56%	—	3,622	20,327	23,949	23,290
		35,356	85,141	30,852	151,349	150,254
As at 31 May 2016						
Trade and other payables	—	27,544	86,858	—	114,402	114,402
Amounts due to associates	—	1	—	—	1	1
Amounts due to joint ventures	—	1,989	—	—	1,989	1,989
Amounts due to equity holders of the Target Company	—	12	—	—	12	12
Amounts due to non-controlling equity holders of the subsidiaries	—	1,310	—	—	1,310	1,310
Borrowings						
— fixed rates	5.85%	—	183	12,658	12,841	12,570
— variable rates	5.55%	—	20,117	—	20,117	20,000
		30,856	107,158	12,658	150,672	150,284

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

c. **Fair value**

Fair values of the Target Group's financial assets that is measured at fair value on a recurring basis

The following table gives information about how the fair value of the financial asset is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at 31 December			Fair value as at 31 May	Fair value hierarchy
	2013	**2014**	**2015**	**2016**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets designated as at FVTPL	4,500	—	—	—	Level 3

For the valuation of structured deposits classified as financial assets designated as at FVTPL, the valuation is by reference to the discounted cash flows. Key unobservable inputs included expected yields of debt instruments and treasury notes invested by a bank and a discount rate that reflects the credit risk of the bank.

The management of the Target Group considers that the impact of the fluctuation in expected yields of the debt instruments to the fair value of the structured deposits was insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

Fair value of the Target Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Target Group estimates the fair value of their financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Target Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair value.

8. REVENUE AND SEGMENT INFORMATION

Management of the Target Group determines the operating segment based on the information reported to the Target Group's chief operating decision maker, being the directors of the Target Company. During the Relevant Period, the chief operating decision maker assesses the operating performance and allocates the resources of the Target Group as a whole as the Target Group is primarily engaged in the property management service in the PRC. Accordingly, there is only one operating and reportable segment and no further segment information analysis is presented.

Revenue from major services and sales of goods

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management services income under lump sum basis	163,782	196,452	229,790	88,000	107,449
Property management services income under commission basis	188	262	654	268	274
Ancillary services income	4,872	5,029	4,988	2,160	3,164
Sales assistance services income under lump sum basis *(note)*	—	900	1,973	763	502
Engineering services and catering services	21,406	20,992	28,973	9,173	10,481
Sales of engineering spare parts	1,413	3,300	3,746	1,402	482
	191,661	226,935	270,124	101,766	122,352

Note: Such amounts represent property management service income from property developers for their sales centers.

Geographical information

The Target Group's revenue from external customers is principally derived from its operations and services rendered in the PRC.

All the non-current assets employed by the Target Group are located in the PRC by location of assets.

Information about major customers

During the years ended 31 December 2013, 2014 and 2015 and periods ended 31 May 2015 and 2016, there was no revenue from transactions with a single external customer amounted to 10% or more of the Target Group's total revenue.

9. OTHER INCOME

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	10	9	32	8	13
Interest income on amount due from an associate	2,437	2,966	1,199	1,060	58
Unconditional government grants *(note)*	7,150	7,540	9,519	4,232	10,254
Penalty income	30	275	15	10	3
Investment income on financial assets designated as at FVTPL	—	14	—	—	—
Rental income from investment properties	—	—	35	5	83
	9,627	10,804	10,800	5,315	10,411

Note: The amount represents the grants received from the relevant PRC local governments to encourage the development of property management industry. The subsidies are unconditional and granted to the Target Group on a discretionary basis.

10. OTHER GAINS AND LOSSES

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Impairment loss recognised on trade receivables	(2,409)	(3,301)	(4,580)	(2,577)	(4,049)
Impairment loss recognised on other receivables	(1,750)	—	(1,036)	—	—
Loss on disposal of property, plant and equipment	—	—	(86)	—	—
Others	177	608	153	163	(211)
	(3,982)	(2,693)	(5,549)	(2,414)	(4,260)

11. FINANCE COSTS

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank borrowings wholly repayable within one year	2,437	2,966	2,260	1,060	809

12. INCOME TAX EXPENSE

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC Enterprise Income Tax ("**EIT**")	6,700	8,394	11,548	4,813	7,515
Deferred tax *(note 19)*					
Current year	(602)	(1,573)	(1,303)	(1,294)	(687)
	6,098	6,821	10,245	3,519	6,828

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

The income tax expense for the year/period can be reconciled to the profit before tax as follows:

	Year ended 31 December			Period ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	14,911	17,904	30,462	8,123	19,304
Tax at the PRC EIT rate of 25%	3,728	4,476	7,616	2,031	4,826
Tax effect of share of result of an associate	(7)	2	7	7	—
Tax effect of share of results of joint ventures	(36)	(66)	(96)	(36)	(13)
Tax effect of expenses not deductible for tax purpose *(note a)*	1,238	1,600	2,196	1,194	1,518
Tax effect of deductible temporary difference not recognised	438	—	259	—	—
Tax effect of tax losses not recognised	889	1,328	1,085	752	741
Utilisation of tax losses previously not recognised	(137)	(501)	(696)	(400)	(129)
Tax effect of subsidiaries with preferential tax rate *(note b)*	(15)	(18)	(126)	(29)	(115)
Income tax expense	6,098	6,821	10,245	3,519	6,828

Notes:

(a) During the years ended 31 December 2013, 2014 and 2015 and periods ended 31 May 2015 and 2016, expenses not deductible mainly included welfare and entertainment expenses exceeding the tax deduction limits under the EIT Law.

(b) Preferential tax rate represents the PRC income tax rate applied by the small low-profit enterprise, which range from 10% to 20%.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Target Company during the Relevant Periods who are as follow:

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' fee	—	—	—	—	—
Other emoluments					
— salaries and other benefits	363	644	916	394	352
— discretionary bonus	—	—	—	—	—
— contributions to retirement benefit scheme	29	33	34	14	15
	392	677	950	408	367

	Fee	Salaries and other benefits	Discretionary Bonus	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013					
Directors					
Mr. He Xiaoyong	—	76	—	9	85
Mr. Wang Chenliang	—	100	—	9	109
Mr. Zhang Aiguo	—	187	—	11	198
Mr. Cui Guofu	—	—	—	—	—
Ms. Li Cuiyue	—	—	—	—	—
	—	363	—	29	392
Year ended 31 December 2014					
Directors					
Mr. He Xiaoyong	—	75	—	11	86
Mr. Wang Chenliang	—	221	—	10	231
Mr. Zhang Aiguo	—	348	—	12	360
Mr. Cui Guofu	—	—	—	—	—
Ms. Li Cuiyue	—	—	—	—	—
	—	644	—	33	677

	Fee	Salaries and other benefits	Discretionary Bonus	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015					
Directors					
Mr. He Xiaoyong	—	273	—	11	284
Mr. Wang Chenliang	—	219	—	10	229
Mr. Zhang Aiguo	—	424	—	13	437
Mr. Cui Guofu	—	—	—	—	—
Ms. Li Cuiyue	—	—	—	—	—
	—	916	—	34	950
Period ended 31 May 2015 (unaudited)					
Directors					
Mr. He Xiaoyong	—	131	—	5	136
Mr. Wang Chenliang	—	86	—	4	90
Mr. Zhang Aiguo	—	177	—	5	182
Mr. Cui Guofu	—	—	—	—	—
Ms. Li Cuiyue	—	—	—	—	—
	—	394	—	14	408
Period ended 31 May 2016					
Directors					
Mr. He Xiaoyong	—	97	—	5	102
Mr. Wang Chenliang	—	85	—	4	89
Mr. Zhang Aiguo	—	170	—	6	176
Mr. Cui Guofu	—	—	—	—	—
Ms. Li Cuiyue	—	—	—	—	—
	—	352	—	15	367

Mr. He Xiaoyong is the chief executive officer of the Target Company, and his emoluments disclosed above include those for services rendered by him as chief executive officer during the Relevant Periods.

The directors' emoluments of Mr. He Xiaoyong, Mr. Wang Chenliang and Mr. Zhang Aiguo shown above were for their services in connection with the management of the affairs of the Target Group.

The five highest paid individuals of the Target Group included 1 director for the years ended 31 December 2013, 2014 and period ended 31 May 2016, and 2 directors for the year ended 31 December 2015 and for the period ended 31 May 2015 (unaudited). The remunerations of the remaining 4 individuals of the years ended 31 December 2013 and 2014 and period ended 31 May 2016 and 3 individuals of the year ended 31 December 2015 and period ended 31 May 2015 (unaudited) are as follow:

	Year ended 31 December			Period ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	697	992	825	325	490
Contributions to retirement benefit scheme	25	31	28	10	13
	722	1,023	853	335	503

Their emoluments were within the following band:

	Year ended 31 December			Period ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	No. of employee	*No. of employee*	*No. of employee*	*No. of employee* (unaudited)	*No. of employee*
Nil to HK$1,000,000 (equivalent to nil to RMB840,000)	4	4	3	3	4

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors of the Target Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Target Group or as compensation for loss of office. In addition, no directors waived any emoluments during the Relevant Periods.

14. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Period ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging:					
Directors' emoluments *(note 13)*	392	677	950	408	367
Other staff's salaries and other benefits	117,978	123,111	154,106	58,038	66,637
Other staff's contributions to retirement benefit scheme	17,794	19,437	24,921	11,175	12,178
Total staff costs	136,164	143,225	179,977	69,621	79,182
Gross rental income from investment properties	—	—	(35)	(5)	(83)
Less: direct operating expenses from investment properties that generated rental income	—	—	3	1	7
	—	—	(32)	(4)	(76)
Auditor's remuneration	25	14	40	17	17
Depreciation for property, plant and equipment	2,131	2,361	2,411	687	995

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2013	9,321	1,972	3,411	4,712	19,416
Additions	—	522	452	793	1,767
At 31 December 2013	9,321	2,494	3,863	5,505	21,183
Additions	—	809	632	172	1,613
At 31 December 2014	9,321	3,303	4,495	5,677	22,796
Additions	—	639	648	2,917	4,204
Disposals	—	—	—	(335)	(335)
At 31 December 2015	9,321	3,942	5,143	8,259	26,665
Additions	—	1	224	154	379
At 31 May 2016	9,321	3,943	5,367	8,413	27,044
DEPRECIATION					
At 1 January 2013	765	651	2,287	3,412	7,115
Provided for the year	460	733	434	504	2,131
At 31 December 2013	1,225	1,384	2,721	3,916	9,246
Provided for the year	442	822	531	566	2,361
At 31 December 2014	1,667	2,206	3,252	4,482	11,607
Provided for the year	443	714	546	708	2,411
Eliminated on disposals	—	—	—	(19)	(19)
At 31 December 2015	2,110	2,920	3,798	5,171	13,999
Provided for the period	198	216	240	341	995
At 31 May 2016	2,308	3,136	4,038	5,512	14,994
CARRYING VALUES					
At 31 December 2013	8,096	1,110	1,142	1,589	11,937
At 31 December 2014	7,654	1,097	1,243	1,195	11,189
At 31 December 2015	7,211	1,022	1,345	3,088	12,666
At 31 May 2016	7,013	807	1,329	2,901	12,050

The above items of property, plant and equipment are depreciated on a straight-line basis at the following period:

Buildings	20 years
Leasehold improvement	3 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	4 years

At 31 December 2013, 2014 and 2015 and 31 May 2016, buildings of RMB8,096,000, RMB7,654,000, RMB7,211,000 and RMB7,013,000 were pledged to secure certain banking facilities granted to the Target Group, respectively.

16. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2013 and 31 December 2013	—
Additions	41,690
Net change in fair value recognised in profit or loss	(2,990)
At 31 December 2014	38,700
Additions	48,272
Net change in fair value recognised in profit or loss	(632)
At 31 December 2015	86,340
Net change in fair value recognised in profit or loss	1,300
At 31 May 2016	87,640

All of the Target Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

At 31 December 2014 and 2015 and 31 May 2016, investment properties of RMB38,700,000, RMB70,435,000 and RMB71,495,000 were pledged to secure certain banking facilities granted to the Target Group, respectively.

The fair values of completed investment properties at 31 December 2014, 31 December 2015 and 31 May 2016 were determined by reference to valuations carried out by Savills Real Estate Valuation (Beijing) Company Limited, the independent qualified professional valuer not connected with the Target Group. The fair values of the investment properties were determined by the valuer on the following basis:

Completed investment properties	—	by reference to market evidence of transaction prices for comparable properties in the similar locations and conditions

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following tables give information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

At 31 December 2014

Investment properties	Fair value	Fair value hierarchy	Valuation techniques and key input	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range (weighted average)
	RMB'000				
Completed residential units located at Ningbo, Zhejiang Province	38,700	Level 2	Direct comparison method — based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property. Key input — market unit price per square metre.	N/A	N/A

At 31 December 2015

Investment properties	Fair value	Fair value hierarchy	Valuation techniques and key input	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range (weighted average)
	RMB'000				
Completed residential units located at Ningbo, Zhejiang Province	86,340	Level 2	Direct comparison method — based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property. Key input — market unit price per square metre.	N/A	N/A

At 31 May 2016

Investment properties	Fair value	Fair value hierarchy	Valuation techniques and key input	Significant unobservable inputs (relationship of unobservable inputs to fair value)	Range (weighted average)
	RMB'000				
Completed residential units located at Ningbo, Zhejiang Province	87,640	Level 2	Direct comparison method — based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property. Key input — market unit price per square metre.	N/A	N/A

17. INTERESTS IN ASSOCIATES

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment, unlisted	6,020	6,020	6,020	6,020
Share of post-acquisition results, net of dividends received	12	6	(20)	(20)
	6,032	6,026	6,000	6,000

The Target Group's interests in associates are as follows:

Name of company	Place of establishment	Date of establishment	Registered capital	Proportion of ownership interest held by — At 31 December 2013	2014	2015	At 31 May 2016	At the date of this report	Principal activities
			RMB	*%*	*%*	*%*	*%*	*%*	
Yongdu Property *(note)*	PRC	29 July 2009	30,000,000	20	20	20	20	20	Property development
Yongdu Advertising *(note)*	PRC	30 August 2012	100,000	20	20	20	20	20	Provision ofadvertising services

Note: Yongdu Property and Yongdu Advertising are accounted for as associates of the Target Group as in accordance with the their Articles of Association, major financial and operating policies of Yongdu Property and Yongdu Advertising require consent with simple majority in the respective board of directors. The Target Group has the right to appoint two out of five directors in the board of Yongdu Property and Yongdu Advertising respective, thus, the Target Group is only able to exercise significant influence in Yongdu Property and Yongdu Advertising.

As the management of the Target Company did not have access to the financial information and management of Yongdu Property, the Target Group's investment in Yongdu Property is carried at its investment cost of RMB6,000,000 as at 31 December 2013, 2014 and 2015 and 31 May 2016, and as such the Target Group has not (i) equity accounted for its share of the net assets of Yongdu Property as at 31 December 2013, 2014 and 2015 and 31 May 2016 and share of the result of Yongdu Property for the Relevant Periods; (ii) assessed whether any impairment of its interest in Yongdu Property is necessary; and (iii) disclosed the summarised financial information of Yongdu Property, as required by Hong Kong Accounting Standard 28 (as revised in 2011) "Investments in Associates and Joint Ventures" and HKFRS 12 "Disclosure of Interests in Other Entities" issued by the HKICPA.

Yongdu Advertising is considered to be immaterial to the Target Group and the financial information of the Yongdu Advertising is set out below:

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Information of associate that is not individually material					
The Target Group's share of profit (loss) and total comprehensive income for the year/period	28	(6)	(26)	(26)	—

18. INTERESTS IN JOINT VENTURES

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment, unlisted	640	640	640	640
Share of post-acquisition results, net of dividends received	129	391	776	826
	769	1,031	1,416	1,466

The Target Group's interests in joint ventures are as follows:

Name of company	Place of establishment	Date of establishment	Registered capital	Proportion of ownership interest held by: At 31 December 2013	2014	2015	At 31 May 2016	At the date of this report	Principal activities
			RMB	%	%	%	%	%	
Yongdu Sales *(note)*	PRC	15 March 2012	1,000,000	35	35	35	35	35	Provision of real estate agency services
Jingjing Advertising *(note)*	PRC	15 March 2012	1,000,000	29	29	29	29	29	Inactive

Note: According to the Article of Association of Yongdu Sales and Jingjing Advertising, the board of directors is responsible in daily operations and management of Yongdu Sales and Jingjing Advertising that, unanimous consent of the directors is required on making decisions on relevant activities. Each of the investors cannot direct the activities without consensus of the others, and each party cannot individually control Yongdu Sales or Jingjing Advertising. Therefore, Yongdu Sales and Jingjing Advertising are accounted for as joint ventures of the Target Group.

Joint ventures of the Target Group are considered to be immaterial and the financial information of the aggregate of the immaterial joint ventures is set out below:

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Aggregate information of joint venture that is not individually material					
The Target Group's share of profit and total comprehensive income for the year/period	144	262	385	144	50

19. DEFERRED TAXATION

The following is the major deferred tax asset recognised and movements thereon during the Relevant Period:

	Allowance on doubtful debt on trade receivables	Change in fair value of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	1,291	—	1,291
Credit to profit or loss	602	—	602
At 31 December 2013	1,893	—	1,893
Credit to profit or loss	825	748	1,573
At 31 December 2014	2,718	748	3,466
Credit to profit or loss	1,145	158	1,303
At 31 December 2015	3,863	906	4,769
Credit (charge) to profit or loss	1,012	(325)	687
At 31 May 2016	4,875	581	5,456

At the end of the reporting period, the Target Group has unused tax losses of RMB4,809,000, RMB8,117,000, RMB9,673,000 and RMB12,121,000 as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

				31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2017	1,253	398	301	—
2018	3,556	2,407	—	—
2019	—	5,312	5,032	4,815
2020	—	—	4,340	4,342
2021	—	—	—	2,964
	4,809	8,117	9,673	12,121

The Target Group has deductible temporary differences of RMB1,750,000, RMB1,750,000, RMB2,786,000 and RMB2,786,000 as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively in respect of the impairment loss on other receivables. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against while the deductible temporary differences can be utilised.

20. TRADE AND OTHER RECEIVABLES

		At 31 December			At 31 May
	Notes	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables		53,457	72,392	86,154	111,430
Less: allowance for doubtful debts		(7,572)	(10,873)	(15,453)	(19,502)
Total trade receivables		45,885	61,519	70,701	91,928
Other receivables:					
Deposits	*(a)*	3,405	3,484	4,481	4,726
Advances to staffs		2,213	1,440	1,499	1,912
Prepayments		547	648	394	400
Payments on behalf of residents	*(b)*	3,338	9,086	17,928	22,422
Other tax recoverable		5	14	5	15
Others		2,962	2,849	3,114	3,064
		12,470	17,521	27,421	32,539
Less: allowance for doubtful debts		(1,750)	(1,750)	(2,786)	(2,786)
Total other receivables		10,720	15,771	24,635	29,753
Total		56,605	77,290	95,336	121,681

Notes:

(a) The balance represented the deposits paid to utilities suppliers for the community residents.

(b) The balance represented the payments on behalf of community residents for settlement of the utilities bills from utilities suppliers.

Trade receivables are mainly arisen from property management income.

Property management services income from providing property management services are required to be settled by property owners and property developers within 60 days upon the issuance of demand note. The settlement pattern of the property management services income from property management services are normally within 60 days to 90 days after the issuance of demand note to the property owners and property developers.

The following is an aged analysis of trade receivables presented based on date of demand note at the end of each reporting period, which approximated the respective revenue recognition dates:

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	3,804	5,321	5,325	12,619
31 to 90 days	7,038	8,415	9,610	19,893
91 to 180 days	11,478	14,094	16,666	22,164
181 to 365 days	13,720	19,586	22,749	21,323
Over 1 year	9,845	14,103	16,351	15,929
	45,885	61,519	70,701	91,928

Credit limits attributed to customers are reviewed once a year. In determining the recoverability of a trade receivable, the Target Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of reporting period and no impairment is necessary for those balances which are neither past due nor impaired as they have good repayment history with the Target Group.

Included in the Target Group's trade receivable balance are receivables with aggregate carrying amount of RMB40,322,000, RMB54,094,000, RMB62,973,000 and RMB74,319,000 at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively, which are past due as at the end of the reporting period for which the Target Group has not provided for impairment loss. The Target Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables from the property management services, the Target Group estimates the recoverable amount of the trade receivables in each community managed by the Target Group. Considering the subsequent settlement for each of trade receivables, impairment allowance is provided mainly to certain communities of which the property management services are provided, in the opinion of the management of the Target Group, necessary impairment allowance has been made in respect of the unsettled balances of trade receivables.

Aging of past due but not impaired trade receivables

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 90 days	5,279	6,311	7,207	14,903
91 to 180 days	11,478	14,094	16,666	22,164
181 to 365 days	13,720	19,586	22,749	21,323
Over 1 year	9,845	14,103	16,351	15,929
	40,322	54,094	62,973	74,319

Movement in the allowance for doubtful trade and other receivables

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning of the reporting period	5,163	9,322	12,623	18,239
Impairment losses recognised on receivables	4,159	3,301	5,616	4,049
Balance at end of the reporting period	9,322	12,623	18,239	22,288

Included in the allowance for doubtful receivables are individually impaired trade and other receivables with an aggregate balance of RMB9,322,000, RMB12,623,000, RMB18,239,000 and RMB22,288,000. With reference to the historical collection experience of these receivables, these balances may not be recoverable. The Target Group does not held any collateral over these balances.

21. AMOUNTS DUE FROM DIRECTORS

Particulars of amounts due from directors, also the equity holders of the Target Company are as follows:

	At 1 January	At 31 December			At 31 May
	2013	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors					
Mr. Wang Chenliang	150	150	150	207	207
Mr. He Xiaoyong	2,984	4,749	6,579	7,116	8,047
	3,134	4,899	6,729	7,323	8,254

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

	Maximum amount outstanding during			
	Year ended 31 December			Period ended 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Mr. Wang Chenliang	150	150	382	207
Mr. He Xiaoyong	7,231	12,148	13,878	9,230

22. AMOUNT DUE FROM AN ASSOCIATE

Particulars of amount due from an associate is as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of an associate				
Yongdu Property	55,549	44,977	12,410	3,401

The amount due from Yongdu Property as at 31 December 2013, 2014 and 2015 is non-trade nature, unsecured, carrying interest at rate of 8.01% per annum, 7.35% per annum and 5.65% per annum and repayable on demand. The amount due from Yongdu Property as at 31 May 2016 is non-trade nature, unsecured, interest-free and repayable on demand.

23. AMOUNT DUE FROM A JOINT VENTURE

Particulars of amounts due from a joint venture is as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of a joint venture				
Yongdu Sales	—	19	—	—

The amount due from Yongdu Sales is non-trade nature, unsecured, interest-free and repayable on demand.

24. AMOUNTS DUE FROM EQUITY HOLDERS OF THE TARGET COMPANY

Particulars of amounts due from equity holders of the Target Company are as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of equity holders of the Target Company				
Ms. Qi Kangning	87	50	50	50
Ms. Cen Wei	50	—	418	418
Mr. Lv Yikang	—	—	—	150
	137	50	468	618

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE FROM NON-CONTROLLING EQUITY HOLDERS OF THE SUBSIDIARIES

Particulars of amounts due from non-controlling equity holders of the subsidiaries are as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of non-controlling equity holders of the subsidiaries				
Ms. Chen Wei	350	—	—	—
Ms. Xu Jingjing	300	298	298	298
Ms. Dong Ping'er	4,000	4,000	4,000	4,000
	4,650	4,298	4,298	4,298
Analysed for reporting purpose as:				
Current	350	—	—	—
Non-current	4,300	4,298	4,298	4,298
	4,650	4,298	4,298	4,298

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

26. FINANCIAL ASSETS DESIGNATED AS AT FVTPL

During the year ended 31 December 2013, the Target Group has entered into a structured deposit contract with a bank. The principal amount was guaranteed but the return was not guaranteed by the bank. The contract has been classified as at financial assets designated as at FVTPL on initial recognition. The expected return rate stated in the contract as 2.7% per annum for the years ended 31 December 2013 and 2014.

In the opinion of the management of the Target Group, the fair value of the structured deposit at 31 December 2013 approximated their principal amount. The structured deposit held by the Target Group as at 31 December 2013 has been subsequently settled during the year ended 31 December 2014 at its principal amount together with return which approximated the expected return.

27. BANK BALANCES AND CASH

The Target Group collects monies from community residents to establish daily repair and maintenance funds in accordance with the relevant rules and regulations in the PRC. All of the monies collected are required to be kept in designated bank accounts under the name of the relevant subsidiaries of the Target Group although the monies collected and the related interest income belong to the community residents and pursuant to the property management agreements between the Target Group and the community residents the withdrawal and use of the funds is subject to approval by the community residents. As the monies maintained for daily repair and maintenance funds are not controlled by the Target Group, they are not recognised as bank balances of the Target Group. As at 31 December 2013, 2014 and 2015 and 31 May 2016, RMB1,901,000, RMB5,655,000, RMB10,551,000 and RMB11,956,000 are kept in daily repair and maintenance funds on behalf of the community residents, respectively.

The Target Group's bank balances carry interest at prevailing interest rates which range from 0.35% to 0.42% per annum, for the years ended 31 December 2013, 2014 and 2015 and the period ended 31 May 2016, respectively.

28. TRADE AND OTHER PAYABLES

		At 31 December			At 31 May
	Notes	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables		1,137	4,346	1,748	1,789
Other payables:					
Receipts on behalf of residents	*(a)*	38,390	42,928	51,857	55,544
Receipts in advances	*(b)*	11,505	12,834	13,253	16,848
Deposits received	*(c)*	6,953	8,372	10,799	10,039
Accrued staff costs		22,323	29,788	37,451	44,435
Other tax payables		3,532	4,865	3,095	1,582
Others		1,980	2,293	2,349	2,595
Total other payables		84,683	101,080	118,804	131,043
Total		85,820	105,426	120,552	132,832

Notes:

(a) The balances represented the receipts on behalf of community residents to settle the utilities bills from utilities suppliers.

(b) The balances represented the advance payment from customers for settlement of management service fee.

(c) The balances represented the deposits paid by the community residents during the period when their relevant property is under refurbishment.

The credit period granted by suppliers to the Target Group ranges from 30 to 60 days during the Relevant Periods. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	1,137	4,038	1,059	845
61–180 days	—	181	171	482
181–365 days	—	—	23	116
Over 1 year	—	127	495	346
	1,137	4,346	1,748	1,789

29. AMOUNTS DUE TO ASSOCIATES

Particular of amounts due to associates are as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of associates				
Yongdu Property	—	—	9,959	—
Yongdu Advertising	1	1	1	1
	1	1	9,960	1

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

30. AMOUNTS DUE TO JOINT VENTURES

Particulars of amounts due to joint ventures are as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of joint ventures				
Yongdu Sales	150	1,294	950	1,699
Jingjing Advertising	290	290	290	290
	440	1,584	1,240	1,989

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

31. AMOUNTS DUE TO EQUITY HOLDERS OF THE TARGET COMPANY

Particulars of amounts due to equity holders of the Target Company are as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of equity holders of the Target Company				
Ms. Cen Wei	—	150	—	—
Ms. Gui Chenyi	—	—	10	10
Mr. He Guodong	—	—	—	2
	—	150	10	12

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

32. AMOUNTS DUE TO NON-CONTROLLING EQUITY HOLDERS OF THE SUBSIDIARIES

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of non-controlling equity holders of subsidiaries				
Ms. Chen Wei	—	950	710	710
Ms. Xu Jingjing	—	600	600	600
	—	1,550	1,310	1,310

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

33. BORROWINGS

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured and unguaranteed bank borrowings	3,000	36,000	13,530	12,570
Secured and guaranteed bank borrowings	3,290	3,290	20,000	20,000
Unsecured and guaranteed bank borrowings	25,000	—	—	—
	31,290	39,290	33,530	32,570
Carrying amount repayable within one year	31,290	39,290	33,530	32,570
Variable-rate bank borrowings	29,290	14,290	23,290	20,000
Fixed-rate bank borrowings	2,000	25,000	10,240	12,570
	31,290	39,290	33,530	32,570

The range of effective interest rates (which are the contracted interest rates) on the Target Group's borrowings are as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
Fixed-rate bank borrowings	7.20% per annum	7.20% per annum	5.85% per annum	5.85% per annum
Variable-rate bank borrowings				
Benchmark rate	+1.68% to 2.40% per annum	+1.68% to 2.40% per annum	+1.20% to 1.80% per annum	+1.20% per annum

The amounts due are based on scheduled repayment date set out in the loan agreements. The bank borrowings are denominated in RMB. Other than the assets pledged as disclosed in notes 15 and 16 of the Financial Information, bank borrowings of RMB28,290,000, RMB3,290,000, RMB20,000,000 and RMB20,000,000 as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively, have been guaranteed by:

(i) Target Company;

(ii) 浙江華展工程研究設計院有限公司, a shareholder of an associate of the Target Group;

(iii) Mr. He Xiaoyong, Mr. Zhang Aiguo, Mr. Cui Guofu, Ms. Li Cuiyue and Mr. Wang Chenliang, the directors and equity holders of the Target Company;

(iv) Ms. Dong Ping'er, the non-controlling equity holder of the subsidiaries;

(v) Mr. Lv Yikang, Ms. Cen Wei and Ms. Qi Kangning, the equity holders of the Target Company; and

(vi) Ms. Jiang Yali, a former equity holder of the Target Company.

34. PAID-IN CAPITAL

The amount represents the registered and paid-up capital of the Target Company. During the Relevant Periods, there had been no capital injection or redemption occurred.

35. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

During the year ended 31 December 2015, the Target Group acquired additional 20% equity interests in Yongdu Elevator from a non-controlling equity holder, and the Target Group's shareholding of Yongdu Elevator increased from 65% to 85%. The difference between the cash consideration of RMB300,000 and proportionate share of Yongdu Elevator's net assets amounting to RMB643,000 attributable to the non-controlling equity holders was recognised in the special reserve of RMB343,000.

36. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2014 and 2015, amounts due from Yongdu Property, an associate of the Target Group, including principal and interest receivables at an aggregate amount of RMB41,690,000, RMB48,272,000, respectively have been settled by investment properties of Yongdu Property transferred to the Target Group.

37. OPERATING LEASES

The Target Group as lessor

At the end of each reporting period, the Target Group had contracted with tenants for the following future minimum lease payments:

	Year ended 31 December			Period ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within one year	—	—	162	37	68

Property rental income represents rentals receivables by the Target Group for investment properties. Leases are negotiated and rentals are fixed for terms of one year.

38. RETIREMENT BENEFIT PLAN

The employees of the PRC entities are members of a state-managed retirement benefit scheme operated by the government of the PRC. The Target Group is required to contribute 34% of the total monthly basic salaries of its current employees to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income amounted to RMB17,823,000, RMB19,470,000, RMB24,955,000, RMB11,189,000 (unaudited) and RMB12,193,000 for the years ended 31 December 2013, 2014 and 2015 and the periods ended 31 May 2015 and 2016, respectively.

39. RELATED PARTY DISCLOSURES

(a) Related parties transactions

During the Relevant Periods, the Target Group entered into the following significant transactions with Yongdu Property, an associate of the Target Group, as follows:

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income	2,437	2,966	1,199	1,060	58
Settlement of amount due from an associate by investment properties	—	41,690	48,272	31,700	—
Property management service income	113	419	239	131	59

(b) Compensation of key management personnel

The remuneration of key management personnel during the Relevant Periods was as follows:

	Year ended 31 December			Period ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	1,157	1,792	2,176	718	842
Post-employment benefits	62	71	71	24	28
	1,219	1,863	2,247	742	870

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

40. FINANCIAL SUMMARY OF THE TARGET COMPANY

STATEMENTS OF FINANCIAL POSITION

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current Assets				
Property, plant and equipment	11,475	10,615	11,482	10,962
Investment properties	—	38,700	84,795	86,082
Investments in subsidiaries	5,311	5,411	5,711	5,711
Interests in associates	6,020	6,020	6,020	6,020
Interests in joint ventures	640	640	640	640
Amounts due from related parties	4,000	4,000	4,000	4,000
Deferred tax assets	1,893	3,466	4,767	5,457
	29,339	68,852	117,415	118,872
Current Assets				
Trade and other receivables	45,966	63,005	68,543	110,363
Amounts due from directors	4,823	6,504	7,248	8,178
Amount due from an associate	46,197	38,903	—	3,401
Amount due from a related party	350	—	—	—
Amounts due from equity holders	137	50	468	618
Amounts due from subsidiaries	38	23	198	1,069
Bank balances and cash	12,729	14,115	14,004	16,057
	110,240	122,600	90,461	139,686
Current Liabilities				
Trade and other payables	66,816	78,977	78,299	102,982
Amount due to an associate	1	1	9,067	1
Amounts due to joint ventures	440	1,074	730	1,940
Amounts due to related parties	—	1,550	1,310	1,310
Amounts due to equity holders	—	150	—	—
Amounts due to subsidiaries	5,295	10,817	7,128	30,062
Tax liabilities	6,186	13,088	17,485	15,141
Borrowings	20,000	36,000	30,240	30,240
	98,738	141,657	144,259	181,676
Net Current Assets (Liabilities)	11,502	(19,057)	(53,798)	(41,990)
Total Assets less Current Liabilities	40,841	49,795	63,617	76,882
Capital and Reserves				
Paid-in capital	5,000	5,000	5,000	5,000
Reserves	35,841	44,795	58,617	71,882
Total Equity	40,841	49,795	63,617	76,882

RESERVES

	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	2,500	21,192	23,692
Profit and total comprehensive income for the year	—	12,149	12,149
At 31 December 2013	2,500	33,341	35,841
Profit and total comprehensive income for the year	—	8,954	8,954
At 31 December 2014	2,500	42,295	44,795
Profit and total comprehensive income for the year	—	13,822	13,822
At 31 December 2015	2,500	56,117	58,617
Profit and total comprehensive income for the period	—	13,265	13,265
At 31 May 2016	2,500	69,382	71,882
Unaudited			
At 1 January 2015	2,500	42,295	44,795
Profit and total comprehensive income for the year	—	3,710	3,710
At 31 May 2015	2,500	46,005	48,505

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company or its subsidiaries have been prepared in respect of any period subsequent to 31 May 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

The Target Group is principally engaged in (i) provision of property management services; (ii) provision of engineering services and catering services; (iii) provision of sales assistance services; (iv) sales of engineering spare parts; and (v) provision of ancillary services. As at 31 May 2016, the Target Company manages 234 projects and properties with total contracted GFA of approximately 18.0 million square meters which primarily located on the Zhejiang province of the PRC.

For the year ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016, the Target Group recorded:

(a) revenue of RMB191.7 million, RMB226.9 million, RMB270.1 million and RMB122.4 million, respectively. The increase was due to (i) an increase in the revenue from property management services as a result of increase in the total revenue-bearing GFA and increase in the number of project which charged by fixed monthly property management fee from business expansion; (ii) an increase in revenue from sales of engineering spare parts; and (iii) an increase in the revenue from ancillary services;

(b) other income of RMB9.6 million, RMB10.8 million, RMB10.8 million and RMB10.4 million, respectively, which mainly consists of interest income on amount due from an associate and unconditional government grants. The unconditional government grants represents the grants and tax refund received from the relevant PRC local governments to encourage the development of property management industry on a discretionary basis;

(c) other gains and losses of RMB4.0 million, RMB2.7 million, RMB5.5 million and RMB4.3 million, respectively, which mainly consists of impairment loss recognised on trade receivables and other receivables;

(d) administrative expenses of RMB22.4 million, RMB24.3 million, RMB25.0 million and RMB11.8 million, respectively. The increase was primarily due to an increase in total number of administrative and management employees as a result of business expansion;

(e) selling and distribution expenses of RMB3.0 million, RMB3.7 million, RMB4.1 million and RMB2.2 million, respectively. The increase was primarily due to an increase in business development and marketing expenses and other expenses as a result of marketing efforts to maintain existing business and obtain new business;

(f) finance costs of RMB2.4 million, RMB3.0 million, RMB2.3 million and RMB0.8 million, respectively, which mainly consists of interest on bank borrowings wholly repayable within one year;

(g) profit for the year/period of approximately RMB8.8 million, RMB11.1 million, RMB20.2 million and RMB12.5 million, respectively.

FINANCIAL POSITION

As at 31 December 2013, 2014 and 2015 and as at 31 May 2016, the Target Group had:

(a) property, plant and equipment of RMB11.9 million, RMB11.2 million, RMB12.7 million and RMB12.1 million, which mainly consist of buildings, leasehold improvement, furniture, fixtures and equipment and motor vehicles;

(b) investment properties of nil, RMB38.7 million, RMB86.3 million and RMB87.6 million, which mainly consist of properties held under operating leases to earn rentals or for capital appreciation purposes;

(c) interests in associates of RMB6.0 million, RMB6.0 million, RMB6.0 million and RMB6.0 million, which mainly consist of the Target Company's 20% equity interests in Yongdu Property which is expected to be liquidated and the liquidation is expected to be completed before 31 December 2016;

(d) interests in joint ventures of RMB0.8 million, RMB1.0 million, RMB1.4 million and RMB1.5 million, which mainly consist of the Target Company's 35% equity interests in Yongdu Sales and 29% equity interests in Jingjing Advertising;

(e) deferred tax asset of RMB1.9 million, RMB3.5 million, RMB4.8 million and RMB5.5 million, which mainly consist of the deferred tax assets recognised for the allowance on doubtful debt on trade receivables and change in fair value of investment properties;

(f) trade and other receivables of RMB56.6 million, RMB77.3 million, RMB95.3 million and RMB121.7 million, which mainly consist of (i) trade receivables arising from business operation; and (ii) other receivables mainly comprising of payments on behalf of community residents, deposits and advances to staffs;

(g) inventories of RMB0.9 million, RMB1.8 million, RMB0.9 million and RMB1.7 million, which mainly consist of engineering spare parts;

(h) amounts due from directors of RMB4.9 million, RMB6.7 million, RMB7.3 million and RMB8.3 million, which mainly consist of amount due from Mr. He Xiaoyong;

(i) amounts due from an associate of RMB55.5 million, RMB45.0 million, RMB12.4 million and RMB3.4 million, which mainly consist of amount due from Yongdu Property;

(j) amounts due from non-controlling equity holders of the subsidiaries of RMB4.7 million, RMB4.3 million, RMB4.3 million and RMB4.3 million, which mainly consist of amount due from Ms. Dong Ping'er;

(k) financial assets designated at fair value through profit or loss of RMB4.5 million, nil, nil and nil. During the years ended 31 December 2013, the Target Group has entered into a structured deposit contract with a bank. The principal amount was guaranteed but the return was not guaranteed by the bank. The contract has been classified as financial assets designated as at fair value through profit or loss on initial recognition. The expected return rate stated in the contract is 2.7% per annum for the years ended 31 December 2013 and 2014. In the opinion of the management of the Target Group, the fair value of the structured deposit at 31 December 2013 approximated its principal amount. The structured deposit held by the Target Group as at 31 December 2013 has been subsequently settled during the year ended 31 December 2014 at its principal amount together with return which approximated the expected return. There was no balance as at 31 December 2014 as the relevant contract has been fully redeemed before 31 December 2014;

(l) bank balances and cash of RMB21.8 million, RMB22.3 million, RMB29.5 million and RMB26.4 million;

(m) trade and other payables of RMB85.8 million, RMB105.4 million, RMB120.6 million and RMB132.8 million, which mainly consist of receipts on behalf of residents, receipts in advances, deposits received and accrued staff costs;

(n) amounts due to associates of RMB1,000, RMB1,000, RMB10.0 million and RMB1,000, which mainly consist of amount due to Yongdu Property;

(o) amounts due to joint ventures of RMB0.4 million, RMB1.6 million, RMB1.2 million and RMB2.0 million, which mainly consist of the amounts due to Yongdu Sales and Jingjing Advertising;

(p) amounts due to non-controlling equity holders of the subsidiaries of nil, RMB1.6 million, RMB1.3 million and RMB1.3 million, which consist of amounts due to Ms. Chen Wei and Ms. Xu Jingjing;

(q) tax liabilities of RMB6.6 million, RMB13.2 million, RMB18.3 million and RMB21.3 million, which mainly consist of provision for PRC Enterprise Income Tax and the tax rate of PRC companies is 25%;

(r) borrowings of RMB31.3 million, RMB39.3 million, RMB33.5 million and RMB32.6 million, which consist of secured and unguaranteed bank borrowings, unsecured and guaranteed bank borrowings and secured and guaranteed bank borrowings;

(s) a total asset of approximately RMB169.7 million, RMB217.9 million, RMB261.5 million and RMB279.0 million, which mainly consist of property, plant and equipment, investment properties, trade and other receivables, amount due from an associate and bank balances and cash;

(t) a total liability of approximately RMB124.2 million, RMB161.3 million, RMB184.9 million and RMB190.0 million, which mainly consist of trade and other payables and borrowings.

PROSPECTS

The management of the Target Company is positive about the prospects of the Target Group. Economy of the PRC has been experiencing a slower but sustainable growth and domestic consumption has contributed more and more to growth of the gross domestic production. Looking into the future, the PRC government is committed to (i) pivoting from investment-led growth in industry and infrastructure toward services and consumption; and (ii) focusing on inciting domestic demand and rebalancing of the economy. As a more supportive government and a more stabilized environment are conducive to the success of a property project, the Company is of the view that the Target Group can seize these opportunities in a blooming property industry in the PRC.

Moreover, the rise of the middle-class in the PRC during the past two decades is phenomenal, and this trend is expected to continue for decades. This is due partly to the prodigious pace of urbanization. Millions of people in the PRC are moving up along the economic ladder, and as they progress, their tastes and requirements will mature. With the customer base expanding, the Company is therefore positive of the futures of the Target Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, 2014, 2015 and 31 May 2016, the Target Group had a current liability of approximately RMB124.2 million, RMB161.3 million, RMB184.9 million and RMB190.0 million, respectively, which represents the entire liabilities of the Target Group. As at 31 December 2013, 2014, 2015 and 31 May 2016, the Target Group had total cash and cash equivalents of approximately RMB21.8 million, RMB22.3 million, RMB29.5 million and RMB26.4 million, respectively, and net current assets of RMB20.6 million, net current liabilities of RMB8.1 million, RMB39.0 million and RMB27.9 million, respectively.

For the years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016, cash flow from operating activities was RMB16.2 million, RMB19.3 million, RMB25.8 million and RMB0.2 million, which was primarily from operating cash flows before movements in working capital of RMB21.0 million, RMB26.3 million, RMB39.9 million and RMB23.7 million, which was negatively affected by increase in trade and other receivables primarily due to expansion of business operation, the effect of which were partially offset by the increase in trade and other payables as a result of expansion of property management business. For the years ended 31 December 2013, 2014 and 2015, net cash used in investing activities was RMB7.6 million, RMB26.7 million and RMB19.4 million, resulting from repayments from directors and an associate, the effect of which was partially offset by advances to directors and an associate. For the five months ended 31 May 2016, net cash from investing activities was RMB7.6 million, resulting from advances to directors and an associate, the effect of which was partially offset by repayments from directors and an associate. For the years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016, net cash (used in)/from financing activities was RMB(5.0) million, RMB7.9 million, RMB0.9 million and RMB(11.0) million, resulting from new bank borrowings raised, the effect of which was partially offset by interest paid and repayments of bank borrowings.

As at 31 December 2013, 2014, 2015 and as at 31 May 2016, the Target Group had no funding requirements for capital expenditure commitments. For the years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016, all borrowings of the Target Group are denominated in RMB and are based on either fixed interest rate or variable interest rate. As at 31 May 2016, the Target Group did not expect any capital commitments or other major expenditures.

The Target Group's gearing ratio (defined as total interest-bearing liabilities divided by the Target Group's total equity) was 68.8%, 69.4%, 43.8% and 36.6% as at 31 December 2013, 31 December 2014, 31 December 2015 and 31 May 2016, respectively.

SIGNIFICANT INVESTMENT

For the years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016, the Target Group had not made any significant investments.

TREASURY POLICIES

As at 31 December 2013, 2014, 2015 and 31 May 2016, the Target Group had no specific treasury policies.

CHARGES ON GROUP ASSETS

As at 31 December 2014 and 2015 and 31 May 2016, investment properties of RMB38.7 million, RMB70.4 million and RMB71.5 million were pledged to secure certain banking facilities granted to the Target Group.

Save as disclosed above, the Target Group had no obligations under finance leases which were secured by the leased assets acquired under the finance leases as at 31 December 2013, 2014, 2015 and 31 May 2016.

HEDGING ARRANGEMENT

As at 31 December 2013, 2014, 2015 and 31 May 2016, the Target Group did not enter into any financial instruments for hedging purposes.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2015, the Target Group acquired 20% equity interests of Yongdu Elevator for a consideration of RMB0.3 million from non-controlling equity holders and the Target Group's equity interests of Yongdu Elevator increased from 65% to 85%.

Save as disclosed above, the Group had no other material acquisition and/or disposal of subsidiaries and properties for the years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016.

SEGMENT INFORMATION

For the years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016, the Target Group was principally engaged in (i) provision of property management services; (ii) provision of engineering services and catering services; (iii) provision of sales assistance services; (iv) sales of engineering spare parts; and (v) provision of ancillary services.

FUTURE PLAN

As at 31 May 2016, the Target Group did not have any future plan for material investments or capital assets.

FOREIGN EXCHANGE EXPOSURES

For the years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016, the normal operations and investments of the Target Group were solely in the PRC, with revenue and expenditure denominated in RMB. Therefore, the Target Group did not have significant foreign exchange exposure. However, the Target Group will closely monitor this risk exposure as required.

CONTINGENT LIABILITY

The Target Group had no other material contingent liability as at 31 December 2013, 2014, 2015 and 31 May 2016.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, 2014, 2015 and 31 May 2016, the Target Group employed a total of about 2,908, 3,556, 4,089 and 4,501 employees, respectively. The Target Group's staff recruitment and promotion are primarily based on individuals' merits, relevant experiences, development potentials for the positions offered and performance. Staff remuneration and benefit policies, which are formulated by reference to the market, are competitive and performance based.

I. FINANCIAL INFORMATION OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Financial information of the Group for the years ended 31 December 2013 and 2014 is disclosed on pages I-8 to I-83 of the prospectus of the Company dated 13 November 2015, which is published on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk/, and the website of the Company at http://www.gdzawy.com. A quick link to the prospectus is set out at: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1113/LTN20151113021.pdf

Financial information of the Group for the year ended 31 December 2015 is disclosed on pages 75 to 176 of the annual report of the Company for the year ended 31 December 2015, which is published on the website of the Stock Exchange at http://www.hkexnews.hk/, and the website of the Company at http://www.gdzawy.com. A quick link to the annual report of the Company is set out at: http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN201604291033.pdf.

Financial information of the Group for the six months ended 30 June 2016 is disclosed in the interim results announcement of the Company, which is published on the website of the Stock Exchange at http://www.hkexnews.hk/, and the website of the Company at http://www.gdzawy.com. A quick link to the interim results announcement of the Company is set out at: http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0822/LTN20160822980.pdf

II. INDEBTEDNESS

As at the close of business on 30 June 2016, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had below outstanding balance:

	RMB'000
Bank borrowings of the Group	43,459
Bank borrowings of the Target Group	32,570
Amounts due to non-controlling shareholders of a subsidiary of the Company	4,608
Amount due to an associate of the Target Company	1
Amounts due to joint ventures of the Target Company	2,308
Amounts due to equity holders of the Target Company	12
Amounts due to non-controlling equity holders of subsidiaries of the Target Company	1,310
	84,268

Bank borrowings of the Group was RMB43,459,000 as at 30 June 2016, of which RMB8,459,000 was guaranteed by a subsidiary of the Company and an independent third party and unsecured, RMB35,000,000 was secured by bank deposits of the Group and unguaranteed.

Bank borrowings of the Target Group was RMB32,570,000 as at 30 June 2016, of which RMB12,570,000 was secured by certain properties of the Target Group and unguaranteed, RMB20,000,000 was secured by certain properties of the Target Group and guaranteed by a) a shareholder of an associate of the Target Company; b) Target Company; c) five directors of the Target Company, who are also equity holders of the Target Company; d) a non-controlling equity holder of two subsidiaries of the Target Company; e) three equity holders of the Target Company; and f) a former equity holder of the Target Company.

Amounts due to non-controlling shareholders of a subsidiary of the Company of RMB4,608,000, an associate of the Target Company of RMB1,000, joint ventures of the Target Company of RMB2,308,000, equity holders of the Target Company of RMB12,000 and non-controlling equity holders of subsidiaries of the Target Company of RMB1,310,000 as at 30 June 2016 are unsecured and unguaranteed.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans debt securities or other similar indebtedness, finance leases or hire purchases commitments, liabilities under acceptance or acceptance credits or any guarantee or other material contingent liabilities outstanding as at the close of business on 30 June 2016.

III. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to us including the available banking facilities, our internally generated funds and the cash flow impact of the Acquisition, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this Circular.

IV. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change to the financial or trading position of the Group since 31 December 2015, being the date to which the latest audited consolidated financial statement of the Company were published.

V. OUTLOOK AND PROSPECTS

During the year ended 31 December 2015, the business of the Group mainly consisted of property management services and sales assistance services. Under property management business line, the Group primarily provides property developers and property owners with a broad range of property management services to mostly residential properties; while under sales assistance business line, the Group provides property developers with cleaning, security and maintenance of model homes and sales centers and provides general assistance to facilitate the sales process of the properties.

The Target Company is engaged in the provision of property arrangement services and has 234 projects and properties with total GFA of approximately 18.0 million square meters under its management.

According to China Index Academy, the property management market is highly fragmented and there is a trend of consolidation in the property management industry. Through the Acquisition, the Enlarged Group will be able to strengthen market position, expand into new geographies and gain new capabilities. It is expected that the acquisition targets will be located in areas with high population density and advanced economic development in the future.

The Enlarged Group intends to continue to apply their operating model and their automation, standardization and centralization measures to acquired businesses as part of their integration. The Enlarged Group's standardized operating model and processes allow it to effectively manage an expanding business with increasing complexity.

VI. OTHER INFORMATION

(a) liquidity and Financial Resources

The Group maintains a strong and healthy financial position, the Group's principal sources of funds to finance the working capital, capital expenditure and other capital requirements were internally generated by cash flows and bank loans. As at 31 December 2015, net working capital (calculated as current assets less current liabilities) was RMB421.7 million. The current ratios (calculated as current assets/current liabilities) was 3.1 times as at 31 December 2015.

As at 31 December 2015, the Group's total bank balances and cash together with pledged bank deposits were RMB511.9 million. As at 31 December 2015, the group had total bank borrowings of RMB29.6 million which were variable rate borrowings and denominated in RMB, among which, RMB20.0 million was secured by the Group's bank deposits.

(b) Exchange Rate Fluctuations

The Group principally focused on the 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 year ended 31 December 2015, despite the depreciation of RMB against USD and HKD, the Directors did not expect any fluctuation of the RMB exchange rate would 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. The Target Group had not entered into any hedging arrangement in respect of foreign exchange exposure in the three years ended 31 December 2013, 2014 and 2015 and for the five months ended 31 May 2016.

(c) 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 31 December 2015, the Group was in a strong financial position with a net cash position amounting to RMB482.3 million. Accordingly, no gearing ratio was presented.

(d) Employee and Remuneration Policy

As at 31 December 2015, the Group had approximately 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 pre-ipo share option scheme in April 2015 which allows the Directors to grant share options to, among other persons, Directors and employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group. For the year ended 31 December 2015, the Group granted an aggregate of 80,000,000 share options to certain Directors and employees of the Group.

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

(e) Material Acquisition and Disposals of Subsidiaries or Associated Companies

For the year ended 31 December 2013, the Group acquire 100% equity interest of Hangzhou Huachang Property Management Company Limited (杭州華昌物業管理有限公司), a limited liability company established in the PRC and principally engaged in residential property management services. The consideration of the acquisition is RMB1,000,000.

In February 2016, the Group successfully acquired 70% equity interest in Eastern Harbour Engineering Management Limited ("Eastern Harbour"). Eastern Harbour is principally engaged in property management service in Shanghai where it has 11 properties under management.

Save as disclosed above, the Group had no other material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2015.

VII. SEGMENT INFORMATION

For the three years ended 31 December 2013, 2014 and 2015, the Group was principally engaged in the provision of property management services.

The information set out in this Appendix IV, which does not form part of the Accountants' Report on 浙江永成物業管理有限公司 as set out in "Appendix I — Accountants' Report on the Target Group" and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information of Group" set out in Appendix III and the "Accountants' Report on the Target Group" set out in Appendix I.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation of the unaudited pro forma consolidated financial information of the enlarged group

On 26 July 2016, Zhong Ao Home Group Limited (the "Company") entered into an equity transfer agreement and joint venture agreement (the "Agreements") with 10 individuals (the "Vendors") being the equity holders of 浙江永成物業管理有限公司 (for identification purpose only, in English, Zhejiang Yongcheng Property Management Company Limited) (the "Target Company"), in relation to the proposed major acquisition of 70% equity interest in the Target Company (the "Acquisition") at aggregate cash consideration of RMB210,000,000.

The unaudited pro forma financial information that includes unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition on the basis of notes set out below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 31 December 2015.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2015 or at any future dates.

The unaudited pro forma statement of assets and liabilities is prepared based on (i) the consolidated statement of financial position of the Company as at 31 December 2015 as extracted from the consolidated financial statements of the Company set out in the latest published annual report of the Company; and (ii) the consolidated statement of financial position of the Target Company at 31 May 2016 as extracted from the Accountants' Report on the Target Company set out in Appendix I to this Circular, after making pro forma adjustments in relation to the Acquisition that are (1) directly attributable; and (2) factually supportable as if the Acquisition had taken place on 31 December 2015.

(II) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group	Pro forma adjustments of the Target Company and its subsidiaries (the "Target Group")					Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current assets							
Property, plant and equipment	22,007	12,050					34,057
Investment properties	—	87,640					87,640
Payments for acquisition of properties	59,504	—					59,504
Interests in associates	—	6,000		(6,000)			—
Interests in joint ventures	1,045	1,466					2,511
Goodwill	41	—	150,723				150,764
Intangible assets	89	—					89
Amounts due from non-controlling equity holders of the subsidiaries	—	4,298					4,298
Deferred tax assets	9,894	5,456					15,350
	92,580	116,910					354,213
Current assets							
Inventories	—	1,715					1,715
Trade and other receivables	106,134	121,681					227,815
Amount due from a related party	178	—					178
Amounts due from directors	—	8,254					8,254
Amount due from an associate	—	3,401					3,401
Amounts due from equity holders of the Target Company	—	618					618
Pledged bank deposits	62,834	—					62,834
Bank balances and cash	449,107	26,417	(210,000)	6,000	(6,505)		265,019
	618,253	162,086					569,834
Current liabilities							
Trade and other payables	154,695	132,832					287,527
Amounts due to associates	—	1					1
Amounts due to joint ventures	—	1,989					1,989
Amounts due to equity holders of the Target Company	—	12					12
Amounts due to non-controlling equity holders of the subsidiaries	—	1,310					1,310
Tax liabilities	19,485	21,280					40,765
Borrowings due within one year	22,361	32,570					54,931
	196,541	189,994					386,535
Net current assets (liabilities)	421,712	(27,908)					183,299
Total assets less current liabilities	514,292	89,002					537,512

	The Group		Pro forma adjustments the Target Group				Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current liabilities							
Borrowings due after one year	7,279	—					7,279
Liabilities for cash-settled share-based payments	5,276	—					5,276
Other long-term payable	—	—				77,451	77,451
Total non-current liabilities	12,555	—					90,006
Net assets	501,737	89,002					447,506

Notes:

1. The amounts are extracted from the latest published consolidated financial statements of the Company for the year ended 31 December 2015.

2. The adjustment was made to consolidate the Target Group as if the Acquisition is completed as of 31 December 2015. The amounts are extracted from the consolidated statement of financial position of the Target Group as at 31 May 2016 as indicated in the Accountants' Report on the Target Company for each of the three years ended 31 December 2015 and the period ended 31 May 2016 as set out in Appendix I to this Circular.

3. Pursuant to the Agreements, the aggregate consideration for the Acquisition of 70% equity interest in the Target Company is RMB210,000,000 subject to adjustments pursuant to the Agreements which will be settled by cash. Despite the fact that as at the pro forma date and the date of this Circular, purchase price allocation is not yet conducted, for simplicity and for the purpose of the preparation of the unaudited pro forma consolidated statement of assets and liabilities, the Directors of the Company have deemed the cash consideration to be RMB210,000,000 without adjustments and assuming it is settled entirely by reducing "bank balances and cash". The Directors of the Company are of the view that:

   (i) intangible assets and contingent liabilities, if any, would not be material.

   (ii) the impact of the contingent consideration arrangement which may cause cash consideration of RMB210,000,000 and the consideration for the forward contract in relation to acquisition of the remaining 30% non-controlling equity interest in the Target Company to be adjusted based on future profit of the Target Group for the specified periods pursuant to the Agreements would not be material.

   Based on the above considerations, the Directors of the Company are of the view that the fair value of the net assets of the Target Group as at 31 May 2016 approximate to the carrying amounts of the net assets of the Target Group as at 31 May 2016. The difference between the cash consideration of RMB210,000,000 for the Acquisition of the Target Company and the fair value of the 70% net assets attributable to the owners of the Target Company (i.e. 70% of RMB84,682,000), of RMB59,277,000, amounted to RMB150,723,000, is recorded as goodwill by the Enlarged Group. For simplicity and for the purpose of the preparation of the unaudited pro forma consolidated statement of assets and liabilities, it is also assumed that the fair value of the net identifiable assets acquired as at 31 December 2015 equal to the carrying amount of the net assets acquired recorded by the Target Company as of 31 May 2016. Since the purchase price allocation in accordance with HKFRS 3 Business Combinations is not complete at the pro forma date nor the date of the Circular, and the fair values of identifiable assets and liabilities acquired of the Target Group including unrecorded intangible asset and contingent liability, if any, at the actual date of completion of the Acquisition will be different from those presented above and as a result, the final amount of goodwill to be recognised by the Group will be different.

   The Directors of the Company have assessed whether there is any impairment on the goodwill recorded in accordance with the requirements set out in HKAS 36 Impairment of Assets. For the purpose of impairment assessment, goodwill has been allocated to the cash generating unit ("CGU") which carried out property management services. The recoverable amount of the CGU has been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets prepared by the Directors of the Company covering a five-year period and at a discount rate of 16% per annum. The cash flows beyond the five-year period are extrapolated using a growth rate of 0%. Cash flow projections during the budget period for the CGU are based on management's estimate of cash inflows/outflows including revenue, gross profit, operating expenses and working capital requirements. The assumptions and estimation are based on the CGU's past performance and management's expectation of market development. The Directors of the Company have concluded that there is no impairment in respect of the goodwill. The Directors of the Company confirmed that they will apply the consistent accounting policies and principal assumptions to assess the impairment of the provisional goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36.

4. According to the Agreements, the Vendors shall complete the liquidation of Ningbo Yongdu Property Co., Ltd. (寧波永都置業有限公司) ("Yongdu"), the associate of the Target Company (the "Liquidation"). If the Liquidation is completed on or before the Completion, the Target Company will receive the residual distribution from Yongdu and the shortfall of the residual distribution and RMB6,000,000, if any, from the Vendors. If the Liquidation is completed after the Completion, the equity interest in Yongdu will be held by the Target Company on behalf of the Vendors and the related risks and rewards are considered to be retained by the Vendors until Liquidation, the Target Company will receive the residual distribution from Yongdu. The residual distribution of Yongdu in excess of RMB6,000,000 will be returned to the Vendors and the Vendors shall repay the Target Company for the shortfall of the residual distribution and RMB6,000,000, if any.

   The Directors of the Company considered that the Target Company is acquired to continue the expansion of the Group's property management operations, not for the development of Yongdu.

5. The adjustment represents estimated expenditures incurred directly in connection with the Acquisition which is charged to profit or loss of the Group including legal fees, printing costs, accountants' fees, and other related expenses to be borne by the Group of approximately RMB6,505,000.

6. Pursuant to the Agreements, the Company will acquire from the Vendors further 30% non-controlling equity interests in the Target Company in four tranches by 2020. The considerations ("Contingent Considerations") are contingent and will be adjusted based on the future financial performance of the Target Group and capped at RMB22,500,000 for each tranche.

   On the assumption mentioned in note 3(ii) above, the Directors of the Company have assumed that the settlement amount of the Contingent Considerations to be RMB22,500,000 for each tranche.

   The repayment schedule of the Contingent Considerations will be determined as follows:

Settle in	**Nominal value of the settlement amount**
2017	RMB22,500,000
2018	RMB22,500,000
2019	RMB22,500,000
2020	RMB22,500,000

   The pro forma fair value of Contingent Considerations at 31 December 2015 is assumed to be RMB77,451,000 by discounting their nominal values to their present value at an effective interest rate of 5.51% per annum.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Zhong Ao Home Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhong Ao Home Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2015 and related notes as set out on pages IV-2 to IV-5 of the circular issued by the Company dated 26 August 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed major acquisition of 70% equity interest in 浙江永成物業管理有限公司 (for identification purpose only, in English, Zhejiang Yongcheng Property Management Company Limited) on the Group's financial position as at 31 December 2015 as if the proposed major acquisition had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2015, on which an auditor's report has been published.

Directors' Responsibilities for the unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 26 August 2016

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interests of Directors in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO); or (2) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares

Name of Director	Capacity in which interests were held	Number of shares	Approximate % of shareholding
Liu Jian	Interest of a controlled corporation *(Note 1)*	435,820,000	54.48%
Wei Zhe	Interest of a controlled Corporation *(Note 2)*	94,262,000	11.78%

Notes:

(1) Dawngate Limited ("Dawngate") holds 40% of the issued share capital of Qichang International Limited ("Qichang") and is taken to be interested in all the shares of Qichang and all the Shares held by Qichang for the purposes of Part XV of the SFO. The issued share capital of Dawngate is held as to 15% by Mr. Liu and 85% by Hilton Assets (PTC) Limited as trustee of the Liu Family Trust. Being the settlor of the Liu Family Trust, Mr. Liu is taken to be interested in all the Shares that the Liu Family Trust is interested under Part XV of the SFO; and

(2) Central Oscar Holdings Limited ("Central Oscar") is held as to approximately 95.5% and 4.5% by Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P. respectively, both of which are managed by Vision Knight Capital (China) GP II,

L.P. ("VKC"), an exempted limited partnership registered under the laws of the Cayman Islands, the general partner of which is VKC (China) GP II Ltd. VKC (China) GP II Ltd. is wholly-owned by VKC Cayman II Ltd. Both of VKC (China) GP II Ltd and VKC Cayman II Ltd are limited companies incorporated under the laws of the Cayman Islands. VKC Cayman II Ltd is owned as 50% by Mr. Wei Zhe and 50% by Mr. Zhu Daming. Under the SFO, each of VKC, VKC (China) GP II Ltd, VKC Cayman II Ltd, Mr. Wei Zhe and Mr. Zhu Daming is deemed to be interested in the 94,262,000 Shares held by Central Oscar.

(ii) Long positions in underlying Shares

Name of Director	**Capacity in which interests were held**	**Number of underlying shares**	**Approximate % of shareholding**
Lin Jian	Beneficial owner	1,809,000	0.23%
Chen Zhuo	Beneficial owner	1,809,000	0.23%
Liang Bing	Beneficial owner	1,809,000	0.23%
Long Weimin	Beneficial owner	1,809,000	0.23%
Wei Zhe	Beneficial owner	16,000,000	2.00%
Lam Yiu Por	Beneficial owner	2,063,511	0.26%

Save as disclosed above, as at the Latest Practicable Date, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock exchange pursuant to the Model Code.

(b) Interests of Directors in the assets of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2015, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

(c) Interests of Directors in contracts

The table below summarizes the significant transactions that the Group entered into with related parties during the years ended 31 December 2014 and 2015:

Related parties	Relationship	Transactions	2014	2015
			RMB'000	*RMB'000*
Guangzhou Xunhua Electric Technology Company Limited, a company controlled by Mr. Liu Jian	Mr. Liu Jian is a shareholder and director of the Company	Provision of services to the Group	1,761	1,012
		Purchase of property, plant and equipment for the Group	19	Nil
Ms. Chen Zhuo	A shareholder and director of the Company	Provision of rental services to the Group	4	12
Mr. Liu Jian	A shareholder and director of the Company	Provision of rental services to the Group	Nil	50

Save as disclosed above, there is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	Capacity and nature of interest	Number of Shares/ Underlying Shares	As to an approximate percentage of the Company's Issued share capital	*Notes*
Hilton Assets (PTC) Limited	Trustee	435,820,000	54.48%	*1*
Dawngate	Interest of a controlled corporation	435,820,000	54.48%	*2*
Qichang	Beneficial owner	435,820,000	54.48%	
Zhu Daming	Interest of a controlled Corporation	94,262,000	11.78%	*3*
VKC Cayman II Ltd.	Interest of a controlled corporation	94,262,000	11.78%	*3*
VKC (China) GP II Ltd.	Interest of a controlled corporation	94,262,000	11.78%	*3*
Vision Knight Capital (China) GP II, L.P.	Interest of a controlled corporation	94,262,000	11.78%	*3*
Vision Knight Capital (China) Fund II, L.P.	Interest of a controlled corporation	94,262,000	11.78%	*3*
Central Oscar	Beneficial owner	94,262,000	11.78%	
上海伍翎投資中心(有限合夥)	Interest of a controlled corporation	54,000,000	6.75%	*4*
上海易乘資產管理有限公司	Interest of a controlled corporation	54,000,000	6.75%	*4*
上海易德臻投資管理中心(有限合夥)	Interest of a controlled corporation	54,000,000	6.75%	*4*
上海恒璣資產管理中心(有限合夥)	Interest of a controlled corporation	54,000,000	6.75%	*4*
Decision Holdings Limited	Beneficial owner	54,000,000	6.75%	
上海譽鉑投資管理有限公司	Interest of a controlled Corporation	54,000,000	6.75%	*4*
Briarwood Capital Partners LP	Investment manager	48,352,000	6.04%	

Notes:

(1) The issued share capital of Dawngate is held as to 15% by Mr. Liu and 85% by Hilton Assets (PTC) Limited as trustee of the Liu Family Trust, a trust with Mr. Liu as founder and established in accordance with the laws of the Cayman Islands. The discretionary beneficiaries of the Liu Family Trust include Mr. Liu and immediate family members of Mr. Liu.

(2) Dawngate holds 40% of the issued share capital of Qichang and is taken to be interested in all our Shares held by Qichang for the purposes of Part XV of the SFO. Each of Suiya Investment Limited, Signgain Limited and Onsure Limited, being the wholly-own investment holding company of Ms. Chen Zhuo, Mr. Liang Bing and Mr. Long Weimin respectively, holds 20% of the issued share capital of Qichang.

(3) Central Oscar is held as to approximately 95.5% and 4.5% by Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P. respectively, both of which are managed by VKC, an exempted limited partnership registered under the laws of the Cayman Islands, the general partner of which is VKC (China) GP II Ltd. VKC (China) GP II Ltd. is wholly-owned by VKC Cayman II Ltd. Both of VKC (China) GP II Ltd and VKC Cayman II Ltd are limited companies incorporated under the laws of the Cayman Islands. VKC Cayman II Ltd is owned as 50% by Mr. Wei Zhe and 50% by Mr. Zhu Daming. Under the SFO, each of Vision Knight Capital (China) Fund II, L.P., VKC, VKC (China) GP II Ltd, VKC Cayman II Ltd, Mr. Wei Zhe and Mr. Zhu Daming is deemed to be interested in the 94,262,000 Shares held by Central Oscar.

(4) Decision Holdings Limited ("Decision Holdings") is wholly-owned by Shanghai Hengji Assets Management Center (L.P.) ("Hengji"), a limited partnership registered under PRC laws, the general partner of which is Shanghai Yidejin Investment Management Center (L.P.) ("Yidejin"), which is also a limited partnership registered under PRC laws. Yidejin is managed by Shanghai Yubo Investment Management Company Limited ("Yubo"), a limited company established in the PRC which is an indirect subsidiary of E-House (China) Holdings Limited. Under the SFO, each of Hengji, Yidejin and Yubo is deemed to be interested in the 54,000,000 Shares held by Decision Holdings.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Enlarged Group which does not expire or which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING BUSINESS INTEREST OF DIRECTORS

Mr. Liang Bing is a minority shareholder of Guangzhou Koalac Network Technology Company Limited ("Koalac") and owns 9.6% equity interest in Koalac. From 7 May 2014 to 7 September 2015, Mr. Liang was appointed as a director of Koalac. Koalac is an information technology startup that was established under the laws of the PRC on 7 May 2014 and is principally engaged in the operation of community O2O platform. However, the Group consider that such potential competition is not and is unlikely to be significant (details are set out in the section headed "Directors, Senior Management and Employees" of the prospectus issued by the Company dated 13 November 2015).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts have been entered into by the Enlarged Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material:

(a) an equity transfer agreement dated 4 July 2014 and entered into between Guangdong Zhong Ao Property Management Company Limited and Ningbo Bailong Property Company Limited in relation to the transfer of 50% equity interest in Ningbo Disai Hotel Property Services Company Limited from Ningbo Bailong Property Company Limited to Guangdong Zhong Ao Property Management Company Limited for a consideration of RMB750,000;

(b) an equity transfer agreement dated 18 September 2014 and entered into between Guangdong Zhong Ao Property Management Company Limited and Ningbo Disai Holding Group Limited in relation to the transfer of 10% equity interest in Ningbo Disai Hotel Property Service Company Limited from Ningbo Disai Holding Group Limited to Guangdong Zhong Ao Property Management Company Limited for a consideration of RMB150,000;

(c) an equity transfer agreement dated 13 October 2014 and entered into between Guangdong Zhong Ao Property Management Company Limited and Jinguo Innovation (Beijing) Technology Company Limited in relation to the transfer of 20% equity interest in Guangzhou Daojia Information Technology Company Limited from Jinguo Innovation (Beijing) Technology Company Limited to Guangdong Zhong Ao Property Management Company Limited for a consideration of RMB300,000;

(d) an equity transfer agreement dated 29 November 2014 and entered into between Guangdong Zhong Ao Property Management Company Limited and Jiusheng Computer Software Company Limited in relation to the transfer of 5% equity interest in Guangzhou Daojia Information Technology Company Limited from Guangdong Zhong Ao Property Management Company Limited to Jiusheng Computer Software Company Limited for a consideration of RMB19,264;

(e) an equity transfer agreement dated 1 December 2014 and entered into between Guangdong Zhong Ao Property Management Company Limited and Wang Hongwei (王紅衛) in relation to the transfer of the entire equity interest in Guangzhou Zhong Ao Construction Investment Company Limited from Guangdong Zhong Ao Property Management Company Limited to Wang Hongwei for a consideration of RMB10,000,000;

(f) an equity transfer agreement dated 28 December 2014 and entered into between Guangdong Zhong Ao Property Management Company Limited and Wang Hongwei (王紅衛) in relation to the transfer of 90% equity interest in Guangzhou Zhong Ao Hotel Investment Company Limited from Guangdong Zhong Ao Property Management Company Limited to Wang Hongwei for a consideration of RMB9,000,000;

(g) an equity transfer agreement dated 10 April 2015 and entered into among Guangzhou Xuji Property Management Services Company Limited, Guangzhou Zhong Ao Property Management Company Limited, Mr. Liu Jian, Ms. Chen Zhuo, Mr. Long Weimin and Mr. Liang Bing whereby Mr. Liu, Ms. Chen, Mr. Long and Mr. Liang agreed to sell the aggregate entire equity interest in Guangzhou Zhong Ao Property Management Company Limited to Guangzhou Xuji Property Management Services Company Limited at an aggregate consideration of RMB10,000,000;

(h) a share purchase agreement dated 3 February 2015, entered into by Central Oscar with, among others, the Company, the controlling shareholders of the Company, Suiya Investments Limited, Onsure Limited, Signgain Limited, Ms. Chen Zhuo, Mr. Long Weimin, Mr. Liang Bing, and the then subsidiaries in relation to the subscription of 150 Shares for an aggregate consideration of US$20,000,000;

(i) (i) a share purchase agreement dated 3 February 2015, entered into by Shanghai Hengji Assets Management Center (L.P.) with, among others, the Company, the controlling shareholders of the Company, Suiya Investments Limited, Onsure Limited, Signgain Limited, Ms. Chen Zhuo, Mr. Long Weimin, Mr. Liang Bing and the then subsidiaries in relation to the subscription of 90 Shares for an aggregate consideration of US$12,000,000; and (ii) an incidental novation agreement dated as of 17 April 2015, by Decision Holdings, and the parties to the share purchase agreement, pursuant to which Decision Holdings, the wholly-own subsidiary of Shanghai Hengji Assets Management Center (L.P.), would take up all the rights and obligations of Shanghai Hengji Assets Management Center (L.P.) under the share purchase agreement;

(j) a Pre-IPO Shareholders' Agreement dated 3 February 2015 and as amended on 29 June 2015, entered into by the Company with, the relevant Pre-IPO Investors, the controlling shareholders of the Company, Suiya Investments Limited, Onsure Limited, Signgain Limited, Ms. Chen Zhuo, Mr. Long Weimin, Mr. Liang Bing and the then subsidiaries; and the incidental novation agreement dated as of 17 April 2015 entered into by Decision Holdings and the parties to the Pre-IPO Shareholders' Agreement in relation to their respective rights and obligations in the Company;

(k) a cooperation agreement dated 17 July 2015, entered into among Hangzhou Yidao Information Technology Company Limited, Guangzhou Zhong Ao Property Management Company Limited and Luo Tao, the representative of the Hangzhou O2O Team, in relation to the equity incentives granted to the employees of Hangzhou Yidao Information Technology Company Limited;

(l) an equity interest transfer agreement dated 5 February 2016 and entered into between Zhong Ao Property Services (Hong Kong) Limited and Ko Hoi Cheung and Lo Wai Lee in relation to the transfer of 70% equity interest in Eastern Harbour Engineering Management Limited from Ko Hoi Cheung and Lo Wai Lee to Zhong Ao Property Services (Hong Kong) Limited for a consideration of RMB12,066,038.

(m) a Hong Kong Underwriting Agreement;

(n) a Deed of Non-competition; and

(o) a deed of indemnity dated 5 November 2015 and executed by each of the Controlling Shareholders in favor of the Company.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or letter contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified public accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu has given and has not withdrawn their written consent to the issue of this circular with the inclusion therein of their letters and references to their names, in the form and context in which they are included.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding in any member of the Enlarged Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Enlarged Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. GENERAL

(a) The company secretary of the Company is Mr. Yu Ho Ming, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The principal place of business of the Company in Hong Kong is at Suite Nos. 5 and 6, 9th Floor, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Hong Kong.

(d) The branch share registrar in Hong Kong of the Company is Computershare Hong Kong Investor Services Limited.

(e) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Suite Nos. 5 and 6, 9th Floor, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the Extraordinary General Meeting:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the annual reports of the Company for the years ended 31 December 2015;

(d) the accountants' report on the Target Company, the text of which is set out in Appendix I to this circular;

(e) the accountants' report in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(f) the material contracts referred to in the section headed "Material Contracts" of this appendix;

(g) the written consents of the experts referred to in the section headed "Expert and Consents" of this appendix;

(h) the Agreement; and

(i) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Zhong Ao Home Group Limited (the "**Company**") will be held at Suite Nos. 5 and 6, 9th Floor, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Hong Kong on Thursday, 15 September 2016 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the agreement dated 26 July 2016 (the "**Agreement**") entered into between Zhong Ao Home Investment Company Limited (the "**Purchaser**"), an indirectly wholly-owned subsidiary of the Company, and ten individual shareholders of Zhejiang Yongcheng Property Management Company Limited (the "**Target Company**") (collectively, the "**Sellers**"), a copy of which is tabled at the meeting and marked "**A**" and initialed by the chairman of the meeting for identification purposes, pursuant to which the Purchaser will acquire 70% of the registered capital of the Target Company for a consideration of RMB210 million, be and is hereby approved, confirmed and ratified; and

   (b) any one director of the Company be and is hereby authorized to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder."

2. "**THAT**

   (a) the proposed acquisition of the remaining 30% interests in Yongcheng Property Management Company Limited on terms as set out in the agreement dated 26 July 2016 entered into between Zhong Ao Home Investment Company Limited and ten individuals in respect of the acquisition of Zhejiang Yongcheng Property Management Company Limited be and is hereby approved and confirmed; and

(b) any one director of the Company be and is hereby authorized to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder."

By order of the Board
Zhong Ao Home Group Limited
Liu Jian
Chairman

Hong Kong, 26 August 2016

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.

3. In order to be valid, the form of proxy in the prescribed form together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

4. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such an event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

6. The register of members of the Company will be closed from Tuesday, 13 September 2016 to Thursday, 15 September 2016 (both days inclusive) to determine the entitlement to attend and vote at the above meeting. During such period no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 12 September 2016 for registration.